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- 13 April 2000 [shall come into force from 17 May 2000];
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- 8 March 2001 [shall come into force from 4 April 2001];
- 10 May 2001 [shall come into force from 5 June 2001];
- 20 December 2001 [shall come into force from 1 January 2002];
- 9 October 2002 [shall come into force from 7 November 2002];
- 12 December 2002 [shall come into force from 1 January 2003];
- 13 February 2003 [shall come into force from 6 March 2003];
- 28 February 2003 [shall come into force from 1 July 2003];
- 19 June 2003 [shall come into force from 22 July 2003];
- 9 October 2003 [shall come into force from 5 November 2003];
- 31 March 2004 [shall come into force from 1 May 2004];
- 16 December 2004 [shall come into force from 11 January 2005];
- 21 April 2005 [shall come into force from 1 July 2005];
- 1 December 2005 [shall come into force from 27 December 2005];
- 30 March 2006 [shall come into force from 3 May 2006];
- 25 May 2006 [shall come into force from 28 June 2006];
- 14 September 2006 [shall come into force from 11 October 2006];
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- 19 December 2006 [shall come into force from 1 January 2007];
- 1 March 2007 [shall come into force from 9 March 2007];
- 17 May 2007 [shall come into force from 12 June 2007];
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- 11 December 2008 [shall come into force from 1 January 2009];
- 30 April 2009 [shall come into force from 29 May 2009];
- 21 May 2009 [shall come into force from 23 June 2009];
- 11 June 2009 [shall come into force from 14 July 2009];
- 12 June 2009 [shall come into force from 1 July 2009];
- 1 December 2009 [shall come into force from 1 January 2010];
- 17 December 2009 [shall come into force from 13 January 2010];
- 20 May 2010 [shall come into force from 23 June 2010];
- 17 June 2010 [shall come into force from 1 July 2010];
- 9 August 2010 [shall come into force from 2 September 2010];
- 9 September 2010 [shall come into force from 7 October 2010];
- 23 September 2010 [shall come into force from 19 October 2010];
- 21 October 2010 [shall come into force from 24 November 2010];
- 28 October 2010 [shall come into force from 1 December 2010];
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- 14 April 2011 [shall come into force from 17 May 2011];

5 May 2011 [shall come into force from 8 June 2011];  
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 17 December 2015 [shall come into force from 19 January 2016];  
 21 April 2016 [shall come into force from 1 January 2017];  
 23 November 2016 [shall come into force from 1 January 2017];  
 15 December 2016 [shall come into force from 12 January 2017];  
 22 December 2016 [shall come into force from 19 January 2017];  
 30 March 2017 [shall come into force from 26 April 2017];  
 8 June 2017 [shall come into force from 23 June 2017];  
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 25 October 2018 [shall come into force from 28 November 2018];  
 1 November 2018 [shall come into force from 28 November 2018];  
 10 January 2019 [shall come into force from 16 January 2019];  
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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 Duties

### Chapter I General Provisions

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

The following terms are used in this Law:

1) **tax** - a mandatory periodic or one-off payment laid down in law for ensuring the revenues of the State budget or local government budgets (general budget or special budget) and the funding of the functions of the State and of local governments. The payment of taxes does not imply any compensation to the taxpayer directly. The abovementioned term shall also apply to the mandatory State social insurance contributions, as well as customs duty and other equivalent payments determined in the directly applicable legal acts of the European Union regarding customs matters;

2) **State duty** - a mandatory payment into the State budget or, in the cases laid down in this Law, into the local government budget for the activity to be performed by the State or local government institution arising from the functions of the respective institution. The State duties are intended for regulating (controlling, promoting or imposing restrictions) the activities of persons. The amount of a State duty is not directly related to the covering of the costs of the functions performed by the authority;

3) **local government duty** - a mandatory payment into the general or special budget of the local government imposed by the local government council in the cases provided for in this Law. The amount of a local government duty is not directly related to the covering of the costs of the functions performed by a local government authority or a structural unit thereof;

4) **taxpayers** - natural or legal persons of the Republic of Latvia or foreign countries and groups of such persons or their representatives formed on the basis of contracts or agreements, who are engaged in performance of taxable activities or who have been guaranteed income in the future. The specific taxable object and the taxpayers affected shall be laid down 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 the payments to other persons, groups thereof or group representatives shall also be considered taxpayers;

5) **tax administration** - the State Revenue Service and authorities established by it, the officials appointed or institutions established by the local government council, as well as other State authorities if they are provided for in specific laws;

5<sup>1</sup>) **State duty administration** - an authority, except for a local government authority or a structural unit thereof, which in accordance with the procedures laid down in laws and regulations provides a service or guarantee resulting from the functions thereof for which a State duty is payable and transferable into the State budget, and concurrently controls the payment of the State duty payable and performs the accounting thereof, unless otherwise provided for by laws and regulations;

5<sup>2</sup>) **local government duty administration** - a local authority or a structural unit thereof which in accordance with the procedures laid down in laws and regulations provides a service or guarantee resulting from the functions thereof for which the local government duty or State duty is payable and transferable into the local government budget;

6) **tax rebate** - a share of tax by which the assessed tax may be reduced if the taxpayer has met the provisions of a specific tax law or it is provided for in the criteria laid down in the law. In accordance with the provisions of this Law, a tax rebate shall be either refundable or non-refundable;

7) [26 October 2006];

8) **taxation period** - the time period (year, month, etc.) 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 for establishing, changing, maintaining, or terminating a legal relationship;

12) **capitalisation of tax debts** - the increasing of the equity capital of a capital company by the amount of its tax debts;

13) **special tax arrangements** - tax arrangements laid down in laws providing for the application of a special tax rebate, special procedures for writing off the depreciation of fixed assets, or laying down of special criteria for tax exemption, or also a concurrent application of all abovementioned conditions;

14) **evasion of tax or duty payments** - deliberate provision of false information in tax declarations, failure to submit tax declarations, informative declarations or requested information necessary for the administration and control of taxes, unlawful application of tax deductions, advantages, and rebates or any other deliberate act or omission leading to a non-payment of taxes or duties in full amount or in part;

15) **observation** - control performed by the tax administration where all activities related to conducting of economic activity are recorded according to the legal address of the taxpayer or the place where economic activity is conducted in a specific period of time;

16) **tax review (audit)** - a review performed by the tax administration during which the accuracy and conformity of calculation, payment, and transfer into the budget of one or more taxes, tax declaration items or duties and other statutory payments with the laws and regulations is controlled for a specific taxation period;

17) **thematic inspection** - a review performed by the tax administration in which the conformity with individual laws and regulations is controlled, specific accounting records are examined, comparing them with the accounting information of the counterparties to the transaction, as well as other reviews are performed which do not result in determination of additional tax payments into the budget;

18) **related persons** - two or more natural or legal persons (except for capital companies the relation of which constitutes capital shares or stocks that are directly owned by the State or a local government) or a group of such persons related under a contract, or representatives of such persons or group, provided that at least one of the following conditions is present:

a) they are parent and subsidiary commercial companies or co-operative societies;

b) the share of holding of one commercial company or co-operative society in the other company is from 20 to 50 per cent, furthermore, this parent and subsidiary commercial company or co-operative society does not have a majority of votes. This Sub-clause shall not refer to the determination of the conditionally distributed profits in accordance with Section 4, Paragraph two, Clause 2, Sub-clause "e" of the Enterprise Income Tax Law, except for the case when a transaction is conducted with a related foreign enterprise;

c) more than 50 per cent of the share capital or the value of the shares of the commercial company or co-operative society in each of these two or more commercial companies or co-operative societies is held or a decisive influence is ensured, by contract or otherwise, in these two or more commercial companies or co-operative societies (there is a majority of votes) by one and the same person and the kin of this person to the third degree or the spouse of this person, or the affines of this person to the second degree;

d) more than 50 per cent of the share capital or the value of the shares of the commercial company or co-operative society in each of these two or more commercial companies or co-operative societies is held or a decisive influence is ensured, by contract or otherwise, in these two or more commercial companies or co-operative societies (there is a majority of votes) by several, however, not more than 10 one and the same persons;

e) more than 50 per cent of the share capital or the value of the shares of the commercial company or co-operative society in each of these two or more commercial companies or co-operative societies is held or by contract or otherwise a decisive influence is in these two or more commercial companies or co-operative societies (there is a majority of votes) by a commercial company or co-operative society in which a natural person (or the kin of this person to the third degree or the spouse of this person, or the affines of this person to the second degree), hold more than 50 per cent of the share capital of these companies or value of shares;

f) one and the same person or one and the same persons have a majority of votes on the boards of directors (executive bodies) of these commercial companies or co-operative societies;

g) in addition to a contract for a specific transaction in any form, these persons have entered into an agreement (including an agreement which has not been made public) providing for any additional remuneration not laid down in the contract or such commercial companies or co-operative societies engage in other forms of coordinated activities with a view to reducing their taxes;

h) a natural person (or his or her relatives to the third degree or spouse, or those in affinity with such natural person to the second degree) directly or indirectly owns more than 50 per cent of the value of the equity capital or shares of a commercial company or of the value of co-operative shares of a co-operative society, or a natural person (or his or her relatives to the third degree or spouse, or those in affinity with such person to the second degree) whose decisive influence has been ensured on a commercial company or co-operative society under a contract or otherwise;

19) **tax declaration** - a tax declaration (also its appendices), statement, tax assessment, report, or notice of a taxpayer that are due for submission to the tax administration, in which taxes due for payment into the budget and tax amounts refundable from the budget are to be indicated;

20) **informative declaration** - taxpayer's statements (also their appendices) and notices which contain information that is due for submission to the tax administration or another party in accordance with the requirements of the tax laws to be submitted to the tax administration, as well as other information to be used for the calculation of tax which is provided for in specific tax laws, but which does not result in a tax liability for the taxpayer or the right to claim a tax refund from the budget;

21) **tax infringement** - an unlawful, chargeable (deliberate or negligent) act or omission which results in the violation of the legal norms of this Law, specific tax laws, and other laws and regulations governing taxes, and legal norms of the European Union and for which liability is provided for;

22) **late payment charge** - interest payment for late payment of taxes and duties;

23) **fine** - a mandatory payment imposed as a result of a tax review (audit) for the reduction of the tax liability due for payment into the budget or for increasing the amount of taxes recoverable from the budget in the tax declarations submitted or due for submission to the tax administration or assessed by the tax administration in cases when a taxpayer adjusts its tax declaration and pays the adjusted tax according to the adjusted declaration after receipt of the notice of the commencement of a tax review (audit) or a decision on the change of the terms of the tax review (audit), or which is imposed by the tax administration for a violation of the regulations for submission or drawing up of transfer price documentation;

24) **unit** - a structurally segregated economic unit of a legal person or a group of legal and natural persons formed by a contract or agreement or representatives thereof (other parties) at the place of which economic activity is performed in the Republic of Latvia or outside it. A unit does not have a status of a legal person. A unit shall also be deemed a website or mobile application containing systems for trade in goods or services and acceptance or completion of orders, an order system or a settlement system, or on which other economic activity is carried out by generating proceeds;

25) **joint intergovernmental tax audit** - an independent tax review (audit) in respect of the transactions performed by taxpayers and the conformity of tax payments with laws and regulations, performed by the tax authorities of at least two countries upon prior agreement according to the international agreements ratified by the *Saeima* or the legal acts of the European Union. The abovementioned term also applies to simultaneous checks and combined controls;

26) **statutory payment** - a payment into the State budget provided for by law or Cabinet regulations and administered by the State Revenue Service (except for payments of tax, State and local government duty payments);

27) **data conformity audit** - a review performed by the tax administration during which the accuracy of the calculation of taxes, tax declaration items or duties and other statutory payments and conformity thereof with the provisions of laws and regulations is controlled, assessing the information at the disposal of the tax administration, the data specified in the taxpayer's tax declarations and informative declarations if these declarations have been submitted or should have been submitted to the tax administration. Data conformity audit shall be performed in the premises of the tax administration, without requesting the taxpayer to supply the documents supporting the taxpayer's economic activity, except for the audits of customs declarations according to Regulation (EU) No 952/2013 of the European Parliament and of the Council of 9 October 2013 laying down the Union Customs Code for the purposes of which the tax administration is entitled to request the necessary documents from the taxpayer;

28) **tax claim** - a claim for the payment of the outstanding taxes, duties and other statutory payments, as well as late payment charges and penalties. The abovementioned term also applies to the payments due to the budget of a Member State of the European Union, its territorial or administrative unit or the budget of the European Union. For the purpose of requests for mutual assistance this term shall also comprise the costs related to the recovery of these claims;

29) **transfer price** - a price (value) of goods or services or other value or regulations applied to a controlled transaction, or existing in commercial or financial relations between the related persons who correspond to the persons referred to in Clause 18 of this Section or Paragraph two, Clauses 1, 2, 3, and 4 of Section 15.<sup>2</sup>;

29<sup>1</sup>) **controlled transaction** - a transaction between two persons who are related persons in relation to each other within the meaning of Clause 18 of this Section, or a transaction conducted with the person referred to in Section 15.<sup>2</sup>, Paragraph two, Clauses 1, 2, 3, and 4 of this Law;

29<sup>2</sup>) **multinational enterprise group** - a collection of enterprises directly or indirectly related through ownership or control in accordance with Clause 18 of this Section which includes two or more enterprises with residences in different countries or territories;

29<sup>3</sup>) **related foreign enterprise** - a legal person or other legal entity which corresponds to Clause 18 of this Section and constitutes a commercial company (a partnership or a capital company), a co-operative society or other legal person governed by private law whose country of residence is other than the Republic of Latvia;

30) **risk address** - the address of a taxpayer if at least one of the following conditions exists:

a) the State Revenue Service has identified that performing of economic activity either at the taxpayer's legal address or registered structural unit, if such exists, is not possible;

b) the legal address of the taxpayer or the address of the declared place of residence of the sole shareholder or official of the commercial company is the address of a social institution which provides temporary accommodation for such persons which do not have a specific place of residence or for persons in a crisis situation, or the address of a place of imprisonment;

31) **person of risk** - a natural person who conforms to at least one of the following criteria:

a) the person has agreed to hold the office of a member of the board of directors of the commercial company

without the purpose of performing commercial activity;

b) the address of the declared place of residence of the person conforms to the term "risk address" referred to in Clause 30 of this Section;

c) the person is or has been an official in the commercial company and during the time when he or she fulfilled the official duties such circumstances set in which were the grounds for suspending economic activity of the commercial company, or two years have not elapsed from the day when the State Revenue Service took a decision to suspend the economic activity of the commercial company;

d) the person who as a result of performing economic activity has accrued late tax payments which exceed EUR 7000, if the term for payment thereof in accordance with the procedures laid down in laws and regulations has not been extended or an application for insolvency proceedings has not been submitted to the court, the State Revenue Service does not have a legally approved deed regarding impossibility of recovery at the disposal thereof and three years from the day of tax payment term have not elapsed,

e) the person has or has not been an official in the commercial company, and during the time period when he or she fulfilled official duties the commercial company has accrued late tax payments which exceed EUR 15 000, if the term for payment thereof in accordance with the procedures laid down in laws and regulations has not been extended or the commercial company has not submitted an application for insolvency proceedings to the court, the State Revenue Service does not have a legally approved deed regarding impossibility of recovery at the disposal thereof and three years from the day of tax payment term have not elapsed;

**32) type of the principal activity** - a type of activity of the taxpayer (except natural persons who do not perform economic activity) classified in accordance with Regulation (EC) No 1893/2006 of the European Parliament and of the Council of 20 December 2006 establishing the statistical classification of economic activities NACE Revision 2 and amending Council Regulation (EEC) No 3037/90 as well as certain EC Regulations on specific statistical domains (Text with EEA relevance) (hereinafter - NACE Rev. 2) with the highest proportion in the total turnover in the taxation year. The type of the principal activity for taxpayers which commence economic activity, shall be determined according to the planned indicators of turnover;

**33) payment service provider** - a payment service provider specified in Section 2, Paragraph two, Clauses 2, 3, 4, 7, and 8 of the Law on Payment Services and Electronic Money which is not a credit institution and the activities of which include the settlement of non-cash payments;

34) [The Clause shall come into force on 1 January 2021 and shall be included in the wording of the Law as of 1 January 2021. See Paragraph 207 of Transitional Provisions]

*[6 June 1996; 4 December 1997; 9 October 2002; 28 February 2003; 9 October 2003; 26 October 2006; 8 November 2007; 11 December 2008; 21 May 2009; 1 December 2009; 13 October 2011; 15 March 2012; 21 June 2012; 14 March 2013; 6 November 2013; 27 February 2014; 17 September 2015; 23 November 2016; 16 November 2017; 25 October 2018; 1 November 2018 / Amendment to Clause 24 by which the definition of a unit is extended shall come into force on 1 January 2019. See Paragraphs 214 and 217 of Transitional Provisions]*

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

(1) The Law prescribes the principles for the tax and duties system, types of State taxes, types of duties, objects of local government duties, the procedures for determining, assessing, collecting, and recovering taxes and duties, the rights and obligations of the tax and duties payers (hereinafter - the taxpayers) and the tax administration, as well as the State duty administration and local government duty administration (hereinafter - the duty administration), the classification of the taxpayers and procedures for their registration, the procedures for contesting and appealing decisions taken on tax and duty matters, the procedures for exchanging information in the field of taxation, recording of electronic information at a construction site and the procedures for its use, as well as the liability for tax infringements.

(2) This Law shall apply to all taxes and duties unless the law on the specific tax does not provide for other procedures in accordance with the nature of the particular tax or duty which may not be in contradiction with this Law. The procedures for determining and collecting the customs duty and for applying sanctions shall also be governed by the Customs Law and other laws and regulations governing the procedures in customs matters.

(3) A specific tax or duty shall be levied in accordance with the law on the specific tax or duty, as well as in the cases provided for in this Law in accordance with the provisions of the Cabinet regulations or binding regulations of the local governments.

(4) If the provisions of the Cabinet regulations or binding regulations of the local government provide for mandatory payments which conform to the terms "tax" or "local government duty" referred to in Section 1 of this Law, but which have not been provided for in this Law, the application of such norms shall not be permissible until the relevant amendments to this Law have come into force.

(5) The provisions of this Law shall apply to customs tax and other equivalent payments insofar as the application thereof is not governed by the relevant directly applicable legal acts of the European Union.

*[6 June 1996; 22 October 1998; 14 December 2000; 9 October 2003; 31 March 2004; 26 October 2006; 11 December 2008; 17 September 2015; 16 November 2017 / The new wording of Paragraph one and the amendment to Paragraph four shall come into force on 1 January 2018. See Paragraph 201 of Transitional Provisions]*

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

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

- 1) the State taxes, the taxable objects and rates of which are determined by the Saeima;
- 2) the State duties levied in accordance with laws and Cabinet regulations;
- 3) the local government duties levied in accordance with this Law, Cabinet regulations and binding regulations of local governments;
- 4) the taxes specified in the directly applicable legal acts of the European Union.

(2) The law on the specific tax may grant local governments the right to apply reliefs to such payments which are payable into the local government budgets and to determine the object and rate of the immovable property tax. The law on the specific tax may provide rights for the Cabinet to determine the rate of mandatory contributions for persons who are not subject to all types of social insurance.

(3) The law on or the Cabinet regulations regarding the specific State duty may grant local governments the right to apply reliefs to such State duties which are payable into the local government budgets.

*[28 February 2003; 26 October 2006; 8 November 2007; 11 December 2008; 26 January 2012; 30 November 2015; 16 November 2017 / Amendments to Paragraph one, Clauses 2 and 3 shall come into force on 1 January 2018. See Paragraph 201 of Transitional Provisions]*

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

(1) The personal income tax and enterprise income tax form a single income tax system.

(2) Any person who generates income in the Republic of Latvia shall be subject to the personal income tax or enterprise income tax unless otherwise provided for in the law on the specific tax.

(3) The personal income tax or enterprise income tax shall be levied on any income generated by persons who are domestic taxpayers unless otherwise provided for in the law on the specific tax.

(4) The personal income tax and enterprise income tax may not be concurrently levied on the same income unless otherwise provided for in the law on the specific tax.

### **Section 5. Regulations**

(1) Only the specific laws or Cabinet regulations shall lay down the procedures for applying the provisions of the norms of taxes and duties.

(2) The State Revenue Service shall issue guidelines to taxpayers on the procedures for completing tax declarations and accounting of tax payments in the taxpayers' accounts.

*[19 December 2006]*

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

(1) Taxes and duties shall be assessed and paid in euros and cents. The diplomatic and consular institutions of the Republic of Latvia in foreign countries may pay State duties in a convertible currency or in the currency of the relevant foreign state.

(2) The tax administration may not waive its rights to claim the payment for the benefit of another person or assign its rights to claim the payment of taxes, duties and related payments to any other person with the exception of tax debt recovery and the sale of seized and inventoried property in the cases laid down in other tax laws.

(3) The set-off of taxes, duties, and payments related thereto shall not be permissible.

*[6 June 1996; 14 December 2000; 9 October 2003; 19 September 2013]*

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

(1) If international agreements ratified by the Saeima provide for different tax assessment or payment procedures than the tax laws of the Republic of Latvia, the provisions of such international agreements shall apply.

(2) For foreign diplomatic and consular representations and employees thereof, as well as members of their families whose place of permanent residence is not the Republic of Latvia, tax and duty payments shall be determined in accordance with the requirements laid down in the Vienna Convention on Diplomatic Relations of 18 April 1961 and the Vienna Convention on Consular Relations of 24 April 1963.

(3) The Cabinet may issue regulations regarding the procedures for applying tax rebates laid down in the international agreements ratified by the Saeima.

(4) The procedures for exchanging information between the competent authorities of Latvia and a foreign country in terms of providing and obtaining the relevant information which is expected to be necessary for the performance of the functions of the tax administration or relevant information in accordance with the requirements laid down in the international agreements ratified by the Saeima, as well as the information to be indicated in information requests shall be determined by the Cabinet.

*[14 December 2000; 30 March 2006; 13 December 2012; 14 March 2013 / The new wording of Paragraph four shall come into force on 1 July 2013. See Paragraph 150 of Transitional Provisions]*

### **Section 7.1 In-Depth Cooperation Programme**

(1) The purpose of the In-Depth Cooperation Programme is to facilitate a closer and more efficient cooperation between taxpayers and the tax administration and to lessen the administrative burden.

(2) A taxpayer included in the In-depth Cooperation Programme (hereinafter - the participant of the programme) has the right to receive advantages and relief applicable to the participant of the programme that are:

1) prescribed by the relevant laws and regulations;

2) applied by the relevant institutions which publish the information regarding the specific advantages and relief on their website.

(3) The State Revenue Service shall maintain a list of the participants of the programme and ensure public availability of such list on its website.

(4) The Cabinet shall determine:

1) the procedures for including a taxpayer in the In-depth Cooperation Programme;

2) the criteria for acquiring the status of a participant of the programme;

3) the criteria for alerting the participant of the programme to non-conformity and for exclusion thereof from the In-depth Cooperation Programme;

4) the procedures for alerting the participant of the programme to non-conformity and excluding him or her from the In-depth Cooperation Programme;

5) the procedures for publishing information regarding the participant of the programme on the website of the State Revenue Service.

*[27 September 2018 / The new wording of the Section shall come into force on 1 January 2019. See Paragraph 210 of Transitional Provisions]*

### **Section 7.2 Notification of the Documents Issued by the State Revenue Service by Electronic Means**

(1) The State Revenue Service shall notify a taxpayer who is a user of the Electronic Declaration System of the State Revenue Service of an issued administrative act (also an unfavourable administrative act) and other decisions, documents and information by using the Electronic Declaration System of the State Revenue Service, concurrently sending the information to this effect to the e-mail address and, if the official electronic address account of the taxpayer has been activated, the official electronic address of the taxpayer indicated in the Electronic Declaration System. The State Revenue Service shall ensure that the taxpayer has access to the Electronic Declaration System of the State Revenue Service and administrative acts (also unfavourable administrative acts), and other decisions, documents and information notified therein from the official electronic address account.

(2) An administrative act (also an unfavourable administrative act) and other decisions, documents and information issued by the State Revenue Service shall be considered to have been notified to the taxpayer on the second working day after entering it in the Electronic Declaration System of the State Revenue System.

(3) The provisions referred to in Paragraphs one and two of this Section shall not apply to cases when a taxpayer which is a user of the Electronic Declaration System of the State Revenue System has indicated another means for the notification of the particular document.



*[13 December 2012; 17 September 2015; 16 November 2017 / Amendments to Paragraph that provides for ensuring access to the Electronic Declaration System of the State Revenue Service from the official electronic address account shall come into force on 1 March 2018. See Paragraph 203 of Transitional Provisions]*

## **Chapter II Taxes**

### **Section 8. Types of State Taxes and Laws Corresponding Thereto**

The Republic of Latvia has the following State taxes and laws corresponding thereto on the levying of taxes:

- 1) the personal income tax - On Personal Income Tax;
- 2) the enterprise income tax - Enterprise Income Tax Law;
- 3) the immovable property tax - On Immovable Property Tax;
- 4) the value added tax - Value Added Tax Law;
- 5) the excise duty - On Excise Duty;
- 6) the customs duty - Customs Law and other laws and regulations applicable to customs matters;
- 7) the natural resources tax - Natural Resources Tax Law;
- 8) the lottery and gambling tax - On Lotteries and Gambling Fee and Tax;
- 9) the mandatory State social insurance contributions - On State Social Insurance;
- 10) [8 June 2017];
- 11) the electricity tax - Electricity Tax Law;
- 12) the micro-enterprise tax - Micro-enterprise Tax Law;
- 13) the vehicle operation tax - Law on the Vehicle Operation Tax and Company Car Tax;
- 14) the company car tax - Law on the Vehicle Operation Tax and Company Car Tax;
- 15) the subsidised electricity tax - Subsidised Electricity Tax Law;
- 16) the solidarity tax - Solidarity Tax Law.

*[13 November 1997; 4 December 1997; 14 October 1998; 25 November 1999; 9 October 2003; 31 March 2004; 30 March 2006; 19 December 2006; 9 August 2010; 20 December 2010; 14 March 2013; 6 November 2013; 30 November 2015; 8 June 2017; 25 October 2018]*

### **Section 9. Allocation of State Taxes by Budgets**

(1) State taxes are paid into the State budget or according to a specified allocation thereof - into the State budget and local government budgets in accordance with the provisions of the law on the specific tax.

(2) The fine for the violations of tax laws, late payment charges and additional payments of taxes payable into the budgets shall be paid into the same budgets into which the specific tax shall be paid by preserving the proportional allocation of taxes, unless otherwise provided for in the law on the specific tax.

*[20 December 2001]*

## **Chapter III Duties**

### **Section 10. Duties System**

(1) The objects of State duties shall be determined in accordance with laws, whereas the objects of local government duties - in accordance with this Law. Considering the principles set out in this Law, State duties shall be applied in accordance with this Law, other laws, as well as Cabinet regulations, if the respective law by which the State duty is levied provides for the delegation to the Cabinet to issue regulations for the application of the State duty. Local government duties shall be applied in accordance with this Law, other laws, Cabinet regulations and binding

regulations of local governments.

(2) The Cabinet regulations regarding State duties must provide for the procedures, rates, rebates, exemptions, as well as the procedures for refunding State duties in cases of an unfavourable final decision unless otherwise provided for in the provisions of this Law and other laws. The State duty for the issuance of a special permit (licence) for importing and exporting of goods and services provided for in laws or Cabinet regulations must not exceed the average cost related to the issuance thereof.

(3) The binding regulations of local governments regarding the levying of local government duties must provide for their payment procedures, the objects subject to duties, rates, exemptions, and reliefs, as well as other requirements laid down in other laws and Cabinet regulations.

(4) [16 November 2017]

*[4 December 1997; 11 December 2008; 14 March 2013; 16 November 2017 / The new wording of Paragraph one shall come into force on 1 January 2018. See Paragraph 201 of Transitional Provisions]*

### **Section 11. Objects of State Duties**

[6 November 2017 / See Paragraph 201 of Transitional Provisions]

### **Section 12. Objects of Local Government Duties**

(1) The local government council has the right to levy local government duties within their administrative territory in accordance with procedures specified in Cabinet regulations on:

- 1) receipt of official documents drawn up by a local government council and certified copies thereof;
- 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 kinds of animals;
- 6) entering of special regime areas by vehicles;
- 7) placement of advertisements, posters and announcements in public places;
- 8) keeping of boats, motorboats and yachts;
- 9) use of the local government insignia;
- 10) issue of a construction permit or acceptance of a construction intention, making a note in the endorsement or certification card, in accordance with the procedures laid down in the laws and regulations governing construction;
- 11) maintenance and development of the local government infrastructure.

(2) [11 December 2008]

(3) If the local government council or its institutions offer services which in accordance with this Law are not subject to local government duties and if these services are chargeable, then separate accounting records shall be maintained and tax and other mandatory payments shall be made for such in accordance with this Law and the provisions of the laws on the specific taxes.

(4) The binding regulations of local governments regarding the levying of the local government duties issued by local governments shall be sent to the Ministry of Environmental Protection and Regional Development and published in accordance with the procedures laid down in Section 45 of the law On Local Governments.

(5) [11 December 2008]

(6) Unlawful binding regulations regarding local government duties shall be suspended in accordance with procedures laid down in Section 49 of the law On Local Governments.

*[6 June 1996; 14 October 1998; 16 December 2004; 8 May 2008; 20 December 2010; 14 March 2013; 17 December 2014]*

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

(1) State duties shall be paid into the State budget unless it is otherwise provided for in the law on or the Cabinet regulations regarding the specific duty. State duties which are collected by the local government duty administration

shall be paid into local government budgets.

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

*[6 June 1996; 16 December 2004; 16 November 2017 / The amendment to the second sentence of Paragraph one shall come into force on 1 January 2018. See Paragraph 201 of Transitional Provisions]*

## Chapter IV Taxpayers

### Section 14. Classification of Taxpayers

(1) Taxes (duties) laid down in the laws of the Republic of Latvia shall be paid by:

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

(2) For the purpose of tax laws a natural person shall be considered a resident if:

- 1) the declared place of residence of this person is the Republic of Latvia;
- 2) this person stays in the Republic of Latvia for 183 days or longer during any 12 month period beginning or ending in a taxation year;
- 3) this person is a Latvian citizen who is employed in a foreign country by the government of the Republic of Latvia.

(3) For the application of 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 of their first arrival to Latvia;
- 2) a natural person who is not recognised as a resident during the post-taxation year shall not be recognised as a resident during the taxation year, either, after the date of their departure from Latvia, if after this date such person has closer ties with the foreign country than with Latvia (such person owns property in the foreign country, has family residing in the foreign country or makes social insurance contributions in the foreign country).

(4) For the purpose of tax laws, a taxpayer who 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 comply with the provisions of Paragraphs two, three, and four of this Section, shall be considered non-residents. Non-residents shall pay taxes in accordance with the laws of the Republic of Latvia on income derived in the Republic of Latvia, its territorial waters and air space, as well as other taxes in accordance with the provisions of specific tax laws.

(6) A permanent establishment of a non-resident (foreign merchant) in Latvia shall be considered a separate domestic taxpayer for the purpose of the application of all taxes. If within the meaning of Paragraphs seven and eight of this Section the non-resident (foreign merchant) has a permanent establishment in Latvia, it shall be registered as a taxpayer with the State Revenue Service in accordance with the procedures laid down 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 establishment in Latvia if all of the following conditions are met concurrently:

- 1) the non-resident (foreign merchant) uses a fixed place of business in Latvia;
- 2) the place of business is used permanently or has been established for the purpose of being used permanently;
- 3) the place of business is used for performing economic activity.

(8) Notwithstanding the provisions laid down in Paragraph seven of this Section, it shall be considered that a non-resident (foreign merchant) has a permanent establishment in Latvia if the non-resident (foreign merchant) carries on at least one of the following activities in Latvia:

- 1) uses a building site or carries out a construction, assembly or installation works or performs supervisory or consultative functions related to the building site or the abovementioned works;
- 2) uses equipment or installations, drilling platforms and special ships intended for the research or extraction of

natural resources, or carries out supervisory or consultative work related thereto;

3) within a time period or time periods which in aggregate exceed 30 days in any six month period provides services, including consulting, management and technical services, engaging its employees or associated personnel;

4) uses the operation of a natural, legal or other person for the benefit of its economic activity, if the abovementioned person has been granted and habitually exercises (more than once in a taxation period) an authority to conclude contracts in the name of a foreign undertaking.

(8<sup>1</sup>) Applying Paragraph eight, Clause 4 of this Section it shall be considered that a person who has and habitually exercises (more than once in a taxation period) an authority to conclude contracts in the name of the natural, legal or other person which is located, established or incorporated in any of:

1) of the countries and territories specified in the laws and regulations regarding low-tax or tax-free countries or territories (tax havens);

2) the countries with which the Republic of Latvia has not concluded an international convention for the avoidance of double taxation and the prevention of tax evasion and such a convention has not come into force, except the Member States of the European Union.

(9) A permanent establishment of a non-resident (foreign merchant) in Latvia shall pay taxes in accordance with the laws of the Republic of Latvia on income derived in the Republic of Latvia, its territorial waters and air space, for income earned abroad but which pertains to this establishment, as well as other taxes in accordance with the provisions of specific tax laws.

*[31 March 2004; 26 October 2006; 9 August 2010; 21 June 2012; 13 December 2012]*

## **Section 15. Obligations of Taxpayers**

(1) Taxpayers shall have the following general obligations:

1) to assess payable tax amounts;

2) to pay taxes and fees in due time and to the full extent;

3) to submit the tax declarations and informative declarations provided for in this Law or laws on the specific taxes in the form of an electronic document to the tax administration within the time periods laid down in laws and regulations. Natural persons who do not perform economic activity have the right to submit tax declarations and informative declarations in the form of an electronic document or in printed form. Taxpayers shall use the electronic declaration system of the State Revenue Service for submitting tax declarations and informative declarations to the State Revenue Service in the form of an electronic document. The Cabinet shall determine the procedures by which persons who submit electronic documents are identified in the electronic declaration system of the State Revenue Service. If tax declarations or informative declarations are submitted using the electronic declaration system of the State Revenue Service, such declarations shall have legal force also if they do not contain the detail "signature";

4) for the purpose of substantiating the accuracy of tax liabilities, to retain documents supporting revenues and expenditures relating to financial and economic activities and other documents (including any information in the form of an electronic document or in printed form which affects tax liabilities and payment thereof) supporting the activities until the day such documents are necessary to fulfil the requirements concerning the traceability of economic and financial activities, but not less than for a time period of five years. In performing that obligation, the taxpayer shall ensure respect for the private life of other persons and protection of personal data;

4<sup>1</sup>) for the purpose of performing tax control measures, to provide an authorised representative of the tax administration with access to any information regarding the economic activity kept in the form of an electronic document or in printed form and data-carrying media located at the place of performance of the economic activity, if the relevant media contain information regarding the economic activity of the taxpayer, as well as to ensure the possibility for the tax administration to retrieve data on economic activity from the relevant medium required for the performance of the necessary control measures;

5) to report all income, substantiate the conformity of the amounts of taxes, duties and other statutory payments with the provisions of laws and regulations regarding the procedures for calculating and paying the amounts due to the State and local governments, by presenting or submitting the documents requested by the civil servants (employee) of the tax administration;

6) to authorise the civil servants (employees) of the tax administration to inspect the premises that are used for performing economic activity in accordance with the procedures laid down in the law;

7) to withhold taxes which are due for payment in accordance with the provisions of specific tax laws;

8) [1 December 2009];

9) to register taxes and other payments with electronic devices and equipment in accordance with the procedures laid down in this Law and Cabinet regulations;

10) if the taxpayer's accounting system is computer-based, to submit, on request of the tax administration, supporting documents and the accounting register data prepared in electronic form for the performance of tax audits;

11) to submit the requested documents which are used for the assessment of tax liabilities to the tax administration;

12) where the taxpayer maintains its accounting records electronically or registers tax and other payments in accordance with the procedures laid down in Cabinet regulations, using electronic devices and equipment - to ensure access to an authorised representative of the tax administration to the information of accounting registers processed or stored electronically, as well as to other information which affects or could have affected the calculation and payment of taxes and the possibility for the tax administration to read these data for the purposes of verification, through obtaining a functionally identical copy of the respective media. Where data are protected using passwords, encoding, encryption, or other logical protection means, the taxpayer shall submit electronically information necessary for the access to and use of the data (e.g. the encryption key) to the tax administration;

13) to comply with, in cases laid down in this Law, the prohibition to settle payment obligations or carry out transactions with a taxpayer the economic activity of which have been suspended by the State Revenue Service, except for the case provided for in Section 34.<sup>1</sup>, Paragraph ten of this Law;

14) to submit the information requested by the applicant Member State of the European Union to the tax administration this information is expected to be important for the applicant member state for the purpose of administering the taxes of a particular taxpayer. The abovementioned information shall be provided upon request of the tax administration irrespective of whether or not the relevant information is necessary for the purpose of administering the taxes of the Republic of Latvia;

15) using the electronic declaration system of the State Revenue Service, by 1 May to submit information to the tax administration on the type of principal activity of the previous taxation year, if it has changed in the previous taxation year and does not conform to the information provided by the tax administration. Taxpayers who commence economic activity shall provide the information within one month after registration of economic activity with the Enterprise Register of the Republic of Latvia or with the State Revenue Service;

16) to provide an authorised representative of the tax administration with access to information regarding transactions settled online by the taxpayer which is processed or kept by the taxpayer in the form of an electronic document or in printed form [including information on ordering and acceptance of the purchase of goods or service transactions, on payment and payment services, on e-correspondence, information related to online elements (Internet Protocol address, domain name, etc.) and any other information related to transactions settled online by the taxpayer within the scope of the economic activity] and to ensure the possibility for the tax administration to retrieve data on economic activity from the relevant medium required for the performance of the necessary control measures. If data is protected using passwords, encoding, encryption, or other logical protection means, the taxpayer shall submit electronically information necessary for the access to and use of the data (e.g. the encryption key) to the tax administration.

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

1) to obtain a salary tax booklet in accordance with the provisions laid down in the law On Personal Income Tax;

2) to submit the salary tax booklet to the employer whom the taxpayer considers its principal source of income, but, if the taxpayer is the payer of a micro-enterprise tax, the salary tax booklet shall be submitted to the micro-enterprise;

3) to retain the certificate issued in writing by the source of income regarding the taxes the employer has paid;

4) to present its personal identification documents if it is requested by the tax administration official (employee) in the course of performing their statutory duties;

5) to register with the local government one's type of individual work in accordance with the procedures and in the cases laid down in laws and regulations, as well as to register himself or herself as a taxpayer with the State Revenue Service and to notify the institution to the effect when he or she starts deriving income from economic activity;

6) to maintain accounting records of revenues from economic activity and of expenses of economic activity and to assess taxes in accordance with the procedures laid down in laws and regulations.

(3) Natural persons, if they are employers, and commercial companies, co-operative societies and other legal persons governed by private law, shall have the following additional obligations as taxpayers:

1) to maintain accounting registers according to the laid down procedures, prepare statements on their financial

and economic activity and to assess tax for the taxation year;

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

3) to register with the local tax administration office (according to the legal address) in accordance with procedures laid down in this Law and other laws and regulations;

4) to notify the local tax administration office (according to the legal address) regarding changes in their registration documents within ten days of making the changes;

5) to submit to the tax administration informative declarations regarding all individual cash transactions performed during the previous month (including any purchases) which exceed EUR 1500 in accordance with the procedures laid down in this Law and Cabinet regulations;

5<sup>1</sup>) to submit to the tax administration informative declarations regarding all cash transactions carried out during the previous year with such natural persons which need not register their economic activity in accordance with the provisions of the laws and regulations governing tax matters (including purchases, if any) if the amount of a single transaction exceeds EUR 3000 with each counterparty in accordance with the procedures laid down in this Law and Cabinet regulations;

5<sup>2</sup>) for a taxpayer which provides leasing and credit services, except for credit institutions, once a year by 1 February to submit to the tax administration informative declarations to the State Revenue Service regarding leasing and credit payments or just leasing or just credit payments and the interest payments related thereto of a natural person - resident of the Republic of Latvia - the amount of which in a month exceeds EUR 360 or the sum total of such contributions in a calendar year exceeds EUR 4320, in accordance with the procedures laid down in this Law and Cabinet regulations. The Cabinet shall determine the information to be indicated in the declaration referred to in this Clause and the procedures for submitting it;

6) to pay taxes and make other payments, including tax debts, into the State budget and local government budgets after satisfying employee claims in respect of 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 taking a decision to liquidate, re-organise or wind-up a commercial company, co-operative society and other legal person governed by private law in accordance with the procedures laid down in laws and regulations, to notify the relevant tax administration office to this effect in writing within 10 days;

8) to submit the statement, issued by the relevant tax administration office regarding the payment of taxes, to the Enterprise Register of the Republic of Latvia if the commercial company, co-operative society and other legal person governed by private law which is undergoing liquidation has completed all the measures set out in laws and regulations regarding the settlement of creditor claims, such claims have been settled and the closing (liquidation) balance sheet has been approved. A certificate regarding the taxes paid shall be submitted not later than within 10 days from the date of issuance thereof. A certificate which is submitted to the Enterprise Register of the Republic of Latvia at a later date shall not be valid;

9) a commercial company, co-operative society and other legal person governed by private law shall declare to the State Revenue Service any demand deposit accounts opened abroad, as well as any payment accounts opened abroad with a payment authority or electronic money institution within 30 days from opening thereof.

(4) The taxpayers which conform to the definition of a financial institution of Latvia determined in the Agreement between the Government of the United States of America and the Government of the Republic of Latvia to Improve International Tax Compliance and to Implement Foreign Account Tax Compliance Act (FATCA) and to which the exceptions referred to in the Agreement in relation to provision of information do not apply have a duty to provide information in the amount laid down in the Agreement for the State Revenue Service. The Cabinet shall determine the time periods and procedures for providing the information.

(5) Suspension of operation in the case laid down in Chapter XIV.<sup>1</sup> of the Commercial Law shall not exempt the taxpayer from fulfilment of the duties laid down in Paragraphs two and three of this Section.

(6) A provider of online advertising service shall be obliged to, upon receipt of a request from the State Revenue Service, provide information at its disposal regarding the posted advertisements and persons who have posted them (submitters of advertisements). Contestation or appeal of the State Revenue Service's request for information shall not suspend operation thereof.

(7) A payment service provider, a provider of the service of payment card transaction processing and an electronic money institution shall be obliged to, upon receipt of a request from the State Revenue Service, provide data at its disposal or stored thereby regarding the economic and financial activities of other persons. When applying this provision the relevant payment service provider, provider of the service of payment card transaction processing and an electronic money institution shall be obliged to provide information which they store in accordance with laws and regulations. Contestation or appeal of the State Revenue Service's request for information shall not suspend operation

thereof.

(7<sup>1</sup>) A credit institution shall be obliged to, upon receipt of a request from the State Revenue Service, provide information at its disposal regarding the payments made to a payment beneficiary from accounts opened with the credit institution, excluding personal data of payers. When providing information regarding the payment beneficiary indicated in the State Revenue Service's request, the credit institution shall include in this information personal information of the payment beneficiary, account number and the total amount of the payments made to this account for each period indicated in the State Revenue Service's request. Contestation or appeal of the State Revenue Service's request for information shall not suspend operation thereof.

(8) A provider of mobile application services and a provider of Internet or online trading services with the intermediation of which persons offer goods or services shall be obliged to, upon receipt of a request from the State Revenue Service, provide information at its disposal regarding the persons who offer goods or services by using its services, and regarding the goods or services offered by the abovementioned persons. Contestation or appeal of the State Revenue Service's request for information shall not suspend operation thereof.

(8<sup>1</sup>) A postal operator shall be obliged to, upon receipt of a request from the State Revenue Service, provide information at its disposal regarding the persons who use the services of this postal operator and the value of consignments sent by the abovementioned persons. When applying this provision the postal operator shall be obliged to provide information which it stores in accordance with laws and regulations. Contestation or appeal of the State Revenue Service's request for information shall not suspend operation thereof.

(9) A taxpayer - a constituent entity of a multinational enterprise group - has an obligation to provide a report of the multinational enterprise group on each country to the State Revenue Service. The Cabinet shall determine the conditions under which a report shall be submitted, the structure and content of the report, explanation of the terms used in the report, as well as the procedures for the preparation and submission thereof.

*[6 June 1996; 4 December 1997; 22 October 1998; 14 December 2000; 9 October 2002; 28 February 2003; 1 December 2005; 26 October 2006; 31 January 2008; 11 December 2008; 12 June 2009; 1 December 2009; 13 October 2011; 21 June 2012; 13 December 2012; 14 March 2013; 19 September 2013; 27 February 2014; 17 December 2014; 29 January 2015; 17 September 2015; 23 November 2016; 8 June 2017; 1 November 2018]*

## **Section 15.1 Registration of Taxpayers**

(1) In accordance with the procedures laid down in the law On the Latvian Enterprise Register and other laws, the Enterprise Register shall register merchants and their branches, cooperative societies, individual undertakings, farms or fish farms, branches of foreign merchants, representative offices of foreign merchants, representatives of foreign merchants, representative offices and representatives of organisations, the European economic interest groupings, the European commercial companies, the European cooperative societies, political parties, associations and foundations, trade unions, religious organisations and their institutions, as well as taxpayers and award the uniform eleven digit registration number which at the same time is also the registration code of the taxpayer. The registration certificate issued by the Enterprise Register (if such has been issued) shall concurrently become also the taxpayer's certificate.

(1<sup>1</sup>) The Enterprise Register shall include public persons and institutions in the list of public persons and institutions and assign the registration number which also serves as a registration code of a taxpayer, in accordance with the procedures laid down in the law On the Latvian Enterprise Register and other laws.

(2) [26 October 2006]

(3) [26 October 2006]

(4) The Enterprise Register shall, upon registering:

1) the branch of a merchant, assign the uniform eleven digit registration number to the branch and shall also indicate the uniform registration number of the respective merchant in the registration certificate of the branch;

2) the branch of a foreign merchant, representative office or representative of a foreign merchant, assign the uniform eleven digit registration number to the branch or representative office and issue the registration certificate of the branch or representative office.

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

(6) Such person who must be registered in the Register of Value Added Tax Payers with the State Revenue Service shall be registered by the latter in accordance with the procedures laid down in the laws and regulations governing value added tax.

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

be submitted to the State Revenue Service.

(8) The Enterprise Register shall, within one working day from registration of the subjects referred to in Paragraphs one and 1.<sup>1</sup> of this Section, send electronically information regarding each newly registered merchant and the branch thereof, co-operative society, branch of a foreign merchant, representative office of a foreign merchant, representative of a foreign merchant, representative office and representative of the organisation, European economic interest group, the European commercial company, the European co-operative society, political party, association and foundation, trade union, religious organisation and the institution thereof, public person and the institution thereof, and also information regarding the changes in the register of the Enterprise Register, commercial register, register of associations and foundations, register of public organisations, register of political parties, register of the European economic interest groups, list of public persons and institutions, to the State Revenue Service and, on the basis of an interdepartmental agreement concluded between the State Revenue Service and the Enterprise Register, send the information regarding shareholders of limited liability companies, as well as other information necessary for the purpose of ensuring the functions of the tax administration.

(9) In addition to the information laid down in Paragraph eight of this Section, the Enterprise Register shall, upon request of the State Revenue Service, provide information at their disposal regarding registered merchants and the branches thereof, co-operative societies, branches of a foreign merchant, representative offices of a foreign merchant, representatives of a foreign merchant, representative offices and representatives of organisations, the European economic interest groups, the European commercial companies, the European co-operative societies, political parties, associations and foundations, trade unions, religious organisations and institutions thereof, the persons listed on the list of public persons and institutions.

*[14 December 2000; 26 October 2006; 11 December 2008; 14 March 2013; 13 December 2012; 16 November 2017 / Amendments to Paragraphs eight and nine in relation to the function of the Enterprise Register to ensure access to information from the list of public persons and institutions shall come into force on 1 June 2018. See Paragraph 205 of Transitional Provisions]*

## **Section 15.<sup>2</sup> Obligation of a Taxpayer to Draw up and Submit Transfer Price Documentation**

(1) The transfer price documentation shall include global documentation, local documentation and report of a multinational enterprise group on each country. Provisions of this Section shall not refer to the report of a multinational enterprise group on each country.

(2) In the cases, in accordance with the procedures and to the extent specified in this Section the taxpayer referred to in the Enterprise Income Tax Law - a resident or a permanent establishment of a non-resident - shall substantiate in the global documentation and local documentation or only in the local documentation the conformity of the transaction price (value) with the market price (value) in the transactions which it conducts with the following:

- 1) the related person which may be deemed a related foreign undertaking within the meaning of this Law;
- 2) the natural persons referred to in Section 1, Clause 18 of this Law;
- 3) other commercial companies or persons if they are located, established or incorporated in low tax and tax-free countries and territories;
- 4) the related person - a resident if a transaction, commercial or financial relations according to the fulfilled functions, assumed, controlled or managed risks or used assets are economically related (occur within the framework of one supply chain) to the transactions, commercial or financial relations of such persons with another related foreign undertaking or the persons referred to in Paragraph two, Clause 3 of this Section.

(3) The taxpayer referred to in Paragraph two of this Section shall, in relation to the controlled transactions which it conducts with the persons referred to in Paragraph two, Clauses 1, 2, and 3 of this Section over the relevant reporting year, submit to the tax administration the following documentation within 12 months after the end of the relevant reporting year:

- 1) the global documentation if at least one of the following conditions is present:
  - a) amount of the controlled transactions referred to in this Section exceeds EUR 15 000 000 in the relevant reporting year,
  - b) the net turnover of the taxpayer referred to in Paragraph two of this Section exceeds EUR 50 000 000 in the relevant reporting year and the amount of the controlled transactions referred to in this Section exceeds EUR 5 000 000 in the relevant reporting year;
- 2) the local documentation if the amount of the controlled transactions referred to in this Section exceeds EUR 5 000 000 in the relevant reporting year.

(4) The taxpayer referred to in Paragraph two of this Section shall, in relation to the controlled transactions which it conducts with the persons referred to in Paragraph two, Clauses 1, 2, and 3 of this Section over the relevant reporting



year, draw up within 12 months after the end of the relevant reporting year and, if required by the tax administration, submit to it the following documentation within a month after receipt of the request:

1) the global documentation if the net turnover of the taxpayer does not exceed EUR 50 000 000 in the relevant reporting year and the amount of the controlled transactions referred to in this Section does not exceed EUR 15 000 000 but exceeds EUR 5 000 000 in the relevant reporting year;

2) the local documentation if the amount of the controlled transactions referred to in this Section exceeds EUR 250 000 but does not exceed EUR 5 000 000 in the relevant reporting year.

(5) In order to ensure that the performed functional and economic analysis, as well as the applied transfer price methodology is up-to-date, a taxpayer shall each year review the transfer price documentation drawn up in accordance with Paragraph four of this Section. If the situation affecting the transfer price methodology has not significantly changed, a taxpayer is entitled to review the transfer price documentation drawn up in accordance with Paragraph four, Clause 2 of this Section, except for the comparable financial data contained therein, every three years.

(6) Without prejudice to the right of the tax administration to request the transfer price documentation in accordance with Paragraph four of this Section, in cases when an obligation arises for a taxpayer to draw up the transfer price documentation, the tax administration is entitled to request it together with any other information which is necessary for justification of the market price (value) of a transaction, as well as to verify the risks of adjustments to transfer prices of the taxpayer and advise the taxpayer on the possible risks of adjustments to transfer prices, offer to voluntarily correct a tax declaration or invite the taxpayer to commence an advance informed agreement procedure regarding conformity of the transaction price (value) with the market price (value) in accordance with Section 16.<sup>1</sup> of this Law. In such case the taxpayer shall submit to the tax administration the transfer price documentation and any other requested information within 90 days from receipt of the request. This time period may be extended by 30 days if the taxpayer submits a reasoned request to the tax administration.

(7) The taxpayer referred to in Paragraph two of this Section shall, in relation to the controlled transaction which it conducts with the person referred to in Paragraph two, Clause 4 of this Section, draw up the local documentation if the amount of the controlled transactions referred to in this Section exceeds EUR 250 000 in the relevant reporting year and the tax administration requires drawing up of the local documentation. When requesting the local documentation in accordance with this Paragraph of the Section, the tax administration shall consider whether to request drawing up of the entire local documentation or only a specific part thereof. In the case specified in this Paragraph of the Section the local documentation shall be submitted within 90 days after receipt of a request from the tax administration. This time period may be extended by 30 days if the taxpayer submits a reasoned request to the tax administration.

(8) Global documentation shall constitute transfer price documentation which contains information regarding the entire multinational enterprise company in general and includes at least the following elements:

1) the organisational structure of the multinational enterprise group, including the legal structure and structure of property rights of capital shares or stocks, and geographical location of the units of the group;

2) the description of economic activity of the multinational enterprise group;

3) the intangible property of the multinational enterprise group;

4) the internal financial activity within the multinational enterprise group;

5) the financial reports and taxes of the multinational enterprise group.

(9) Local documentation shall constitute transfer price documentation which contains information regarding the controlled transaction conducted by the taxpayer and includes at least the following elements:

1) the information regarding the taxpayer and the multinational enterprise group related thereto;

2) the information regarding each significant controlled transaction or category of transactions in which the taxpayer is involved;

3) the financial information.

(10) The Cabinet shall determine detailed content of the information to be included in the transfer price documentation provided for in Paragraphs eight and nine of this Section.

(11) If the total value of a transaction does not exceed EUR 20 000 in the relevant reporting year, when drawing up the transfer price documentation, the taxpayer is in any case entitled not to deem it a significant transaction within the meaning of Paragraphs eight and nine of this Section and not to include information regarding it in the transfer price documentation.

(12) The taxpayer has the right not to draw up the local documentation regarding transactions in respect of which tax laws and regulations provide for simplified procedures for determining transfer prices and simplified transfer price

documentation. In such case the taxpayer shall, within 12 months after the end of the relevant reporting year, draw up and, if required by the tax administration, submit to it the simplified transfer price documentation within a month after receipt of the request. The Cabinet shall determine the information to be included in the simplified transfer price documentation.

(13) The taxpayer shall ensure that the transfer price documentation conforms with the following provisions:

1) the transfer price documentation is drawn up on the basis of information which is reasonably available within the framework of the reporting year or, if corrections are made to an enterprise income tax declaration, on the basis of information which is available at the moment of making the relevant corrections;

2) the transfer price documentation is available in electronic form which allows a search function in the text;

3) the global documentation is drawn up in Latvian or English. If the global documentation is drawn up in English, the tax administration has the right to request a translation of the entire documentation or part thereof in Latvian for the purpose of ensuring fulfilment of functions and tasks of the State administration, and the taxpayer has an obligation to submit the requested translation within a month after receipt of the request.

(14) The tax administration has the right to impose a fine upon the taxpayer of up to one percent of amount of a controlled transaction (in respect of which there is an obligation to draw up the transfer price documentation) which shall be indicated in the taxpayer's revenue or expenditure of the reporting year in the relevant reporting period, but not more than EUR 100 000 if the taxpayer has failed to comply with the deadline for the submission of the transfer price documentation referred to in this Section, as well as if the taxpayer has seriously violated the requirements for drawing up the transfer price documentation provided for in laws and regulations (the required information has not been indicated), and therefore when examining the transfer price documentation it is impossible to ascertain whether the price (value) of the conducted transaction has been determined according to the market price (value).

*[25 October 2018 / See Paragraph 214 of Transitional Provisions]*

### **Section 15.<sup>3</sup> Obligation of a Taxpayer to Identify Itself upon Offering Goods or Services on the Internet**

Upon performing economic activity and offering goods or a service on the Internet, a taxpayer, in addition to the information referred to in Section 4, Paragraph one of the Law on Information Society Services, shall indicate the following information regarding the website which is used for the performance of the economic activity:

1) actual address or place (website, mobile application, etc.) of performance of economic activity;

2) natural person - the second part of the taxpayer's registration code.

*[23 November 2016]*

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

(1) Taxpayers have the right:

1) to benefit from tax and duty reliefs provided by law;

2) to benefit from tax rebates provided by law;

3) to familiarise itself, free of charge, with statutory documents which govern the assessment of taxes and duties and payment procedures at the tax administration;

4) to familiarise itself with the reports on audit findings and documents on the audit file which relate to the particular taxpayer, except for such information contained in the reports of audit findings and audit files which is considered restricted access information in accordance with the law;

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

6) to submit to the tax administration an application for review of the payment of duties, a correction of or adjustment to a tax declaration within three years (if a correction of or adjustment to the declaration results from an adjustment to the transfer price - within five years) from the term of payment laid down in the specific laws, unless during this period a tax review (audit) has been commenced with regard to the specific taxes and the relevant tax periods, the time period for submission of the adjusted declarations specified in Section 23, Paragraph 5.<sup>1</sup> of this Law has ended or a decision has been taken to adjust the tax amount in the case specified in Section 23, Paragraph 5.<sup>2</sup> of this Law. In respect of the payment of taxes due into the State budget, the default on the payment term laid down in this Clause may be reinstated by the Director General of the State Revenue Service if the taxpayer has submitted an application for the payment of the tax not paid within the time period;

7) to get a refund of overpaid taxes in accordance with the provisions of the laws on the specific taxes;

8) to recover amounts erroneously enforced by the tax administration in accordance with the procedures laid down in Section 28 of this Law;

9) to obtain a written certificate from the source of income regarding the taxes paid by the employer;

10) to claim a refund of overpaid taxes or a set-off of the tax refund thereof against the current tax liabilities within three years of the statutory due term for the payment of the tax liability as laid down in the specific tax law;

11) to claim a refund of overpaid State duty or a set-off of the State duty refund thereof against the current tax liabilities within the three years of the day when a written opinion of such person who provided the service or gave guarantee has been issued, or a ruling of the court or judge on the refund of the State duty has entered into effect;

12) to claim a refund of the incorrectly paid (payment has been made, but the relevant activity has not been carried out in the institution or the service has not been provided, or the payment has been paid into the wrong State budget account) State duty or a set-off of the refund of the incorrectly paid State duty against the current tax liabilities within three years from the day when the State duty was paid;

13) to submit (not more than once a month) to the State Revenue Service an application on the account where the taxpayer receives remuneration for work, equivalent payments or other payments subject to the application of recovery restrictions;

14) to combine a tax warehouse with a customs warehouse or facilities for temporary storage of goods or a free area by setting up a combined warehouse for the purpose of handling excise goods which are subject to a deferred payment of the excise duty, and handling goods under customs supervision. A combined warehouse may be set up by taxpayers who have a special permit (licence) for the operation of a tax warehousekeeper (involving alcoholic beverages or tobacco products, or oil products) or a permit for the operation of a customs warehousekeeper, or a permit for the operation of facilities for temporary storage of goods, or who have been granted with a status of free area.

(2) The Cabinet shall determine:

1) the requirements and criteria according to which taxpayers acquire the right referred to in Paragraph one, Clause 14 of this Section to set up a combined warehouse;

2) the procedures for submitting and examining an application of a taxpayer for granting the status of a combined warehouse;

3) the conditions and procedures for suspending, renewing, and revoking the status of a combined warehouse.

*[9 October 2002; 28 February 2003; 26 October 2006; 13 December 2012; 17 September 2015; 23 November 2016; 8 June 2017; 16 November 2017; 25 October 2018; 1 November 2018 / New wording of Paragraph one, Clause 14 and new wording of Paragraph two shall come into force on 1 February 2019. See Paragraph 218 of Transitional Provisions]*

### **Section 16.<sup>1</sup> Advance Ruling on the Determination of the Arm's Length Price between a Taxpayer and the Tax Administration**

(1) When conducting or commencing transactions with a related foreign enterprise, the taxpayer referred to in Section 15.<sup>2</sup> of this Law is entitled to propose the conclusion of an advance informed agreement with the tax administration on the determination of the market price (value) for a particular transaction or type of transactions if the value of the transaction or the intended transaction with the related foreign person exceeds EUR 1 430 000 a year.

(<sup>1</sup>) The tax administration may, in accordance with Section 15.<sup>2</sup>, Paragraph six of this Law or upon initiative of a taxpayer in respect of the controlled transactions the value of which exceeds EUR 1 430 000 in the relevant reporting year, propose commencement of an advance informed agreement procedure regarding conformity of the transaction price (value) with the market price (value) for the previous reporting years, unless the limitation period for tax review (audit) of the transfer prices specified in this Law has expired.

(2) If a taxpayer has acted in accordance with the provisions of the concluded advance ruling and no changes have occurred in its economic activity to conflict with the abovementioned advance ruling, the tax authorities, during a tax review (audit), is not entitled to adjust the arm's length price (value) determined for the particular transaction or type of transactions.

(3) The Cabinet shall determine the procedures by which the tax administration concludes advance rulings with taxpayers for the determination of the arm's length price (value) for a particular transaction or type of transactions, as well as the fee for the conclusion of an advance ruling and the procedures for collecting thereof. The fee for drawing up of an advance ruling must not exceed the average costs related to the conclusion thereof.

*[21 June 2012; 19 September 2013; 25 October 2018 / Paragraph 1.<sup>1</sup> shall come into force on 1 January 2019. See Paragraph 215 of Transitional Provisions]*

## Chapter V

### Tax Administration and Duty Administration

*[16 November 2017 / The new wording of the title shall come into force on 1 January 2018. See Paragraph 201 of Transitional Provisions]*

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

The rights of the tax administration are laid down in this Law, the law On the State Revenue Service, and other laws.

#### **Section 18. Obligations of the Tax Administration and Duty Administration**

(1) The tax administration has the following obligations:

- 1) to ensure that taxpayers as well as the tax administration comply with the provisions of this Law and other tax (fee) laws;
- 2) to verify the accuracy of the assessment and payment of taxes, fees and other statutory payments;
- 3) to control the outstanding taxes (fees) and other statutory payments;
- 4) to impose sanctions on persons who violate the provisions of tax (fees) laws based on the provisions of laws and Cabinet regulations;
- 5) to review and decide matters regarding the extension of the term for the payment of taxes;
- 6) to verify the accuracy of the application of tax (fees) rebates and reliefs;
- 7) to submit a report on the findings to the taxpayer upon completing an audit. If the tax administration uses the documents submitted by the person directing the criminal proceedings for the purpose of the tax review (audit), an excerpt from the audit report comprising the information permitted by the person directing the criminal proceedings shall be provided to the taxpayer;
- 8) to ensure public access to the information regarding the collection of taxes (fees), by publishing the information on total revenues of specific taxes (fees) regularly, and availability of information regarding the taxpayers the outstanding debts administered by the State Revenue Service of which exceed EUR 150, except the tax liabilities the payment term of which has been extended in accordance with Section 24, Paragraphs one and 1.<sup>3</sup> of this Law, divided in instalments, deferred or divided in instalments repeatedly. Information regarding the abovementioned debtors shall be included in the database of tax (fee) debtors administered by the State Revenue Service and access thereto shall be ensured in conformity with the provisions referred to in Section 22, Paragraph one, Clause 1 and Paragraph three of this Law, as well as shall be updated on the seventh and twenty-sixth day of each month;
- 8<sup>1</sup>) to ensure public nature of tax (duty) collection by publishing information regarding the sum total of the amount of taxes (duties) administered by the State Revenue Service paid by taxpayers (merchants) in the previous taxation year every year by 1 April, reducing it by the amount of taxes refunded from the budget, indicating separately the sum total of personal income tax and the sum total of State social insurance mandatory payments, as well as the average number of persons employed;
- 8<sup>2</sup>) to ensure the fulfilment of the requirements laid down in the legal acts of the European Union in the field of aid for commercial activity for the publication of information regarding each individual aid granted that exceeds the threshold of the granted aid determined in the specific legal act of the European Union in the field of aid for commercial activity, if the aid for commercial activity has been granted in the form of a tax relief and the grantor of aid is not determined in the aid programme;
- 9) to publish information regarding the changes in the procedures laid down for the determination of tax and duty rates, fines, and late payment charges;
- 10) to take the decision to perform a tax review (audit) and not later than 10 working days prior to commencing it to notify the taxpayer in writing to this effect, specifying the date on which the tax audit will be started, the due date of the audit, the taxes and items of tax declarations to be audited, duties or other statutory payments and taxation periods to be audited as well as whether the conformity of the transfer prices with the arm's length principle will be verified;
- 11) to recover, on an uncontested basis, the unpaid taxes, late payment charges, fines and other statutory payments in accordance with the procedures laid down in Section 26 of this Law;
- 12) to ensure public access to State Revenue Service Value Added Tax Taxable Persons Register;

13) [1 December 2009 / See Paragraph 117 of Transitional Provisions];

14) ensure a publicly accessible uniform data base (register) of the tax and other payment registration electronic devices and equipment, users and maintenance service providers;

15) [31 January 2008];

16) in all cases when a taxpayer has committed a tax infringement which attracts a criminal liability to report this, within 10 working days from the date when the civil servant (employee) of the State Revenue Service has identified such infringement, to the respective public authority which shall decide on initiating criminal proceedings;

17) [23 November 2016 / See Paragraph 182.<sup>1</sup> of Transitional Provisions];

18) [23 November 2016 / See Paragraph 182.<sup>1</sup> of Transitional Provisions];

19) to ensure public access to the uniform database (register) of non-profit organisations;

20) based on the tax declarations submitted by domestic taxpayers and NACE Rev. 2 two digit classification level to summarise and ensure public availability of the information regarding:

a) the average monthly employment income of employees employed by employers who are domestic taxpayers at least in the first three quarters of the year within a period of the last four quarters of the year;

b) the amount of one twelfth of the annual taxable income from economic activity reported by natural persons who are registered as performers of economic activity and who do not employ other persons;

21) to maintain a list of risk addresses and a list of persons of risk in accordance with the criteria laid down in Section 1, Clause 31 of this Law and to provide this information to the Enterprise Register on a regular basis. The procedures by which mutual exchange of information regarding data included in the list of risk addresses and in the list of persons of risk maintained by the State Revenue Service is ensured between the State Revenue Service and the Enterprise Register of the Republic of Latvia, and the regularity of information to be provided shall be determined in an interdepartmental agreement;

22) to ensure a publicly available database (register) on natural persons performing economic activity;

23) to ensure public access to the single database (register) of invoices registered with the State Revenue Service;

24) to provide the information at the disposal of the State Revenue Service to the credit bureau regarding income of a natural person in the case laid down in Section 22.<sup>1</sup>, Paragraph one of this Law.

25) to provide the information regarding taxpayers subject to a tax review (audit) to the Enterprise Register of the Republic of Latvia on a regular basis. Mutual exchange of information regarding taxpayers subject to a tax review (audit) and the regularity of the information to be provided shall be determined in an interdepartmental agreement concluded between the State Revenue Service and the Enterprise Register;

26) to assess the information received from the Enterprise Register of the Republic of Latvia on the submitted applications for entering a record in the commercial register and to provide an opinion within 10 working days from the day of receipt of this information, indicating the information at the disposal of the State Revenue Service that is indicative of the tax risks of the holder of the right. The procedures by which mutual exchange of information is ensured between the State Revenue Service and the Enterprise Register of the Republic of Latvia on the submitted applications for entering a record in the commercial register and the regularity of information to be provided shall be determined in an interdepartmental agreement;

27) to provide the following information to the holder of the top-level domain ".lv" register on a regular basis:

a) regarding domain names the right of use whereof has been registered for taxpayers subject to a tax review (audit),

b) regarding domain names the right of use whereof has been transferred by the taxpayer for use to another taxpayer subject to a tax review (audit);

28) for the purpose of promoting the safety of business environment, fair competition, and voluntary tax compliance, to ensure publicly accessible information regarding employers whose employees receive an average monthly wage that is equal to or less than the amount of the minimum monthly wage determined in the State. The State Revenue Service shall update the abovementioned information on the twenty-fifth day of the subsequent month, indicating the name and registration number for a legal person and individual merchant, whereas the given name, surname, the second part of the personal identity number, and the year of birth - for a natural person (employer);

29) to ensure publicly accessible information regarding existence of an administrative punishment for violating the provisions regarding work remuneration imposed on a natural person and an official of a legal person for the purpose of

promoting the safety of business environment, fair competition, voluntary tax (duty) compliance, as well as in order to encourage employers to specify in the accounting records the full amount of the wage disbursed to employees. Information may be obtained on the website of the State Revenue Service regarding an official of a legal person - by entering the name and registration number of the legal person, regarding a natural person - by entering the given name, surname, and registration code of the natural person. The abovementioned information shall be publicly accessible from the moment the decision to impose an administrative punishment has entered into effect and it has not been appealed within the time period specified in the law or the relevant court ruling has entered into effect, and it shall be accessible for as long as the person is considered to be subject to an administrative punishment;

30) for the purpose of promoting timely submission of tax declarations, the safety of business environment, fair competition, and voluntary tax (duty) compliance, to publish information regarding the taxpayers who have not submitted to the tax administration the tax declarations specified in this Law or the specific tax laws, if the deadline for submitting the tax declarations specified in the laws and regulations governing the field of taxes has been exceeded by more than 15 days. Upon publishing the abovementioned information, it is necessary to specify the name of the tax declaration which has not been submitted and the deadline for submitting it, also indicating the name and registration number if the taxpayer is a legal person or individual merchant, but for a natural person - the given name, surname, the second part of the personal identity number, and the year of birth. The State Revenue Service shall update the information available online every month on the seventh and twenty-sixth day of each month and this information shall be publicly accessible not longer than for three years counting from the day on which the deadline for submitting the tax declaration specified in laws and regulations expires;

31) to ensure the availability of data in the electronic declaration system of the State Revenue Service on the payable or overpaid amounts of taxes, duties, other statutory payments and payments related thereto administered by the State Revenue Service (late payment charges and fines);

32) in accordance with the international agreements binding upon the Republic of Latvia, to carry out a mutual conciliation procedure, including for the purpose of avoidance of double taxation or imposition of such taxes which are in conflict with the relevant international agreement.

(1<sup>1</sup>) The tax administration, except for the State duty administration which administers State duties for activities carried out in judicial institutions, shall have the obligations specified in Paragraph one, Clauses 1, 2, 3, 4, 6, and 9 of this Section. The State duty administration, including the State duty administration which administers State duties for activities carried out in judicial institutions, shall have the obligation to ensure the accounting records of State duties transferable into the State budget. The procedures by which and the scope of the accounting of State duties shall be determined by the Cabinet.

(2) If the State Revenue Service sends the notification regarding the commencement of a tax review (audit) laid down in Paragraph one, Clause 10 of this Section to the taxpayer by post, it shall be considered that the taxpayer has been notified to this effect on the seventh day of delivering the notification to the post office.

(3) The tax administration shall not provide the notification laid down in Paragraph one, Clause 10 of this Section to the taxpayer if there is evidence that the taxpayer performs activities with a view to evade the tax review (audit) or make it difficult.

(4) The due date for the provision of the notification laid down in Paragraph one, Clause 10 of this Section regarding the commencement of a tax review (audit) shall not be applicable in cases when the tax review (audit) is commenced with a view to verifying the reasonableness of the tax refund.

(5) The information regarding the taxpayers referred to in Paragraph one, Clause 8 of this Section the total outstanding taxes (fees) administered by the State Revenue Service of which exceed EUR 150 shall be accessible for the purpose of ensuring the performance of the functions of direct subordination authorities and local governments in accordance with law and promotion of a safe business environment, fair competition and the performance of tax (duty) obligations in good faith. Information regarding the existence or non-existence of debt by a person may be obtained from the database referred to in Paragraph one, Clause 8 of this Section by entering the name and registration number of the respective taxpayer or the name, surname, and registration number of such natural person who has been registered as a performer of economic activity.

(6) The information in the database referred to in Paragraph one, Clause 22 of this Section regarding the natural persons who perform economic activity and are registered with the Taxpayers' Register of the State Revenue Service as persons performing economic activity or as payers of the patent fee or who need not register with the State Revenue Service as performers of economic activity in the cases laid down in laws and regulations and have notified the State Revenue Service to the effect that they perform economic activity, shall be accessible for the purpose of ensuring the fulfilment of the obligations of taxpayers laid down in laws and regulations, for the promotion of a safe business environment, fair competition and the performance of tax (fees) obligations in good faith. Upon entering the given name, surname, and registration code of the relevant person in the database referred to in Paragraph one, Clause 22 of this Section, the following information may be obtained:

1) the date on which the person was registered in or removed from the Taxpayers' Register of the State Revenue Service as a performer of economic activity;

2) the term during which a patent fee applies to the payer of the patent (the statutory due date for the payment of the patent fee);

3) the date on which the State Revenue Service approves the statement of such a person who need not register as a person performing economic activity with the State Revenue Service in the cases laid down in laws and regulations, but has notified the State Revenue Service to the effect that it performs economic activity or the date of the termination of economic activity as notified by the abovementioned person to the State Revenue Service.

(7) The provision of the information specified in Paragraph one, Clause 24 of this Section to a credit bureau shall be paid service. The Cabinet shall determine the procedures by which a credit bureau shall request the information laid down in Paragraph one, Clause 24 of this Section from the State Revenue Service, the amount of the information to be requested and issued, its content and the procedures for provision, as well as the amount of the service payment and the payment procedures.

(8) The Cabinet shall determine the procedures by which a natural person shall request information from the State Revenue Service regarding his or her income, as well as the amount of the information to be requested and issued, its content and the procedures for provision.

*[25 November 1999; 14 December 2000; 12 December 2002; 28 February 2003; 31 March 2004; 1 December 2005; 26 October 2006; 19 December 2006; 31 January 2008; 11 December 2008; 1 December 2009; 20 May 2010; 12 May 2011; 21 June 2012; 13 December 2012; 14 March 2013; 19 September 2013; 6 November 2013; 17 December 2014; 17 September 2015; 30 November 2015; 23 November 2016; 28 July 2017; 16 November 2017; 23 November 2017; 25 October 2018]*

### **Section 18.<sup>1</sup> Obligations of the Tax Administration in Relation to Taxes, Duties and Other Mandatory Payments which are Levied in Accordance with the Legal Acts of the European Union and its Member States**

(1) The tax administration shall have the following obligations:

1) to co-ordinate and perform the exchange of information, provide and obtain, in accordance with the provisions of the legal acts of the European Union, the necessary information from the competent authorities of the Member States of the European Union for the performance of the functions thereof. The tax administration shall also ensure the obtaining and provision of such information to the tax administration of a Member State of the European Union which is not at the disposal of the tax administration if the respective information necessary to fulfil the request to provide such information which is expected to be relevant for the purpose of administering the taxes of a particular taxpayer in the applicant Member State;

2) to enforce tax claims on behalf of any Member State of the European Union on the basis of a reasoned request by the competent authority thereof in the name of its country;

3) to collect and recover taxes, fees and other mandatory payments and the late payment charges related therewith for the budget of the European Union;

4) to co-ordinate and perform concurrent joint intergovernmental audits according to the agreement with the competent authority of the Member State of the European Union;

5) to co-operate with the competent authority of the Member State of the European Union, by taking part in the tax reviews performed by another Member State of the European Union or by engaging, upon request of the Member State of the European Union, a representative of the tax administration of the relevant Member State in the performance of a tax reviews (audits) in Latvia;

6) to co-ordinate and perform exchange of information with the European Commission and notify it annually by 31 March regarding the number of information requests, documents, notification requests and recovery or enforcement measure requests sent and received, the amount of the tax claims in respect of the recovery of which assistance was requested and the amounts recovered.

(2) The enforcement of such tax claims which are recoverable for the budget of another Member State of the European Union, its territorial or administrative unit or the European Union shall be governed by the provisions of this Law.

(3) The procedures by which exchange of information is performed between the competent authorities of Latvia and another Member State of the European Union, by providing and obtaining the information necessary for the purpose of the performance of the tax administration functions in the area of direct taxes shall be determined by the Cabinet.

(4) Within the meaning of this Section direct taxes are the taxes levied on the total income of a person, total capital or individual income or capital elements, including taxes on the gains on disposal of a movable or immovable property, taxes on income derived on the basis of an employment relationship, as well as capital gains taxes.

(5) Paragraphs six, seven, eight, nine, ten, eleven, twelve, thirteen, and fourteen of this Section shall apply to cooperation of the tax administration and the competent authorities of the Member States of the European Union in administering taxes, except taxes to which legal acts of the European Union regarding mutually administrative cooperation of the Member States of the European Union apply: value added tax, customs duty, and excise duty. The abovementioned norms do not apply in relation to State social insurance mandatory contributions. The taxes referred to in this Paragraph shall include payment, for example, for statements and other documents issued by State institutions, or contractual payment, for example, remuneration for public services.

(6) If the tax administration together with one or several competent authorities of the Member States of the European Union agree upon performing simultaneous checks in their territory on one or several persons in order to implement exchange of information obtained in such a way, the provisions of Paragraphs seven, eight, and nine of this Section shall be applied.

(7) The tax administration shall independently identify persons in relation to whom it has intended to recommend the performance of a simultaneous check, and shall notify the respective competent authorities of other Member States of the European Union regarding all cases regarding which it recommends to perform a simultaneous check, justifying its choice, as well shall indicate the time period in which the abovementioned checks should be performed.

(8) The tax administration shall decide on participation in simultaneous checks. It shall confirm its consent or submit a justified refusal to the competent authority of the Member State of the European Union which recommended performing a simultaneous check.

(9) The tax administration shall appoint a representative who is responsible for supervision and coordination of the simultaneous check.

(10) The administrative notification shall be applied the provisions of Paragraphs eleven, twelve, thirteen, and fourteen of this Section.

(11) Upon request of the competent authority of the Member State of the European Union the tax administration shall, in accordance with the Law on Notification, notify the addressee regarding all the documents issued by the authorities administering the taxes referred to in Paragraph five of this Section of the State which submitted the request.

(12) Upon requesting to notify documents to the competent authority of another Member State of the European Union, the tax administration shall indicate the subject-matter of the document to be notified, the addressee of the document to be notified and the address of notifying the document, as well as provide any information which may facilitate identification of the addressee.

(13) Upon receipt of a request for notification, the tax administration shall inform the authority submitting the request without delay regarding measures which have been taken thereby in relation to the request, particularly regarding the day when the documents were notified to the addressee.

(14) The tax administration shall request the competent authority of the Member State of the European Union to provide a notification in accordance with this Section only in case, if in accordance with the Law on Notification it is unable to provide it itself or if notification of the document causes incommensurate utilisation of its resources. The tax administration may notify any document to a person in the territory of another Member State of the European Union in the form of a registered postal item or using electronic communications.

*[31 March 2004; 30 March 2006; 26 October 2006; 15 March 2012; 14 March 2013; 27 February 2014]*

## **Section 18.<sup>2</sup> Obligations of the State Revenue Service in Relation to Recovery on an Uncontested Basis Applied to the Debtor's Cash**

(1) The State Revenue Service shall notify the orders specified in Paragraph two of this Section to the respective credit institution or payment service provider where the taxpayer has opened an account and whereof the credit institution or payment service provider has notified to the State Revenue Service in accordance with the procedures laid down in laws and regulations.

(2) The State Revenue Service shall notify the following orders subject to mandatory enforcement:

1) an order regarding suspension of the taxpayer's payment transactions;

2) an order regarding seizure of monetary funds;

3) an order regarding transfer of monetary funds;

4) an order regarding the enforceable activity or adjustment of the amount of funds determined with the order referred to in Clauses 1, 2, and 3 of this Paragraph, or regarding cancellation of a previously notified order.

(3) The State Revenue Service shall indicate in the order personal identification data (given name, surname, and



personal identity number or date of birth for a natural person; name and registration number for a legal person), order number, as well as:

1) if notifying the order specified in Paragraph two, Clause 1 of this Section - shall issue an order regarding suspending of payment transactions to be performed, indicating the amount of monetary funds to be preserved to natural persons in accordance with Paragraph 3 of Annex 1 to the Civil Procedure Law in relation to the debtor once a month, and the date and number of the decision on the basis of which this order was adopted;

2) if notifying the order specified in Paragraph two, Clause 2 of this Section - shall issue an order regarding seizing of monetary funds, indicating the amount of monetary funds to be seized, the amount of monetary funds to be recovered, the amount of monetary funds to be preserved to natural persons, taking into account the restriction on the debtor specified in Paragraph 3 of Annex 1 to the Civil Procedure Law, the revenue account number (account numbers) of the State basic budget in the Treasury where monetary funds must be transferred, and the date and number of the decision based on what this order was adopted;

3) if notifying the order specified in Paragraph two, Clause 3 of this Section - shall specify the payment identifier, the number of the order according to which the relevant monetary funds were seized, or the date and number of the decision based on what this order was adopted, and perform at least one of the following activities:

a) transfer monetary funds, indicating the amount of monetary funds to be seized and the revenue account number (account numbers) of the State basic budget in the Treasury where monetary funds must be transferred,

b) transfer monetary funds as soon as such are received in the accounts of the taxpayer until full execution of the order, indicating the total amount of monetary funds to be transferred and the revenue account number (account numbers) of the State basic budget in the Treasury where monetary funds must be transferred,

c) to discharge monetary funds to be preserved to natural persons in accordance with Paragraph 3 of Annex 1 to the Civil Procedure Law, indicating the amount of monetary funds,

d) until full execution of the order specified to in Paragraph two, Clause 3 of this Section, to prevent seizing of monetary funds to be preserved to natural persons in accordance with Paragraph 3 of Annex 1 to the Civil Procedure Law, once a month, indicating the amount of monetary funds,

e) to discharge monetary funds exceeding the amount of monetary funds to be transferred for seizure;

4) if notifying the order referred to in Paragraph two, Clause 4 of this Section - shall issue an order to adjust the amount of monetary funds, or to adjust or revoke the enforceable activity, indicating the amount and the number of the adjusted or revoked order.

(4) The obligation specified in Paragraph three, Clauses 1 and 2 and Clause 3, Sub-clauses "c" and "d" of this Section - to preserve monetary funds to natural persons in the amount specified in Paragraph 3 of Annex 1 to the Civil Procedure Law in relation to the debtor - shall be notified to one of the credit institutions or one of the payment service providers (randomly selected by the State Revenue Service) to which the order referred to in Paragraph two, Clause 1 of this Section shall be notified or accordingly to which the orders specified in Paragraph two of this Section shall be notified in relation to the respective enforcement document, if until the day of adopting the order no application has been received from the taxpayer regarding the account where payments being subject to recovery restrictions are transferred to the taxpayer.

(5) The State Revenue Service shall collect information indicated in the notifications on enforcement submitted in relation to the order referred to in Paragraph two, Clause 2 of this Section and shall send the order regarding transfer of monetary funds to credit institutions and payment service providers not later than within four working days after receipt of the relevant order.

(6) The State Revenue Service shall notify the orders referred to in Paragraph two of this Section and shall receive notifications on enforcement of the relevant orders (hereinafter - the data exchange) in one of the following types of data exchange:

1) electronically using the State information system integrator managed by the State Regional Development Agency;

2) [1 July 2019 / See Paragraph 185 of Transitional Provisions].

(7) Upon preparing the order referred to in Paragraph two of this Section, as well as upon adjusting the amount to be recovered or seized, the State Revenue Service shall control that the total amount of monetary funds requested from credit institutions and payment service providers would not exceed the amount required to cover the debt. If, upon enforcing the order regarding transfer of monetary funds, the total amount of monetary funds transferred from several credit institutions and payment service providers exceeds the amount subject to recovery, the State Revenue Service shall repay it or redirect it to cover late tax payments within 10 working days counting from the day on which the amount which exceeds the amount subject to recovery was transferred to the revenue account of the State basic budget in the Treasury.

(8) If the taxpayer has not notified the State Revenue Service regarding its account opened in a credit institution or at a payment service provider where its remuneration for work, equivalent payments or other payments subject to the application of recovery restrictions are transferred, and monetary funds which are not subject to recovery in accordance with laws and regulations, have been transferred to the revenue account of the State basic budget in the Treasury according to the order regarding transfer of monetary funds, the taxpayer is entitled to submit an application on repayment of such monetary funds by attaching thereto documents supporting the relevant claim not later than within a month counting from the day on which the relevant monetary funds were transferred to the revenue account of the State basic budget in the Treasury. In such case the State Revenue Service shall repay to the taxpayer the monetary funds transferred to the revenue account of the State basic budget in the Treasury not later than within 15 working days counting from the day when the application submitted by the taxpayer was received, provided that the abovementioned monetary funds are not subject to recovery in accordance with laws and regulations.

(9) The Cabinet shall determine the procedures by which the State Revenue Service shall notify the orders referred to in Paragraph two of this Section and receive notifications on enforcement of these orders by applying the type of data exchange referred to in Paragraph six, Clause 1 of this Section.

(10) The order referred to in Paragraph two of this Section that has been notified using the type of data exchange referred to in Paragraph six, Clause 1 of this Section shall be regarded as notified at the moment it is placed on the State information system integrator managed by the State Regional Development Agency.

*[23 November 2016; 30 May 2019 / Paragraph six, Clause 2, the second sentence of Paragraph nine, and the second sentence of Paragraph ten is repealed from 1 July 2019. See Paragraphs 185, 186 and 221 of Transitional Provisions]*

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

[14 March 2013]

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

Taxes shall be administered by the following institutions:

- 1) personal income tax - the State Revenue Service;
- 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 duty- 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 Natural Resources Tax Law;
- 7) lottery and gambling tax - the State Revenue Service;
- 8) customs duty and analogous payments - the State Revenue Service;
- 9) State social insurance mandatory contributions - the State Revenue Service;
- 10) [8 June 2017];
- 11) electricity tax - the State Revenue Service;
- 12) micro-enterprise tax - the State Revenue Service;
- 13) vehicle operation tax - the State Revenue Service and the Road Traffic Safety Directorate in accordance with the Law on the Vehicle Operation Tax and Company Car Tax and the Cabinet regulations issued on the basis thereof;
- 14) company car tax - the State Revenue Service and the Road Traffic Safety Directorate in accordance with the Law on the Vehicle Operation Tax and Company Car Tax and the Cabinet regulations issued on the basis thereof;
- 15) subsidised electricity tax - the State Revenue Service and the Ministry of Economics;
- 16) solidarity tax - the State Revenue Service and the State Social Insurance Agency.

*[6 June 1996; 4 December 1997; 30 March 2006; 26 October 2006; 19 December 2006; 9 August 2010; 20 December 2010; 6 November 2013; 17 December 2014; 30 November 2015; 8 June 2017]*

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

The tax administration shall perform the tasks laid down in this Law and in other laws and regulations independently. Any interference with tax and customs control matters which lie within the competence of the tax administration and any influencing of the tax administration in order to achieve an unlawful decision or privileged status or to acquire other benefits is prohibited.

[9 October 2002]

## **Section 22. Confidentiality**

(1) Unless it has been otherwise provided in Paragraph two of this Section, a civil servant (staff) of the tax administration is prohibited from disclosing any information regarding the taxpayer which the abovementioned civil servant (employee) becomes aware of in the course of carrying out their statutory duties without obtaining the taxpayer's consent, except for:

1) information regarding the taxpayer's tax debts that have arisen as a result of the tax review (audit) or data conformity audit or late payment of taxes, by specifying the amount of the outstanding taxes, the firm name or given name, surname, and registration number of the taxpayer;

2) information regarding a natural person - performer of economic activity who is not registered in the commercial register, indicating the given name, surname, and registration code of the natural person;

3) in the cases specified in Section 18, Paragraph one, Clauses 8, 8.<sup>2</sup>, 12, 14, 22, 28, 29, and 30, Section 24, Paragraph two, and Section 25, Paragraph one of this Law;

4) for enforcement of the performance of the statutory obligations of taxpayers, promoting a safe business environment, fair competition and performance of tax (fees) obligations in good faith - information regarding whether the person had the micro-enterprise tax payer's status in the relevant taxation period;

5) for the purpose of promoting the safety of business environment, fair competition, and voluntary tax (duty) compliance - information regarding the official of the taxpayer included in the list of persons of risk, based on the criterion referred to in Section 1, Clause 31, Sub-clause "c" of this Law, indicating the given name, surname, and registration code of the natural person.

(2) The civil servant (employee) of the tax administration may provide information regarding the taxpayer without the consent of the latter in the following cases:

1) for ensuring public revenues and for carrying out of supervisory functions - to the Ministry of Finance;

2) for controlling revenues and expenditures of the State budget and local government budgets as well as the application of the funds of the European Union and other international organisations or institutions, and handling of the property of a part thereof of the State;

3) for the performance of tax administration functions - to other tax administration, the competent authorities of the member states and in accordance with the provisions of international agreements - to the competent authorities of foreign countries;

4) for the performance of the functions defined in laws and regulations - to pre-trial investigation authorities, as well as sworn bailiffs, courts, public prosecutor's office, and other law enforcement agencies;

5) for ensuring the performance of other public administration functions and tasks or ensuring the performance of the functions laid down in special laws on the regulation of public services, as well as for ensuring the performance of the functions of public authorities - information that is only available to the tax authorities or which the tax authorities in accordance with its jurisdiction have a duty to create;

6) [19 December 2006];

7) in the case laid down in Section 22.<sup>1</sup>, Paragraph one of this Law - to the credit bureau.

(2<sup>1</sup>) The civil servant of the tax administration is prohibited from disclosing the assessment of the tax administration of the taxpayer's personal data in terms of tax revenue risks to the taxpayer, if such disclosure may limit the performance of the functions of the tax administration laid down in the laws and regulations.

(3) The information referred to in Paragraph one of this Section regarding the outstanding taxes of the taxpayer if the amount of outstanding taxes has been assessed as a result of the tax review (audit) or decision on the findings of the data conformity audit, shall be disclosed after the decision may no longer be appealed or has been appealed before the court and the validity thereof has not been suspended.

(4) [16 November 2017]

(5) Obtaining of information in the case specified in Paragraph two, Clause 5 of this Section shall occur according to general principles of co-operation in public administration or, if the exchange of information occurs between subordinate authorities - in accordance with the domestic laws and regulations, indicating the amount of the information to be provided, the procedures for issuing, use and processing of the information to be provided according to the substantiation submitted by the applicant of the information.

(6) The confidentiality provisions laid down in this Section regarding shall be conformed to by the authority referred to in Paragraph two of this Section, as well as after the civil servant (employee) terminates their civil service (employment) relationship with the tax administration and other institutions.

(7) A person that has disclosed confidential information regarding the taxpayer shall be liable in accordance with the laws.

*[8 March 2001; 12 December 2002; 28 February 2003; 9 October 2003; 31 March 2004; 16 December 2004; 1 December 2005; 14 September 2006; 19 December 2006; 31 January 2008; 11 December 2008; 15 March 2012; 13 December 2012; 17 September 2015; 16 November 2017; 28 July 2017]*

## **Section 22.<sup>1</sup> Provision of Information to a Credit Bureau Regarding Income of a Natural Person**

(1) The State Revenue Service is permitted to provide the information regarding the income of a natural person at its disposal to a credit bureau for transfer, without changing its content, to a user of credit information - capital company (its branch) which is entitled to perform crediting of persons in the Republic of Latvia or has received a special permit (licence) for the provision of consumer credit service - for the evaluation of creditworthiness of such natural person as a potential or existing client of the user of credit information or for management of own credit risk. The information shall be provided according to a justified request submitted by the credit bureau and in the amount indicated therein which may not exceed the amount provided for in the Cabinet regulations issued in accordance with this Law.

(2) If it is established that the Data State Inspection has taken a decision to suspend or cancel the licence issued to the credit bureau, the State Revenue Service shall suspend or discontinue the provision of the information specified in Paragraph one of this Section from the following day after publishing the relevant decision on the website of the Data State Inspection until the day of renewing the licence.

(3) The credit bureau as an administrator has the following additional obligations:

1) to request and receive information upon request of the user of credit information - capital company (its branch) which is entitled to perform crediting of persons in the Republic of Latvia or has received a special permit (licence) for the provision of consumer credit service;

2) to make a request only in case, if the user of credit information has any of the legal grounds for receipt of information laid down in Section 18 of the Law on Credit Bureaus;

3) to transfer the information received to the relevant user of credit information without changing its content;

4) to process personal data according to the intended purpose and in the amount necessary thereto;

5) to register and store information regarding each:

a) request for information to the credit bureau made by the user of credit information,

b) request for information made by the credit bureau to the State Revenue Service,

c) case when information was received from the State Revenue Service,

d) case when the information received was transferred to the user of credit information;

6) ensure conformity with the rights of the data subject laid down in Section 15 of the Personal Data Protection Law in relation to personal data provided by the State Revenue Service to the credit bureau;

7) to ensure provision of the information laid down in Section 9, Paragraph one of the Personal Data Protection Law to the data subject.

*[17 September 2015 / Section shall come into force on 1 March 2016. See Paragraph 172 of Transitional Provisions]*

## **Section 22.<sup>2</sup> Provision of Information to the State Revenue Service Regarding Suspicious Transactions, as well as Other Transactions**

(1) The subject of the Law on the Prevention of Money Laundering and Terrorism Financing (hereinafter - the subject), in detecting a suspicious transaction within the meaning of the Law on the Prevention of Money Laundering and Terrorism Financing, has a duty to notify the State Revenue Service without delay also regarding such a

suspicious transaction of a person whose country of residence (registration) is the Republic of Latvia, conforming to at least one of the signs of suspiciousness in the field of taxes laid down in Paragraph three of this Section. The Cabinet shall determine the codes of signs of suspiciousness in the field of taxes.

(1<sup>1</sup>) A sworn notary as the subject has an additional duty to submit a report to the State Revenue Service also regarding each case when an heir, upon submitting a list of inheritance along with the valuation of the property, has indicated not registrable movable property (including cash) in the composition of the entirety of property the total valuation whereof exceeds EUR 15 000.

(2) A report shall be provided to the State Revenue Service in order to find and prevent violations of the law as a result of which the amount of the tax to be paid into the budget is reduced or the amount of the tax to be refunded from the budget is increased and for which liability is provided for in this Law or laws of the particular taxes, as well as criminal offences related to tax evasion and settlement of the payments equivalent thereto and to fraud.

(3) The signs of suspiciousness in the field of taxes are as follows:

- 1) a private individual declares income, revenue, savings, properties, or changes in their value of suspicious origin;
- 2) an uncharacteristically large amount of transaction for the client;
- 3) the incoming transactions form many small sums, however, the outgoing transactions form large sums;
- 4) purchase of immovable property for an obviously inadequate price;
- 5) the transaction has no obvious legal purpose (or relation to personal or entrepreneurial activity);
- 6) a forged document has been used in a transaction;
- 7) a suspicious transaction with electronic money;
- 8) money is withdrawn from the account immediately after its crediting;
- 9) a private individual invests in a commercial company, disburses, loans, or borrows EUR 60 000 or more from other private individual in one or several transactions in cash;
- 10) tax evasion;
- 11) obvious changes in the account balance (increased turnover, etc.);
- 12) the client holds an excessively large number of accounts;
- 13) the turnover of the account mostly consists of cash operations;
- 14) the account is far from the residence of the client;
- 15) the client is operating as a cover for a transaction of another person;
- 16) the transaction is not typical for the client;
- 17) the client performs complicated or unusual transactions (without a clear economic or legal purpose for the transactions themselves or for individual provisions thereof);
- 18) the origin of resources used for the transaction is unclear.

(4) Suspicious transactions shall be found by applying the internal control system established in accordance with the procedures laid down in the Law on the Prevention of Money Laundering and Terrorism Financing.

(5) The following information shall be included in the report in conformity with that laid down in the Law on the Prevention of Money Laundering and Terrorism Financing:

- 1) personal identification data (for a natural person - the given name, surname, personal identity number, for a legal person - the name and registration number, as well as other identification data provided for in Cabinet regulations);
- 2) description of the suspicious transaction (planned, applied, consulted, commenced, postponed, or performed), as well as identification data of the person involved in the transaction and the amount of the transaction, the time, place of performing or applying the transactions, and copies of documents confirming the transaction, if such documents are at the disposal of the subject;
- 3) justification why the subject is of the opinion that the transaction is suspicious.

(6) The Cabinet shall determine the procedures by which the State Revenue Service shall be provided the reports referred to in Paragraph one of this Section on suspicious transactions and the reports referred to in Paragraph 1.<sup>1</sup> of

this Section on cases of inheritance of not registrable movable property (including cash), and shall approve the sample form of the report.

(7) The State Revenue Service shall store information regarding suspicious transactions and other information referred to in this Section for five years.

(8) The subject is not permitted to inform the person (client), the beneficial owner, as well as other persons, except for the supervisory and control authorities, regarding the fact that information regarding the person (client) or its transaction (transactions) has been provided in accordance with the procedures laid down in this Section.

(9) The State Revenue Service shall take the necessary administrative, technical, and organisational measures and ensure protection of the information received in accordance with the procedures laid down in this Section in order to prevent unauthorised access to such information, as well as to prevent unauthorised amending, distribution, or destruction thereof.

(10) The State Revenue Service, its officials and employees do not have the right to inform persons regarding whom a report has been provided, and other persons regarding the fact that the report specified in Paragraphs one and 1.<sup>1</sup> of this Section has been provided to the State Revenue Service.

(11) Upon fulfilling the requirements of this Section, the subject shall apply the legal protection mechanisms provided for the subjects of the Law on the Prevention of Money Laundering and Terrorism Financing, including release from liability.

*[30 November 2015; 23 November 2016]*

### **Section 22.<sup>3</sup> Provision of Information Regarding the Turnover of the Account of a Natural Person to the State Revenue Service**

(1) In order to promote voluntary tax compliance of the taxpayers, the credit institution and payment service provider shall, until 1 February of each year, submit to the State Revenue Service information regarding clients - natural persons who are residents of the Republic of Latvia - the total debit or credit turnover of whose sight-deposit accounts and payment accounts (including closed sight-deposit accounts and payment accounts) within the scope of a single credit institution or payment service provider in the previous year has been equal to EUR 15 000 or more.

(1<sup>1</sup>) The credit institution and payment service provider shall exclude from the total turnover of the sight-deposit accounts and payment accounts of the client the sums of client transactions that have been conducted between customer accounts (including closed accounts) within the scope of a single credit institution or payment service provider. This condition shall not be applicable to sums of such customer transactions that have been conducted from the sight-deposit account or the payment account of the customer to the customer escrow account or from the customer escrow account to the customer sight-deposit account or payment account.

(1<sup>2</sup>) The credit institution and payment service provider, upon providing information in accordance with Paragraph one of this Section, shall indicate the following data:

- 1) given name, surname, and personal identity number of the customer;
- 2) total balance of sight-deposit accounts and payment accounts at end-of-day of the last day of the previous calendar year;
- 3) total debit turnover of sight-deposit accounts and payment accounts in the previous year;
- 4) total credit turnover of sight-deposit accounts and payment accounts in the previous year.

(1<sup>3</sup>) Information regarding the balance of sight-deposit accounts and payment accounts and their turnover shall be provided in euros. If transactions in sight-deposit accounts and payment accounts have been conducted in a foreign currency, the amount of the executed transaction shall be recalculated from the respective foreign currency into euros in accordance with the euro reference rate published by the European Central Bank in effect at the beginning of the last day of the calendar year.

(2) The Cabinet shall determine the procedures by which the information referred to in Paragraph one of this Section shall be provided to the State Revenue Service.

(3) The State Revenue Service shall store information regarding a natural person received from a credit institution and payment service provider which provide a payment account-related service, in accordance with the procedures laid down in this Section for five years.

(4) The State Revenue Service shall take the necessary administrative, technical, and organisational measures and ensure protection of the information received in accordance with the procedures laid down in this Section in order to prevent unauthorised access to such information, as well as to prevent unauthorised amending, distribution, or

destruction thereof.

[28 July 2017; 8 February 2018]

## Chapter VI Tax (Duty) Assessment, Collection and Refunding

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

(1) The tax administration has the right to assess or adjust, based on the findings of the tax review (audit) performed, the amount of tax liabilities and the amounts to be specified in tax and informative declarations, taxable income (tax losses), taxes (fees) in accordance with the provisions of the laws and regulations governing taxes, impose a fine within three years of the statutory payment term laid down in the laws and regulations. If a tax review (audit) has been performed in respect of a specific tax, tax declaration item, duty or other statutory payment for the relevant taxation period, the opinion thereof shall be final and may be reviewed only when criminal proceedings in respect of fraud, falsification of documents, tax evasion and similar non-payment or criminal offences which may affect the determination of the amount of a tax liability are initiated.

(1<sup>1</sup>) In verifying the transfer price for the conformity with the arm's length principle, the tax administration shall, within the scope of a tax review (audit), assess or adjust the amounts to be indicated in the relevant captions of tax and informative declarations, taxable income (tax losses), tax (duty) assessments in accordance with the provisions of the laws and regulations governing taxes, impose penalties within five years of the statutory payment term laid down in the laws and regulations, except the case referred to in Section 16.<sup>1</sup>, Paragraph two of this Law.

(2) The tax administration shall assess additional taxes in accordance with the provisions of specific tax laws if the provisions of laws, Cabinet regulations or binding regulations of local governments have been violated when determining the tax liabilities, as well as reduce the tax liability within three years of the statutory payment term.

(3) The tax administration shall take a decision on the findings of a tax review (audit) not later than within 90 days from the day of commencement of the tax review (audit), except in cases where the chief officer of the tax administration extends the term for taking the decision in accordance with the procedures laid down in Paragraph 3.<sup>1</sup> of this Section.

(3<sup>1</sup>) Tax chief officer of the tax administration is entitled to extend a time period for the taking of a decision on the tax review (audit) for up to 30 days if additional information is required for conducting of the tax review (audit), and up to 60 days if information is required from foreign tax administration or other competent foreign authorities. The term of a tax review (audit) shall exclude the period:

1) from the date on which information is requested from foreign tax administrations or other competent foreign authorities up to the date of receipt of the respective response;

2) by which the taxpayer has missed the deadline for submission of the information requested by the tax administration if the default is supported documentarily and the requested information relates to the taxes, duties and other statutory payments subject to a tax review (audit), and the abovementioned information is or should have been at the disposal of the taxpayer;

3) during which the performance of the tax review (audit) was not possible due to the absence of the taxpayer of its authorised person as well as due to sickness provided the fact of absence is confirmed documentarily;

4) [5 October 2018];

5) from the day on which the taxpayer has been notified of the violations established as a result of the tax review (audit) and justification thereof until the day of receipt of the taxpayer's opinion without exceeding 30 days.

(3<sup>2</sup>) Conducting of the tax review (audit) shall not be deemed any activities which the tax administration has carried out in the time periods referred to in Paragraph 3.<sup>1</sup> of this Section for obtaining information within the institution, from other institutions, organisations, local governments, financial and credit institutions, other natural and legal persons, including taking of tax control measures of other natural and legal persons.

(4) Restrictions on the time period for the tax review (audit) referred to in Paragraph three of this Section shall not be applicable to the cases where a joint intergovernmental inspection of taxes is performed or the transfer price is verified in the tax review (audit).

(4<sup>1</sup>) The tax administration shall, upon request of the person directing criminal proceedings, on the basis of the documents submitted by the person directing the criminal proceedings and the information at the disposal of the tax administration, assess taxes and provide an opinion to the person directing the criminal proceedings regarding the

amount of the losses caused to the budget [unpaid taxes (fees) and statutory payments into the budget]. The opinion drawn up under this procedure shall not be an administrative provision. The opinion shall not be subject to the decision challenging and appealing procedures laid down in this Law.

(5) The tax administration shall perform a thematic inspection, summarise the results thereof and inform the taxpayer within thirty working days from the day of commencement of the inspection.

(5<sup>1</sup>) The data conformity audit shall be performed within three years of the statutory payment term laid down in laws and regulations. Upon identifying irregularities between the information submitted by the taxpayer and the information at the disposal of the tax administration in the course of the data conformity audit in a tax or informative declaration, the tax administration shall notify the taxpayer to this effect, by sending a notification specifying the identified irregularities and requesting the taxpayer to submit a revised tax or informative declaration or provide substantiated explanation of the identified irregularities to the tax administration within 30 days from the date of receipt of thereof. If the taxpayer has not eliminated the irregularities indicated in the notification during the laid down term, the tax administration shall take the decision on the findings of the data conformity audit which comprises recalculation of the payments due to or from the budget, determine the amount enforceable to the budget (the difference between the tax amount reported by the taxpayer and the tax amount adjusted as a result of the data conformity audit) and assess the late payment charge in the amount laid down in Section 29, Paragraph two of this Law for the time period from the due date of the payment of the respective tax until the date of the start of data conformity audit. The taxpayer shall pay additionally assessed taxes and late payment charges according to the decision within 30 days of the date of the decision. If within this time period the taxpayer fails to make the payments specified in the decision, the tax administration shall assess the late payment charges specified in Section 29, Paragraph two of this Law starting from the day following the payment deadline specified in this Paragraph.

(5<sup>2</sup>) If, upon performance of the customs control or taking of the decision of the tax administration on an administrative infringement matter, or notification of the decision made by other competent authority on an administrative violation, it is ascertained that the findings of the customs control of the administrative violation may affect the amount of tax liabilities, duties or other statutory payments, the tax administration shall, within one month, however, not later than within three years from the date on which the violation was committed, take:

1) a decision to adjust the tax amount and shall assess additional taxes or reduce their amount, as well as calculate late payment charges in the amount referred to in Section 29, Paragraph two of this Law. A late payment charge shall be calculated for a time period from the date on which tax liabilities, duties or other statutory payment fell due or from the date of the infringement if the statutory due date may not be determined by the date on which the decision on the adjustment of the tax liability amount is taken;

2) a decision, by which the object taxable with taxes and duties is adjusted and a fine is imposed in accordance with Paragraph 5.<sup>3</sup> of this Section.

(5<sup>3</sup>) If the tax administration detects that the taxpayer uses a cash register, hybrid cash register, cash-office system, dedicated device or equipment with altered construction or programme, but it is not possible to determine the time period during which the object taxable with taxes and duties was hidden or reduced and the amount of such object, the tax administration shall determine the reduced object taxable with taxes and duties on the basis of assessments on the basis of the information at its disposal, and shall collect a fine in the amount of 100 per cent. In comparing the sum total of transactions registered in the cash register, hybrid cash register, cash-office system, dedicated device or equipment of the taxpayer in a specific time period with the sum total detected in the inspection, the tax administration shall calculate the proportion of the transactions not registered. The reduced object taxable with taxes and duties shall be determined by attributing the proportion of the transactions not registered to the sum total of transactions registered in the cash register, hybrid cash register, cash-office system, dedicated device or equipment of the taxpayer for the last 12 months or a shorter period of time, if the taxpayer has commenced or is conducting activity for an incomplete period of 12 months, taking into account the periodicity of operation of the taxpayer and registration of the relevant equipment with the single database (register) of the State Revenue Service.

(5<sup>4</sup>) The taxpayer shall pay the calculated payments indicated in the decision into the budget within 30 days from the day when the decision to adjust the tax liability or the object taxable with taxes and duties was notified. If within the aforementioned time period the taxpayer fails to make the payments specified in the decision, the tax administration shall assess the late payment charges specified in Section 29, Paragraph two of this Law starting from the day following the payment deadline specified in this Paragraph.

(6) In performing a tax review (audit), the tax administration has the right to assess taxes by reference to the 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 aspects is identified:

1) such increase in the existing property of the taxpayer or capital gains are identified which do not match the income reported in the taxpayer's return or which has not been reported to the tax administration;

2) the taxpayer has engaged in a transaction with a view to evading taxes or duties, or some of the counterparties to the transaction cannot be identified;



3) the person performs or has performed taxable activities or derived income from property, however, has not registered as a taxpayer;

4) the taxpayer has not submitted the tax declarations in accordance with the requirements of the laws and regulations;

5) the information provided in the reports or accounting records of the taxpayer does not match that at the disposal of the tax administration, the findings of the audits or the value of the property currently or formerly held by the taxpayer;

6) the information at the disposal of the tax administration indicates that the taxpayer has performed transactions that are not reflected in its accounting records;

7) the movement of the funds in the taxpayer's accounts with credit institutions does not support the indicators of its economic activity or indicates to the performance of such transactions that are not reflected in the accounting records of the taxpayer;

8) the taxpayer has not maintained accounting records;

9) the officials of the tax administration do not have access to the accounting records of the taxpayer during the audit, it is not possible to examine the accounting records of the taxpayer or the documents supporting transactions are not available;

10) the taxpayer has or has had at its disposal raw materials, goods, securities, funds and other property, the amount and type of which indicates that the taxpayer was possibly engaged in performing economic activity in such amounts and manner that does not conform to the information reported to the tax administration;

11) the indicators of economic activity of the taxpayer significantly differ from the statistical averages for the relevant type of economic activity or there are other circumstances (including the findings of a tax review (audit) or observation) which support that the indicators of economic activity indicated in the taxpayer's returns or accounting records do not conform to the actual indicators in the taxation period under review;

12) the income reported by the taxpayer or the taxpayer's income indicated in the returns at the disposal of the tax administration does not conform to the monies, property and other types of valuables or expenditure held by the taxpayer currently or formerly and the taxpayer is unable to explain this difference;

13) the taxpayer has failed to submit the documents provided for in Section 15.<sup>2</sup> of this Law within the specified time period or has seriously violated (Section 15.<sup>2</sup>, Paragraph fourteen of this Law) the requirements for drawing up the transfer price documentation laid down in laws and regulations.

(7) In determining the amount of a tax liability on the basis of an assessment, the tax administration shall apply:

1) direct assessment methods, i.e. on the basis of the data indicated in the taxpayer's accounting registers and supporting documents;

2) indirect assessment methods, i.e. assess the taxable basis (income, value of transactions and similar) on the basis of the information at its disposal.

(8) In calculating the amount of the tax liability, the tax administration shall use the information at its disposal regarding unreported income, the activities of the taxpayer, transactions performed in the taxation period under review and transactions which, in determining the amount of tax liabilities have not been taken into account or have been underreported, as well as information regarding the existing accounts and deposits with credit institutions, securities accounts and capital shares in capital companies held by the taxpayer, and the indicators characterising economic activity for companies of the relevant type of economic activity. This information shall be obtained free of charge from:

1) investigation, prosecution and court institutions;

2) foreign tax administrations or other competent foreign institutions, if it is provided for in the relevant agreements;

3) other natural and legal persons (including after the audits thereof);

4) the Central Statistical Bureau of Latvia - on performance indicators of economic activity of commercial companies, co-operative societies and other private entities governed by private law engaged in performing the particular economic activity;

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

(9) If an increase in the value of the taxpayer's existing property or capital gains is identified, the tax administration shall assess the tax liability on the basis of the difference between the actually assessed increase in the value of the taxpayer's existing property or capital gains and the income reported in the taxpayer's returns.

(10) The tax administration has the right to assess the amount of the tax liability on the basis of observation carried out in the relevant taxation period and the indicators of economic activity of the taxpayer determined as a result thereof, taking into account the nature and regularity of the taxpayer's activities.

(11) If during the taxation year based on the results of observation the non-conformity between the indicators of economic activity of the taxpayer indicated in its returns and actual indicators is identified repeatedly, the findings resulting from the observation shall be extrapolated to all tax liabilities for the whole taxation year, taking into account the nature and regularity of the taxpayer's activities.

(12) The tax liabilities assessed in accordance with the provisions of this Section shall be collected on an uncontested basis not earlier than after 30 days after the date on which the taxpayer has received the decision on the findings of the tax review (audit) unless the taxpayer proves that the imposition of the taxes is unfounded.

(13) [11 December 2008]

(14) The tax administration shall assess the amount of tax liabilities based on the economic nature and substance of the individual transaction or a set of transactions carried out by the taxpayer rather than only on the basis of their legal form.

*[28 February 2003; 26 October 2006; 19 December 2006; 11 December 2008; 21 May 2009; 21 June 2012; 13 December 2012; 30 November 2015; 16 November 2017; 25 October 2018]*

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

(1) A taxpayer shall pay taxes into the budget according to the budget accounts indicated by the tax administration. A duty payer shall pay the duty into the budget in accordance with the budget accounts indicated by the State duty administration or local government duty administration.

(2) The tax payment day shall be the date on which the State budget or local government budget receives the tax payment which it is entitled to receive.

(3) The Cabinet shall lay down the procedures by which current and outstanding tax payments are payable into the budget.

(4) A person that has provided a service or has given a guarantee, for which a State duty must be paid, shall remit the cash State duties collected in the previous month, without crediting them to its current account, to the State budget or local government budget by 15th day of the following month unless a shorter term is provided for in laws and regulations.

*[25 November 1999; 26 October 2006; 31 January 2008; 16 November 2017 / The new wording of the title of this Section and amendments to Paragraph one shall come into force on 1 January 2018. The new wording of Paragraphs one and two, the amendment regarding the deletion of Paragraph three, as well as Paragraphs five, six, seven, eight, nine, ten, and eleven shall come into force on 1 January 2021 and shall be included in the wording of the Law as of 1 January 2021. See Paragraphs 201, 207, and 208 of Transitional Provisions]*

### **Section 23.<sup>2</sup> Principles for Determination of the Price of Goods, Works and Services for the Purpose of Tax Assessment**

(1) Unless it is laid down otherwise in the specific tax laws and in this Section, the price (value) of the goods, works or services for the purpose of tax assessment shall be the price that is applied to the property (activity) in the transaction.

(2) Unless it is in contradiction with the provisions of a specific tax law, the tax administration, in performing a tax review (audit), has the right to verify the accuracy of the determination of prices (values) applied in transactions and to adjust the prices (values) applied in the transactions in the following cases:

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

(3) In the cases referred to in Paragraph two of this Section, in conformity with the provisions of this Section, the

value of a transaction shall be determined based on the arm's length principle having regard to normal discounts or mark-ups applied in transactions between unrelated parties, including changes to prices associated with:

- 1) changes in demand due to seasonal or other circumstances;
- 2) impairment of quality or other consumer aspects of the goods (services, works);
- 3) the end of the goods expiration date;
- 4) the marketing policy of the goods in relation to the promotion of new goods (goods for which there is no counterpart in the market) or the promotion of the goods in a new market;
- 5) sale of samples of goods and experimental models with a view to attracting consumers.

(4) If the transfer price (value) indicated by the taxpayer does not conform to the arm's length principle, the tax administration shall, in performing a tax review (audit), apply the arm's length price (value) of the transaction in the relevant term which shall be determined, taking into account any of the following factors:

- 1) the price or value which the taxpayer has applied in comparable transactions with other parties;
- 2) the price or value applied to the taxpayer by unrelated parties in similar transactions;
- 3) the assessed cost of the transaction (cost calculation), including the average profitability indicator of the relevant sector from the information base established by the Central Statistical Bureau of Latvia, but where such information is not available - the relevant industry average profitability indicators from the information base established by the tax administration;
- 4) the average price of a comparable property or value of a comparable transaction stipulated by the Central Statistical Bureau of Latvia;
- 5) evaluation of the transaction by the engaged independent experts.

(5) In assessing tax liabilities, the arm's length price (value) shall be considered to be the value which is formed in the demand and supply interaction of identical (analogous) goods or where there is none, in the market of similar goods in comparable economic circumstances.

(6) The goods will be considered identical (analogous) to those being analysed if they are:

- 1) analogous in all aspects, including their physical parameters, quality and market reputation,
- 2) have been manufactured in the same country, disregarding minor differences (including the packaging of the goods or their external appearance).

(7) The goods will be considered similar to those being analysed if they are:

- 1) similar by their structure and features;
- 2) capable of performing the same tasks and are mutually interchangeable in trading.

(8) In determining whether the goods are similar, the quality thereof, trademark, market reputation, the country of origin of the goods and similar factors shall be considered. Goods manufactured by other persons shall be considered only if there are no similar goods manufactured by the same person who manufactured the goods to be analysed.

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

- 1) the prices applied in transactions between persons not considered to be related parties. Prices applied in transactions between related parties may be used for the purpose of determining the arm's length price if the economic results of the transaction are not affected;
- 2) information regarding the transactions, involving identical (analogous) or similar goods in comparable circumstances, concluded at the time of selling the goods (services, works) [having regard the delivery volume (quantities) of the goods, the time limits for the performance of obligations and payment terms];
- 3) other circumstances which might impact the economic results of the transaction.

*[28 February 2003]*

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

(1) In response to a taxpayer's written reasoned application the tax administration which administers specific taxes in accordance with Section 20 of this Law has the right:

1) to divide the term for the payment of taxes in instalments for a period of up to one year as of the date of the submission of the application. The taxpayer shall submit a reasoned application to the tax administration not later than 15 days after setting in of the payment term. The tax administration and the taxpayer shall agree on the debt payment schedule in writing;

2) [13 October 2011];

3) to divide the term for the payment of taxes, late payments, and fine calculated as a result of control (inspection, audit) performed by the tax administration in instalments for a period of up to five years, as well as to divide the term for the payment of taxes and late payments calculated as a result of a data conformity check performed by the tax administration for a period of up to five years. The taxpayer shall submit a reasoned application to the tax administration three days before the statutory payment term. Legal persons which draw up an annual report shall attach the balance sheet and income statement prepared at the first day of the month in which the application was submitted and complying with the provisions of the relevant laws and regulations governing the preparation of annual accounts. Where the amount to be deferred or divided by the type of tax exceeds EUR 14 300, the tax administration has the right to require collateral in respect of this tax, in the form of a property owned by the taxpayer or a guarantee issued by a credit institution;

4) to divide into time periods or to defer the payment of outstanding taxes for a time period of up to one year if non-payment was caused as a result of force majeure circumstances;

5) [13 October 2011];

6) to divide in instalments or to defer, for a time period of up to five years, the payment of personal income tax on income derived as a result of the reduction or cancelling of the loan obligations. The taxpayer shall submit a reasoned application to the tax administration along with their annual income declaration;

7) to divide into time periods, for a time period of up to one year, the payment of the tax claim of a Member State of the European Union [recoverable under the Commission Implementing Regulation (EU) No 1189/2011 of 18 November 2011 laying down detailed rules in relation to certain provisions of Council Directive 2010/24/EU concerning mutual assistance for the recovery of claims relating to taxes, duties and other measures (hereinafter - Implementation Regulation (EU) No 1189/2011), the uniform instrument permitting enforcement in the requested member state under Annex II (hereinafter - the uniform instrument permitting enforcement in the requested member state)], counting from the date on which the State Revenue Service has received the request for the assistance with the enforcement of the requested Member State of the European Union;

8) to divide into time periods, for a time period of up to one year, the recovery of tax payments, enforceable on the basis of the decision of the State Revenue Service on the payment of the enforceable foreign tax claim. In this case the term shall be counted from the date on which the State Revenue Service has taken the decision to enforce the outstanding taxes;

9) [9 August 2016 / See Paragraph 162 of Transitional Provisions];

10) to divide in instalments or to defer, for a time period of up to five years, the payment of late tax payments, if the Cabinet has supported the opinion prepared by the Ministry of Agriculture on the necessity to support the particular taxpayer in the fisheries sector for overcoming the financial difficulties in relation to the restrictions laid down by the Russian Federation;

11) to divide in instalments for a time period of up to one year, counting from the day of submitting the updated declaration, the payment of such late tax payments which are accrued as a result of updating the declaration for those taxpayers who make adjustments to their tax declarations or submit an application with a request to correct the customs declaration prior to receiving a statement from the tax administration regarding start of a tax revision (audit). The taxpayer shall submit a reasoned application to the tax administration together with the updated declaration or together with the application wherein it is requested to correct the customs declaration.

(1<sup>1</sup>) Upon reviewing the application referred to in Paragraph one, Clauses 1, 3, and 11 of this Section, as well as Paragraph 1.<sup>4</sup> of this Section, the tax authorities shall assess the actual financial position of the taxpayer and consider the following factors:

1) whether the taxpayer complies with the statutory due dates set for current tax payments laid down in the laws and regulations governing the particular tax;

2) whether the taxpayer has been previously granted, on the basis of the decision of the tax administration, extensions of tax payment due dates and whether the taxpayer has complied with the tax payment procedure laid down therein;

3) whether the taxpayer complies with the statutory due dates for the submission of tax and informative declarations laid down in the laws and regulations governing tax matters;

4) whether the taxpayer co-operates with the tax administration;

5) whether any infringements by the taxpayer have been identified during the most recent tax review (audit).

(1<sup>2</sup>) If the taxpayer does not comply with the time limits set out in the decision to extend the tax payment term, the tax administration has the right to cancel its decision to extend the payment term.

(1<sup>3</sup>) In respect of the tax payments payable to the State budget or local government budgets the payment term whereof has been extended in accordance with Paragraph one, Clause 1 of this Section and at least 80 per cent whereof had been paid during the previous extension period, the taxpayer may request the tax administration to divide the term for these payments in instalments repeatedly for a time period of up to six months, provided that:

1) the taxpayer supplies evidence that a repeated division of tax payments in instalments for a time period of up to six months will stabilise its financial position and the outstanding taxes will be paid within the time limits set for the payment of the tax payments divided repeatedly in instalments for a time period of up to six months;

2) the performance of obligations in respect of the payment of the outstanding taxes may lead to the insolvency of the taxpayer;

3) up to the date of submitting the application the taxpayer, except a person engaged in consumer lending activities, has not issued any outstanding loans to private individuals, including to the shareholders and management of its company;

4) the tax debt is related to one of the following circumstances:

a) the net book value of the taxpayer's trade receivables is equal or exceeds the amount of the outstanding payments in respect of which an application has been submitted,

b) the net book value of the taxpayer's inventories is equal or exceeds the amount of the outstanding payments in respect of which an application has been submitted, and the respective inventories have formed due to the decline in the sales of the taxpayer,

c) the taxpayer has not received the consideration for the performance of public and local government orders, in whole or in part, within the due term,

d) for the institutions funded from the budget, as well as State and local government companies which provide services funded by the State budget the amount of the granted financing or the reduction of the services funded from the budget in the reporting year in which a tax debt arose exceeds 30 per cent compared to the previous reporting year.

(1<sup>4</sup>) The taxpayer shall submit a reasoned application requesting the division of the payment of outstanding taxes in instalments for a time period of up to six months, as well as other documents supporting the conformity of the taxpayer with the provisions laid down in Paragraph 1.<sup>3</sup> of this Section to the tax administration before the statutory due term for the payment of the outstanding taxes. Legal persons, who draw up an annual report, shall attach the balance sheet and income statement prepared at the first day of the month in which the application was submitted and complying with the provisions of the relevant laws and regulations governing the preparation of annual reports.

(1<sup>5</sup>) [9 August 2016 / See Paragraph 162 of Transitional Provisions]

(1<sup>6</sup>) The taxpayer which conforms to Paragraph one, Clause 10 of this Section shall submit a reasoned application requesting the division of the payment of outstanding taxes in instalments or deferral for a time period of up to five years to the tax administration not later than one month after setting in of the payment term. The tax administration shall agree with the taxpayer in writing regarding debt payment schedule and, in examining the abovementioned application, shall conform to Commission Regulation (EU) No 1407/2013 of 18 December 2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to *de minimis* aid (Text with EEA relevance) (Official Journal of the European Union, 24.12.2013, L352/1) or Commission Regulation (EU) No 717/2014 of 27 June 2014 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to *de minimis* aid in the fishery and aquaculture sector (Official Journal of the European Union, 28.06.2014, L190/45), as well as take into account the following factors:

1) whether the taxpayer complies with the tax payment terms laid down in the laws and regulations governing taxes;

2) whether any infringements by the taxpayer have been identified during the most recent tax review (audit).

(2) In respect of the taxes which are payable to local government budgets in full the decision to extend the payment term shall be taken by the relevant local government.

(3) [25 November 1999]

(4) [25 November 1999]

(5) [9 October 2002]

(6) Late tax payments shall be paid by paying the principal debt and late payment charges proportionately.

(7) In the cases related to the extension (deferral, division in instalments) of the term referred to in Paragraph one, Clauses 1, 3, 7, 8, and 11 of this Section (except for the case when the request for the assistance for enforcement is based on the international convention concluded on the avoidance of double taxation and the prevention of tax evasion which has been ratified by the *Saeima*), as well as in Paragraph 1.<sup>3</sup>, late payment charges shall be calculated as one fourth of the late payment charge specified in Section 29, Paragraph two of this Law for each day throughout the period of default, except for the cases provided for in Section 29 of this Law. If, upon expiry of the extension term, the taxpayer has not paid the late tax payments in full or has not extended the term for the payments in accordance with the procedures laid down in this Section, the late payment charge for the portion of the outstanding debt shall be assessed according to the general principles throughout the period of default and the debt shall be enforced on an uncontested basis.

(8) Extension (deferral, division in instalments) of the term of late tax payments shall not release the taxpayer from the duty to make full payments of current taxes within the statutory due dates for payment laid down in tax laws.

(9) The relief provided for in Paragraph one, Clause 1.<sup>3</sup> of this Section shall not apply to the taxpayers who fail to make full current tax payments within the statutory due dates laid down in tax laws.

(9<sup>1</sup>) The tax administration is entitled to grant the extension of the term for payment of a particular type of tax and other payments due into the budget provided for in Paragraph one, Clauses 1 and 11 of this Section to the same taxpayer not more than four times per calendar year.

(10) The institution disposing of the public property shall, in accordance with procedures stipulated by the Cabinet, capitalise the principal tax debts due into the State budget, concurrently cancelling the late payment charges and a fine of:

1) the companies to be privatised or parts thereof;

2) the privatised companies for which the tax debt due into the State budget had arisen prior to privatisation and has not yet been paid due to circumstances beyond the control of the payer.

(11) Proceeds from capitalisation of tax debts which are payable to the State budget, shall be paid into the general budget and special budgets in accordance with the provisions of the laws on specific taxes regarding the payment of current taxes into the State general budget or special budget.

(12) The institution disposing of the public property, in accordance with the procedures stipulated by the Cabinet, may capitalise the principal debt of property tax and personal income tax of privatised companies for which property tax and personal income tax arrears had arisen prior to privatisation and until the present time have not been paid due to the circumstances beyond the control of the payer.

(13) Proceeds from disposal of the capital shares (stocks) acquired as a result of the capitalisation of the principal debts of property tax and personal income tax payments, shall be credited to the account earmarked for this purpose in the State general budget. The abovementioned resources shall be allocated between local governments and the State budget in accordance with the procedures stipulated by the Cabinet.

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

(15) Proceeds from disposal of capital shares (stocks) acquired as a result of the capitalisation of the principal debt of immovable property tax payments, shall be credited to the budget of the relevant local government.

(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; 26 October 2006; 8 November 2007; 31 January 2008; 8 May 2008; 11 December 2008; 1 December 2009; 13 October 2011; 15 March 2012; 19 September 2013; 18 September 2014; 23 October 2014; 11 June 2015; 23 November 2016; 16 November 2017]

**Section 24.<sup>1</sup> Procedures by Which the Tax Administration provides Consent in Writing to the Taxpayer for the Implementation of the Plan of Measures of the Legal Protection Proceedings or Changes Thereto**

(1) Where a written consent of the tax administration is required for the taxpayer to implement the plan of measures of the legal protection proceedings, the tax administration shall take the decision to reduce the amount of the tax claim or a part thereof or division of the due dates for the payment of the tax claim in instalments, to extend the payment term or to temporarily defer it as well as to divide the due term for the payment of current tax payments in instalments, extend the term or temporarily defer the term.

(2) The tax administration shall take the decision in the case referred to in Paragraph one of this Section within 21 days of the receipt of the taxpayer's application. The taxpayer shall submit the relevant application to the tax authorities in accordance with the procedures laid down in Section 24.<sup>2</sup> of this Law.

(3) In deciding on the issuance of a written consent in the case referred to in Paragraph one of this Section, the tax administration shall consider the cause of the tax debt and the amount thereof as well as assess the effectiveness and proportionality of the reduction of the amount of the tax claim or part thereof, or division of the term for the payment of the tax claim or current tax payments in instalments, extension or temporary deferral of the payment term, the legitimate interests as well as the interests of society as a whole.

(4) [17 December 2014]

[11 June 2009; 1 December 2009; 19 September 2013; 17 December 2014]

### **Section 24.<sup>2</sup> Information to be Supplied by the Taxpayer for Obtaining the Consent of the Tax Administration in Writing for the Implementation of the Plan of Measures of the Legal Protection Proceedings or Changes Thereto**

(1) Where a written consent of the tax administration is required for the taxpayer to implement the plan of measures of the legal protection proceedings the taxpayer shall submit to the tax administration, within 10 days from the date on which the legal protection proceeding case is initiated at the court, an application specifying the following particulars:

- 1) name, registration number and registered office of the merchant;
- 2) circumstances due to which the commercial company is unable to perform its obligations;
- 3) total assets of the commercial company.

(2) The taxpayer shall enclose to the application:

- 1) the plan of measures of the legal protection proceedings drawn up in accordance with the Insolvency Law;
- 2) a balance sheet and income statement with notes regarding each item presenting information, for a period from the beginning of the year drawn up not later than one month before the filing of the application for legal protection proceedings to the court.

(3) If the plan of measures of the legal protection proceedings has been revised or reworded in the period after notification of the decision of the tax administration up to the time it was approved by the court, the tax administration shall review it in accordance with the procedures laid down in Section 24.<sup>1</sup> of this Law.

[11 June 2009; 13 December 2012]

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

(1) Tax debts to be included in the State budget, as well as late payment charges and fines shall be extinguished by the State Revenue Service in the following cases:

- 1) [13 December 2012];
- 2) [11 December 2008];

3) in respect of a natural person - taxpayer - in the event of their death if it is not possible to recover the tax debts, fines and late payment charges related thereto from their heirs;

4) in respect of a taxpayer in respect of the taxes recoverable on an uncontested basis - if the decision to recover the tax debts has become invalid in accordance with Section 26, Paragraph nine, Clause 4 of this Law;

5) in respect of a taxpayer - in the case provided for in Section 26, Paragraph 6.<sup>1</sup> of this Law, if within three years of the statutory term for payment the decision to recover the outstanding taxes has not been taken;

6) in respect of an individual (family) undertaking, also a farm or fishery undertaking, in the event of the death of a founder-owner if it is not possible to recover tax debts, fines and late payment charges related thereto from the heirs;

7) in respect of a taxpayer - if the taxpayer has been removed from the registers of the Enterprise Register in the

cases provided for in laws and regulations and if it is provided by the Commercial Law, the creditor claim rights shall be subject to limitation.

(2) The capitalised principal amounts of taxes, fines and late payment charges related thereto, except for immovable property tax debts, shall be extinguished, on the basis of a recommendation by the authority carrying out the capitalisation, by the Ministry of Finance in accordance with the procedures stipulated by the Cabinet.

(3) Immovable property tax debts due into local government budgets as well as late payment charges and fines related thereto in cases set out in Paragraph one of this Section shall be extinguished by the relevant local governments. Local governments shall extinguish the capitalised principal debt of immovable property tax, associated fines and late payment charges in accordance with the procedures stipulated by the Cabinet.

(4) Once a quarter the State Revenue Service or the relevant local governments shall publish on their websites information regarding the extinguished tax debts unless otherwise provided for in laws and regulations.

(5) [11 June 2009]

*[22 October 1998; 13 April 2000; 8 March 2001; 12 December 2002; 28 February 2003; 26 October 2006; 31 January 2008; 8 May 2008; 11 December 2008; 12 June 2009; 11 June 2009; 13 October 2011; 13 December 2012 / See Clause 146 of Transitional Provisions]*

### **Section 25.<sup>1</sup> Extinguishment of Tax Overpayments**

If a taxpayer has been liquidated and removed from the taxpayers' register or has not claimed a refund of its overpaid tax or requested a set-off thereof against its current or outstanding taxes within three years of the statutory due term laid down in the particular tax law, or if the State Revenue Service has taken the decision not to refund the overpaid taxes and the said decision has become effective on an uncontested basis or a relevant court ruling has become effective, the overpaid tax shall be extinguished as follows:

1) the overpayment of the taxes fully or partly payable to the State budget - by the State Revenue Service;

2) the overpayment of immovable property tax payable to the budgets of local government - by the relevant local governments.

*[19 December 2006; 12 June 2009; 13 October 2011]*

### **Section 25.<sup>2</sup> Extinguishment of the Amounts of Tax Claims in the Event of Insolvency of the Taxpayer in Instances Where the Solvency of the Taxpayer is Reinstated**

(1) In situations where the solvency of the taxpayer is reinstated, the tax debts payable to the State budget and associated late payment charges and fines shall be extinguished by the State Revenue Service in the following cases:

1) [13 December 2012];

2) under the legal protection proceedings if the plan of the measures of the legal protection proceedings as approved by the court decision or amendments thereto provides for a reduction of the tax debt, late payment charges or fines and the court decision to terminate the protection proceedings in connection with the accomplishment of the plan of the measures of the legal protection proceedings;

3) under the out-of-court legal protection proceedings if the plan of measures of the legal protection proceedings as approved by the court or amendments thereto provides for a reduction of the late payment charges and a fine and the court decision to terminate the out-of-court legal protection proceedings in connection with the accomplishment of the plan of the measures of the legal protection proceedings.

(2) Immovable property tax debts due into local government budgets as well as late payment charges and fines related thereto in cases set out in Paragraph one of this Section shall be extinguished by the relevant local governments.

*[11 June 2009; 1 December 2009; 13 October 2011; 13 December 2012 / See Clause 146 of Transitional Provisions]*

### **Section 25.<sup>3</sup> Extinguishment of Late Payment Charges upon the Occurrence of the Legal Basis for the Compensation of Losses**

(1) The State Revenue Service shall, on the basis of the decision of general prosecutor or the decision of a specially authorised prosecutor for the compensation of losses, extinguish the late payment charges imposed on the taxpayer calculated for the period when the person was not provided with a possibility to act with financial resources.

(2) The late payment charges payable to the local government budgets shall be extinguished in the amount and in accordance with the procedures laid down in Paragraph one of this Section.



[13 December 2012]

## Section 26. Collection of Late Tax Payments

(1) The tax liabilities due in accordance with tax declarations, assessments of tax advances as well as other documents on payments into the budget or taxes (including a fine) assessed as a result of the control procedures (reviews and audits) carried out by the tax administration which are outstanding past their statutory due dates for the payment thereof as laid down in tax laws or other laws and regulations, and the associated late payment charges (hereinafter - the late taxes), as well as the costs incidental to the recovery of the late taxes on an uncontested basis shall be recovered by the tax administration on the basis of the decision to recover late tax payments.

(1<sup>1</sup>) If a submitter of the guarantee laid down in tax laws and regulations has failed to pay the tax debt within the time period and in accordance with the procedures laid down in laws and regulations, the guarantor shall, within one month after receipt of a written request from the State Revenue Service, pay the tax in the amount of the principal debt which does not include the late payment charges and fine and does not exceed the amount of the guarantee in order to cover the tax debt of such person whom a tax guarantee certificate has been issued. If the time period laid down in this Section is not complied with, the guarantor shall pay late charge in amount of 0.1 per cent from the tax debt sum not paid in due time, the sum being indicated in the written request of the State Revenue Service to pay the tax debt of the submitter of the guarantee, but not exceeding 100 per cent of the sum.

(1<sup>2</sup>) The request referred to in Paragraph 1.<sup>1</sup> of this Section shall be deemed an administrative deed, and compulsory execution thereof shall be performed after the time period of one month laid down for voluntary payment has elapsed for recovery of late tax payments on the uncontested basis, on the basis of a decision to recover late tax payments.

(2) Prior to the recovery of late tax payments on an uncontested basis, the tax administration shall set-off any tax overpayments against tax underpayments. The taxpayer shall be notified of the set-off of overpayments and underpayments in writing within three days from the performance thereof.

(3) Late tax payments shall be recovered on an uncontested basis as follows:

1) the State Revenue Service, based on an order regarding transfer of monetary funds, shall apply the recovery of monetary funds kept in the account of the taxpayer opened in a credit institution or in the account which has been opened at the payment service provider. Prior to preparing the abovementioned order, the State Revenue Service shall send out an order regarding seizing of monetary funds. If the debtor has only one account or it has opened an account regarding the existence whereof the credit institution or payment service provider has notified the State Revenue Service after seizing of monetary funds or if due to recovery of another debt the previously notified order regarding transfer of monetary funds is not enforced, the State Revenue Service may instantly send out the order regarding transfer of monetary funds. If there are no monetary funds in the account of the taxpayer, the order shall be executed as soon as monetary funds are transferred to the account (accounts). As long as the relevant order has not been enforced, monetary funds shall not be transferred from the accounts for other purposes;

1<sup>1</sup>) officials appointed by or institutions established by the council of the local government, based on the order regarding transfer of monetary funds, shall apply the recovery of monetary funds kept in the account of the taxpayer opened in a credit institution or in the account which has been opened at the payment service provider. The order regarding transfer of monetary funds adopted by an official appointed by or an institution established by the council of the local government shall be subject to immediate enforcement. If there are no monetary funds in the account of the taxpayer, the order regarding transfer of monetary funds shall be executed as soon as monetary funds are transferred to the account (accounts). As long as the order regarding transfer of monetary funds adopted by an official appointed by or an institution established by the council of the local government is not enforced, monetary funds shall not be transferred from the relevant account for other purposes. If orders regarding transfer of monetary funds have been submitted by several tax administrations, the order with the earliest submission date shall be enforced first. The recipient of the order regarding transfer of monetary funds adopted by an official appointed by or an institution established by the council of the local government shall inform the tax administration regarding its receipt;

2) by seizing cash from the cashier's office of a legal person or individual merchant or other places of storage in accordance with the procedures stipulated by the Cabinet. Cash intended for the payment of employment remuneration of employees which does not exceed the average monthly employment remuneration for the past six months shall not be seized;

3) in accordance with the procedures laid down in Part E of the Civil Procedure Law, the recovery of late tax payments on an uncontested basis shall be applied to the property of the taxpayer (moveable and immovable property, including the property located with third parties). The recovery of the property shall be commenced if the tax administration has been unable to cover the late tax payments and the costs incidental to the recovery thereof on an uncontested basis from tax overpayments, sending out the order regarding transfer of monetary funds and seizing cash.

(4) The sequence of the application of the recovery measures referred to in Paragraph three of this Section and the

number of the times of applying thereof shall be laid down by the tax administration in conformity with the following principles:

1) the recovery of late tax payments on an uncontested basis shall first be applied to the debtor's cash;

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

(5) A decision by an authorised officer of the tax administration to recover late tax payments may be taken not earlier than five working days after the statutory term for the payment of tax. A decision to recover late tax payments assessed as a result of a control procedure (a review or audit) carried out by the tax administration shall be taken not earlier than 30 days of the date of the relevant decision of the tax administration.

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

1) the decision taken on the basis of the findings of the control procedure (a review or audit) carried out by the tax administration has been challenged - for the period of the pre-trial examination of the application in accordance with the procedures laid down in laws and regulations;

2) the due term for the payment of the tax has been extended, deferred or divided in instalments - in respect of the portion of extended tax payments or the deferred tax payment;

3) the circumstances laid down in Section 560; Section 563, Paragraph one, Clause 4 or 5 or Paragraph two of the Civil Procedure Law have set in;

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

5) a court ruling has entered into effect by which insolvency proceedings have been declared for the taxpayer or a decision of the court to initiate the legal protection proceedings has entered into effect. After declaration of the insolvency proceedings or initiation of the legal protection proceedings in the court the taxpayer shall perform all current tax payment in accordance with the requirements laid down in tax laws;

6) the tax administration has taken a decision on voluntary execution of late tax payments - in relation to the part of the tax payment to which the decision on voluntary execution of late tax payments applies.

(6<sup>1</sup>) The recovery of outstanding tax payments, except customs duty and other analogous payments shall not commence if the total amount of the collectible debt does not exceed EUR 15.

(7) A decision to recover late tax payments is an execution document and it shall be executed by:

1) an officer of the tax administration according to his or her job duties;

2) a sworn bailiff in accordance with the Civil Procedure Law and on the basis of a decision to recover outstanding tax payments if the tax administration has in accordance with the procedures laid down in the Civil Procedure Law submitted to the sworn bailiff the execution document.

(8) The decision to recover late tax payments shall be executed within three years of the taking thereof, except the case referred to in Paragraph 8.<sup>1</sup> of this Section. The limitation period for the execution of the decision shall be suspended if:

1) the term for payment of the tax has been extended, deferred or divided - up to the end of such term. If the term for payment has been divided, the term of limitation shall be renewed after the term of the last payment;

2) the decision taken on the findings of the control procedure (a review or audit) carried out by the tax administration, tax assessed or decision to recover late tax payments has been challenged - for the period of the pre-trial examination of the submission;

3) the activities of the sworn bailiff have been appealed - for the period of the examination of the appeal;

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 to suspend the execution of the tax administration's decision - up to the revocation of the court decision or for the term indicated in the court decision;

7) legal protection proceedings have been initiated based on a court decision or insolvency proceedings have been declared based on a court ruling - up to the date on which the court decision to terminate the legal protection

proceedings or insolvency proceedings enters into effect;

8) [28 July 2017];

9) the decision has been submitted for execution to a sworn bailiff and the officer of the tax administration which in accordance with the law has been granted the rights of a bailiff - up to the execution of the decision or up to the time a statement that the recovery is not possible is issued;

10) the consent of the tax authorities is not required for the implementation of the plans of measures of the legal protection proceedings and the court has ruled for extrajudicial legal protection proceedings - up to the date on which the court decision to terminate the extrajudicial legal protection proceedings enters into effect;

11) the tax administration has taken a decision on voluntary execution of late tax payments - for the time period while the decision on voluntary execution of late tax payments is in effect.

(8<sup>1</sup>) The recovery of a tax claim on behalf of the Member State of the European Union or country with which an international convention on the avoidance on double taxation and the prevention of the evasion of taxes has been concluded and ratified by the *Saeima* shall occur within the term specified in the request for assistance of the relevant foreign authority.

(8<sup>2</sup>) If, in respect of the payments listed in the decision to recover the late tax payments a request for assistance has been sent to the authority of the requested Member State of the European Union or the tax administration (competent authority) of the country with which an international convention on the avoidance on double taxation and the prevention of the evasion of taxes has been concluded and ratified by the *Saeima*, the term for the recovery of the claim shall be determined according to the term specified in the decision to recover late tax payments. Any activities which have been performed in the state requested for assistance and comply with the provisions of Paragraph eight of this Section shall suspend the term for the coercive recovery of the late tax payments.

(9) A decision to recover late tax payments shall cease to be in effect:

1) on the day on which the voluntary payment of the late tax payments is made or the decision to recover late tax payments has been executed;

2) on the day on which the tax administration repeals the decision to recover the late tax payments;

3) on the day on which the court judgement which repeals the tax administration's decision to recover outstanding tax payments comes into effect;

4) if the decision to recover late tax payments has not been executed within the time period laid down in Paragraph eight of this Section and the tax administration has at its disposal a certified statement to the effect that the recovery is not possible, except a decision in relation to a legal person. In relation to legal persons a decision to recover late tax payments shall become invalid if a statement regarding impossibility of recovery has been drawn up and within one year from the drawing up thereof the tax administration has not obtained information that would serve as the basis for enforcing the decision to recover late tax payments;

5) if the tax debt has been extinguished in accordance with the procedures laid down in this Law.

(10) The procedures for recovering late tax payments laid down in this Law shall also apply to the recovery of outstanding fees and other statutory payments on an uncontested basis.

(11) The tax administration which in accordance with Section 20 of this Law administers specific taxes has the right to take a decision on voluntary execution of late tax payments on the basis of a motivated application of a taxpayer, determining the terms for the taxpayer for a time period up to three years counting from the day of submitting the application, for voluntary payment of such late tax payments which are recovered by a decision to recover late tax payments. The taxpayer shall submit a motivated application to the tax administration not later than six months after the decision to recover late tax payments has been notified. The tax administration and the taxpayer shall agree on the payment schedule of late tax payments in writing. From the day on which the tax administration has taken a decision on voluntary execution of late tax payments, half of the late payment specified in Section 29, Paragraph two of this Law for each day throughout the entire period of delay shall be calculated for the amount of the principal tax debt specified in the decision. If in accordance with Paragraph thirteen of this Section the tax administration has revoked the decision on voluntary execution of late tax payments, the late payment of the unsettled principal debt shall be restored in full amount from the day on which the decision on voluntary execution of late tax payments was taken.

(12) Paragraph eleven of this Section shall not apply to such taxpayers, in relation to which the court has taken a decision to declare insolvency proceedings, to declare extrajudicial legal protection proceedings or to initiate legal protection proceedings.

(13) If the taxpayer does not comply with the payment terms laid down in the decision on voluntary execution of late tax payments or does not perform the current tax payments in full amount within the time periods laid down in tax

laws, or does not perform tax payments within the laid down time periods, the payment term of which was extended in accordance with the procedures laid down in Section 24, Paragraph one, Clauses 1 and 3 of this Law, the tax administration has the right to revoke the decision on voluntary execution of late tax payments.

(14) If the decision on voluntary execution of late tax payments has been transferred to a bailiff for recovery, the taxpayer, in submitting the application referred to in Paragraph eleven of this Section, shall append a document thereto certifying that the expenses for executing the decision have been paid.

(15) The enforcement resources of the tax administration which were applied before taking of the decision on voluntary execution of late tax payments, are preserved.

*[28 February 2003; 26 October 2006; 11 June 2009; 15 March 2012; 13 December 2012; 19 September 2013; 6 November 2013; 18 September 2014; 23 November 2016; 28 July 2017; 1 November 2018]*

## **Section 26.<sup>1</sup> Enforcement of the Decisions of the Tax Administration**

(1) Concurrently with taking of the decision based on the findings of the control procedure (a review or audit) carried out by the tax administration, as well as taking of the decision to recover late tax payments, the tax administration is entitled to apply the following enforcement measures:

- 1) subjecting the moveable property owned by the debtor to a lien;
- 2) making an entry regarding the claim security notation (prohibition or pledge notations) in the Land Register, Ship Register or other property registers;
- 3) prohibiting the debtor from performing certain activities aimed at evading taxes;
- 4) subjecting the property located with another person owned by the debtor to a lien.

(1<sup>1</sup>) The tax administration is entitled to apply a prohibition to the taxpayer - legal person or natural person - individual merchant or a person who has been registered with the State Revenue Service as a performer of economic activity - to perform cash transactions. The prohibition shall be applicable to the debtor, if an order regarding transfer of monetary funds has been sent in accordance with Section 26, Paragraph three, Clause 1 of this Law for writing-off of monetary funds from the account of the taxpayer - legal person or natural person - individual merchant or a person who has been registered with the State Revenue Service as a performer of economic activity - in a credit institution or from an account opened at the payment service provider if not less than 30 days have elapsed since the day the order regarding transfer of monetary funds has been sent and the late tax payments indicated in the decision to recover late tax payments have not been collected or have been collected in full amount.

(2) The decision of an authorised official of the tax administration on the application of enforcement measures shall be sent to the taxpayer within one working day of the execution thereof.

(3) Where the tax administration identifies that the taxpayer is removing, alienating or concealing its assets or other sources of income, is reorganising or liquidating commercial companies, co-operative societies or other legal persons governed by private law or there is other evidence that the taxpayer is discontinuing its activities in Latvia with a view to evading the payment of late tax payments and the taxpayer is performing other activities as a result of which it may become impossible to enforce the decision of the tax administration on recovery of late tax payments on an uncontested basis, the tax administration may apply the enforcement measures before the decision on the findings of the control procedure (a review or audit) is taken by the tax administration.

(3<sup>1</sup>) The State Revenue Service has the right to apply the enforcement measures referred to in Paragraph one of this Section, including the making of a prohibition reference in the commercial register for reorganisation, liquidation of the taxpayer, change of officials and stock owners, if the taxpayer whereof information has been provided in accordance with Section 18, Paragraph one, Clause 25 of this Law, has applied for an entry of changes in the registers maintained by the Enterprise Register and the State Revenue Service has detected one of the following conditions:

- 1) the taxpayer's address matches a risk address;
- 2) a person of risk has been specified in the commercial register as the only shareholder or only official of the taxpayer;
- 3) the tax review (audit) is commenced to assess the reasonableness of refunding tax overpayment;
- 4) upon preparing the assessment of personal data in the field of risks of tax revenues, the tax administration has identified facts that a taxable object or tax evasion could have occurred.

(3<sup>2</sup>) The State Revenue Service is entitled to apply the prohibition on alienation of a vehicle, initiating tax administration measures in the case referred to in Section 10, Paragraph eleven of the Road Traffic Law.

(3<sup>3</sup>) If the tax administration, upon preparing the assessment of personal data in the field of risks of tax revenues, has identified facts that a taxable object or tax evasion could have occurred, it has the right to apply the enforcement measures referred to in Paragraph one of this Section concurrently with:

1) taking of a decision to perform a tax review (audit);

2) sending of a notification on specific irregularities in the information provided by the taxpayer and information at the disposal of the tax administration identified during data conformity check;

3) drawing up of a thematic inspection statement, if significant infringements that indicate to tax evasion have been identified during the thematic inspection.

(3<sup>4</sup>) Upon applying enforcement measures in accordance with Paragraph 3.<sup>3</sup> of this Section, they shall be applied to such extent that does not exceed the amount of taxes and duties not paid into the budget indicated in the assessment of personal data in the field of risks of tax revenues.

(4) The decision on the application of enforcement measures shall be applied so that it causes the least possible losses to the taxpayer and interferes with its activities in the least possible way. The tax administration shall compensate the taxpayer for damages caused by the unfounded application of enforcement measures in accordance with the procedures laid down in the Civil Law.

*[28 February 2003; 26 October 2006; 11 December 2008; 1 December 2009; 17 December 2014; 30 November 2015; 23 November 2016; 28 July 2017]*

## **Section 26.<sup>2</sup> Guarantee to Potential Payment of the Value Added Tax Debt in Transactions Involving Petroleum Products**

[6 November 2017 / See Paragraph 201 of Transitional Provisions]

## **Section 27. Collection of Taxes in the Cases Where Sources of Income are Liquidated or Concealed**

Where a taxpayer is liquidating its assets, undertakings, commercial companies, co-operative societies or other legal persons governed by private law or other sources of income or conceals assets, or the tax administration has other evidence that the taxpayer is terminating its activity in Latvia, the tax administration has the right to assess taxes and carry out measures to ensure the receipt of the assessed taxes before the end of the taxation period. In such cases the tax administration may request the information and returns necessary for imposing the taxes as well as the payment of the taxes irrespective of the due term laid down in the specific tax law.

*[26 October 2006; 11 December 2008]*

## **Section 28. Refunding of Erroneously Recovered Payments and Overpaid Tax Amounts**

(1) The payments erroneously recovered by the tax administration shall be refunded to the taxpayer within 15 days from the day on which the decision of the tax administration or the court ruling that the payment has been recovered erroneously has come into force. The refundable amounts shall be increased by a half of the late payment charge laid down in Section 29, Paragraph two of this Law, starting from the day when the erroneously recovered payment has been received in the budget until the day when the decision of the tax administration or the court ruling that the payment has been recovered erroneously has come into force. If the erroneously recovered payment amount is not refunded within 15 days from the day when the decision of the tax administration or the court ruling that the payment has been recovered erroneously has come into force, for the time period from the 16th day it shall be increased by the late payment charge laid down in Section 29, Paragraph two of this Law, calculating it from the erroneously recovered payment amount. Erroneously recovered payment amounts shall be disbursed from the budget into which these amounts were paid into.

(2) The tax administration shall set off the overpaid taxes, based on a reasoned application of a taxpayer to the tax administration and after being verified by the tax authorities, against outstanding or current tax payments or refund them within 15 days unless the laws on the specific taxes provide for a different term and procedure of refunding. If the overpaid tax amounts are not refunded without a foundation within the term laid down in this Paragraph or in specific tax law the refundable amount shall be increased by three fifths of the late payment charge laid down in Section 29, Paragraph two of this Law, applying it to the amount of the overpaid taxes for each outstanding day. If the validity of the overpaid tax amount is confirmed by a decision of the supreme authority of the tax administration or a court ruling, the overpaid tax amount shall be refunded to the taxpayer within 15 days from the day when the decision of the supreme authority of the tax administration or the court ruling has come into force. The refundable amounts shall be increased by three fifths of the late payment charge laid down in Section 29, Paragraph two of this Law from the day when the overpaid tax amounts had to be refunded to the taxpayer in accordance with this Law or the law on the respective taxes until the day when the decision of the supreme authority of the tax administration or the court ruling has come into force. If the overpaid tax amount is not refunded within 15 days from the day when the decision of the supreme authority of the tax administration or the court ruling has come into force, for the time period from the 16th day it shall be increased by the late payment charge laid down in Section 29, Paragraph two of this Law, calculating it from the

overpaid tax amount.

(2<sup>1</sup>) If the taxpayer's application referred to in Paragraph two of this Section is received within three years after the statutory term for payment laid down in the specific tax law the tax administration has the right, if it has started the audit of the overpaid tax amount before the expiry of the three year term, to take a decision on a set-off of these amounts against tax underpayments or a refund thereof irrespective of whether or not three years have passed from the statutory term for the payment of the particular tax.

(2<sup>2</sup>) The carrying out of the audit referred to in Paragraph two of this Section shall not limit the right of the tax administration to adjust, on the basis of the findings of the tax review (audit), the amount of the overpaid taxes which have been refunded to the taxpayer or set off against the outstanding or current taxes.

(3) The provisions of Paragraphs one and two of this Section where the taxpayer has requested a refund of the amount of the overpaid taxes shall not apply to the taxpayers which have late tax payments the amount whereof corresponds to that of late tax payments and the payments related thereto.

(3<sup>1</sup>) [14 April 2011]

(3<sup>2</sup>) [14 April 2011]

(4) In the cases referred to in Paragraphs one and two of this Section the tax administration shall set off the overpaid taxes without an application on part of the taxpayer against outstanding taxes and the payments related thereto, concurrently covering the principal debt, a fine and late payment charges proportionately.

(5) Where the provisions of the specific tax law provide for the performance of a tax review (audit) prior to refunding of the overpaid tax, the refundable portion of the overpaid tax shall be:

1) that portion the refunding of which has been substantiated as a result of the tax review (audit);

2) that portion for which the tax review (audit) is being continued if after refund the possible tax debt obligation is reinforced with a warranty or guarantee of a credit institution, or secured with a pledge.

(6) The tax overpayment the reasonableness of which is being additionally verified shall not be refunded until the tax review (audit) is completed if the taxpayer does not submit the warranty or guarantee of a credit institution 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 a general procedure applicable to pledge contracts, and such contract shall be exempt from taxes and State duties payable upon drawing up a pledge contract. The object of the pledge may be an asset which is not burdened with debts or other property rights. In accordance with the concluded warranty contract the warrantor undertakes to pay the tax debt and the associated late payment charges and fines as would the debtor itself. Pledge rights and warranty obligations shall be established, changed and terminated in accordance with the provisions of the Civil Law, while disputes between the parties shall be resolved in accordance with the procedures laid down in the Civil Procedure Law.

(8) In accordance with the guarantee of a credit institution referred to in Paragraph five, Clause 2 of this Section the credit institution shall undertake to pay the tax debt and the associated late payment charges and fines as would the debtor itself.

*[6 June 1996; 9 October 2002; 28 February 2003; 26 October 2006; 8 November 2007; 8 May 2008; 1 December 2009; 14 April 2011; 16 November 2017; 30 May 2019 / Amendment to Paragraph four shall come into force on 1 January 2021 and shall be included in the wording of the Law as of 1 January 2021. See Paragraph 207 of Transitional Provisions]*

## **Section 28.<sup>1</sup> Use of Electronic Devices and Equipment for the Registration of Tax and Other Payments for the Assessment of Taxes and Fees**

(1) [26 October 2006]

(2) [1 December 2005]

(3) [1 December 2009]

(4) The technical requirements applicable to electronic devices and equipment shall be determined by the Cabinet.

(4<sup>1</sup>) Taxpayers may use electronic devices and equipment which conform to the technical requirements of electronic devices and equipment used for registration of tax payments and other payments and for which a conformity check has been carried out. Maintenance of electronic devices and equipment may be performed by a maintenance service provider which has been subject to a conformity check specified in laws and regulations.

(5) The Cabinet shall determine the users of and the procedures for using electronic devices and equipment, the types and particulars of the documents supporting transactions, the duties of users and maintenance service providers of these devices and equipment as well as the procedures for registering the electronic devices and equipment, users thereof and maintenance service providers in the uniform database (register), and the procedures for monitoring and control thereof.

(6) The Cabinet shall determine the procedures for performing a conformity check of electronic devices and equipment and attesting their conformity with the laws and regulations governing the technical requirements for electronic devices and equipment used for registration of tax payments and other payments.

*[28 February 2003; 1 December 2005; 26 October 2006; 1 December 2009; 30 November 2015 / Paragraphs 4.<sup>1</sup> and six shall come into force on 1 July 2016. See Paragraph 179 of Transitional Provisions]*

## **Section 28.<sup>2</sup> Refunding of State duties**

(1) Amounts of the overpaid or erroneously paid State duties shall be refunded from the State budget within 15 days after the duty payer has submitted a reasoned application to the State Revenue Service, unless it has been otherwise provided for by law. An opinion in writing of the person which has provided the service or granted a guarantee or a court decision shall be enclosed with the application unless it is laid down otherwise in the provisions of specific acts or Cabinet regulations.

(2) Amounts of the overpaid or erroneously paid State duties, without an application submitted by the duty payer, shall be refunded by the State Revenue Service from the State budget within 15 days from the day when it has received a written opinion of such institution or official that has provided the service or granted a guarantee or in the administered account whereof the State duty has been erroneously paid. The amount to be refunded (overpaid or erroneously paid), details necessary for the transfer thereof (settlement account number and for a legal person - name and registration number, whereas for a natural person - given name, surname, personal identity number or, if not granted to the person, date of birth) shall be specified in the opinion, and it shall also contain an indication that the duty payer has requested to repay the State duty.

*[26 October 2006; 8 May 2008; 16 November 2017]*

## **Chapter VII Liability for Tax Infringements**

*[26 October 2006]*

### **Section 29. Assessment of Late Payment Charges**

(1) *[26 October 2006]*

(2) Failure to pay taxes and fees within the statutory term shall attract late payment charges at 0.05 per cent of the outstanding principal debt for each outstanding day unless the provisions of the specific tax law provide for a different amount of the late payment charges.

(3) Late payment charges will not be applied if the tax payment due to the State or local government budget has been paid within five working days of the statutory due term. If the abovementioned condition is not conformed to, late payment charges shall apply from the day following the date on which the payment was due in accordance with the specific tax law up to the date of payment (inclusive). If the statutory due date for the payment falls in a week-end (a national holiday) the payment shall be due on the next working day following the week-end (the national holiday).

(4) Assessment of late payment charges:

1) is discontinued unless provided for otherwise in Section 24 or Section 26, Paragraph eleven of this Law:

a) for capital companies to be privatised - from the day of commencement of privatisation, for companies - from the day of commencement of disposal until the day when the obligations are transferred to the new owners under the delivery - acceptance statement, however not longer than for 12 months,

b) for taxpayers who have been declared insolvent by the court, - from the date on which the court announced the adjudication in the relevant insolvency proceedings case,

c) for merchants the principal amounts of the debts whereof are capitalised in accordance with the procedures and within the time period stipulated by the Cabinet,

d) for commercial companies in respect of which the court has initiated legal protection proceedings - from the date on which the court has made the ruling to initiate the relevant legal protection proceedings case,

e) for commercial companies under an out-of-court legal protection proceedings - from the date on which the court has made the ruling to implement the legal protection proceedings;

2) shall be reinstated if:

a) upon expiry 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. Late payment charges shall be calculated according to the general procedure from the date, on which the calculation thereof was suspended,

b) the solvency of the taxpayers referred to in Clause 1, Sub-clauses "b", "d" and "e" of this Paragraph is reinstated from the date on which the court has made the ruling to terminate the insolvency proceedings or legal protection proceedings as a result of accomplishing the plan of measures of the legal protection proceedings,

c) the application for the legal protection proceedings of the taxpayers referred to in Clause 1, Sub-clause "d" of this Paragraph has been rejected. Late payment charges are calculated from the date on which the calculation of late payment charges was suspended.

(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 late payment charges shall be temporarily suspended until a decision is taken to renew operations or on bankruptcy of the credit institution.

(6) The assessment of the late payment charge provided for in Paragraph five of this Section shall be suspended:

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

2) only in a case when the owner-administrator of cash funds which have been frozen (blocked) in bank accounts has not waived off its right to claim payments for the benefit of another party or has not assigned its right to any other party.

(7) Calculation of late payment charges is discontinued if the amount of the late payment charge reaches two fifths of the amount of the late payment (principal debt).

(8) Late payment charges of late tax payments or fees of the Member State of the European Union shall be assessed in the amount and in accordance with the procedures laid down in this Section from the date on which the State Revenue Service receives request for assistance regarding the enforcement of a tax claim.

(9) Late payment charges of late tax payments or fees of the Member State of the European Union shall be assessed in the amount and in accordance with the procedures laid down in this Section from the date on which the State Revenue Service receives request for assistance regarding the recovery of a tax claim if the enforcement of the claim of the Member State of the European Union required replacement.

*[6 June 1996; 22 October 1998; 25 November 1999; 13 April 2000; 10 May 2001; 9 October 2002; 26 October 2006; 11 December 2008; 11 June 2009; 15 March 2012; 23 November 2016 / Amendments to Paragraphs four and seven shall come into force on 1 July 2017. See Paragraphs 182 and 187 of Transitional Provisions]*

### **Section 30. Restrictions on the Use of Cash**

(1) Taxpayers, except for natural persons which are not individual merchants shall, by 15<sup>th</sup> day of each month in accordance with procedures stipulated by the Cabinet, report all cash transactions with their counterparties (irrespective of whether the transaction involves a single operation or several operations) the amount of which exceeds EUR 1500. The taxpayers, except for natural persons who are not individual merchants, shall not be eligible to engage in cash transactions the value of which exceeds EUR 7200 (irrespective of whether the transaction involves a single operation or several operations).

(<sup>1</sup>) The restriction imposed on the use of cash laid down in Paragraph one of this Section, as well as the obligation to report cash transactions shall also apply to natural persons who are registered with the State Revenue Service as performers of economic activity and are engaged in cash transactions in carrying on their economic activity.

(<sup>2</sup>) [17 December 2009]

(<sup>3</sup>) [17 December 2009]

(<sup>4</sup>) Taxpayers engaged in wholesale trade shall engage only in non-cash transactions (including with payment cards).

(<sup>5</sup>) The restriction laid down in Paragraph 1.<sup>4</sup> of this Section shall not apply in cases when the wholesaler (seller of goods) has:



1) notified the State Revenue Service in writing to the effect that it will engage in wholesale transactions for which customers will be able to pay in cash;

2) ensured that a register of customers of the goods is maintained which permits the identification of the customers of particular goods which have performed payments in cash and the value of the cash transaction.

(1<sup>6</sup>) Taxpayers, including natural persons who do not perform economic activity, shall not be permitted to execute cash transactions related to alienation of immovable properties.

(2) The restriction applicable to the use of cash referred to in Paragraph one of this Section shall not apply only to shipping commercial companies and air transport agency commercial companies, as well as to international road haulage and freight forwarding transactions carried out by international road haulage and freight forwarding commercial companies. The abovementioned companies shall, in accordance with the procedures stipulated by the Cabinet within the time period provided for in Paragraph one of this Section, report the transactions carried out within one month the total value of which exceeds EUR 7200.

(3) The provisions laid down in this Section shall not apply to:

1) credit institution services;

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

(4) In respect of retail sale transactions the restriction applicable to the use of cash referred to in Paragraph one of this Section as well as the obligation to report cash transactions shall apply only to the customer of the goods, except the case provided for in Paragraph seven of this Section.

(5) In respect of the payment for services which in accordance with the provisions laid down in laws and regulations are provided by the Road Traffic Safety Directorate, the provisions of this Section shall apply only to the recipient of services.

(6) For the purpose of applying this Section a wholesale is considered to be the selling of the goods purchased in one's own name to a performer of economic activity for resale, manufacturing or ensuring its own operations. For the purpose of applying this Section a retail sale is considered to be the selling of goods for their final consumption or use.

(7) The taxpayers performing economic activity shall, in accordance with the procedures stipulated by the Cabinet by 1 February following the taxation year, report all cash transactions carried out during the past year with such natural persons who in accordance with the laws and regulations governing tax matters are not required to register their economic activity, if the amount of a single transaction with each counterparty exceeds EUR 3000. This provision does not apply to cash transactions (disbursed winnings) regarding which the taxpayer is required to submit a notification to the State Revenue Service in accordance with the provisions of Section 17, Paragraph 11.<sup>1</sup> of the Law On Personal Income Tax.

(8) Natural persons who do not perform economic activity are not permitted to engage in cash transactions the value of which exceeds EUR 7200 (irrespective of whether the transaction involves a single operation or several operations).

*[19 December 2006; 21 May 2009; 1 December 2009; 17 December 2009; 21 October 2010; 21 June 2012; 19 September 2013; 23 November 2016; 3 April 2019 / See Paragraph 219 of Transitional Provisions]*

### **Section 31. Restrictions Applicable to the Entitlement to Tax Relief**

Taxpayers who have unjustified late tax payments for the reporting year shall not be entitled to tax relief for qualifying donations or gifts.

### **Section 32. Liability for the Reduction of the Tax Liability Payable to the Budget or Unjustified Increasing of the Tax Refund due from the Budget**

(1) For the tax infringement found during a tax review (audit) as a result of which the amount of the taxes payable to the budget has been reduced, the tax administration shall assess and enforce on behalf of the budget the amount of underpaid tax and late payment charges for the period from the statutory due date on which the payment of the particular tax fell due up to the date on which the tax review (audit) is started, and impose a fine on the taxpayer.

(2) For the tax infringement found during a tax review (audit) as a result of which the amount refundable from the budget into the budget has been reduced without any grounds, the tax administration shall reduce the refundable amount which has been increased without a foundation and impose a fine on the taxpayer.

(3) Penalties shall be imposed according to this Section, Sections 32.<sup>4</sup> and 34 unless the provisions of the specific tax laws provide for a different amount of the penalty.

(4) The tax infringement referred to in Paragraph one of this Section, provided that the reduction of the tax due into the budget does not exceed 15 per cent of the tax amount to be reported, or for the tax infringement referred to in Paragraph two of this Section provided that the increase of the tax refundable from the budget does not exceed 15 per cent of the tax amount to be reported, shall be subject to a fine at 20 per cent of the underreported tax payable to the budget or the refundable tax which has been increased without a foundation.

(5) The tax infringement referred to in Paragraph one of this Section if the reduction of the tax payable to the budget exceeds 15 per cent of the tax amount to be reported or for the tax infringement referred to in Paragraph two of this Section, if the increase of the tax refundable from the budget exceeds 15 per cent of the tax amount to be reported, shall be subject to a fine at 30 per cent of the under-reported tax amount due into the budget or the refundable tax which has been increased without foundation.

(6) A fine in the cases referred to in this Section shall be imposed for each audited taxation period.

(7) If the tax infringement is not considered as a repeated tax infringement and the taxpayer has complied with the statutory due dates for submitting tax declarations and payment of current taxes, as well as has been cooperative with the tax administration in the meaning of Section 32.<sup>2</sup> of this Law, the tax administration shall impose a penalty at 50 per cent of the penalty laid down in Paragraphs four and five of this Section.

(8) The taxpayer shall pay the additional payments assessed as a result of the tax review (audit) within 30 days of receipt of the decision of the tax administration on the findings of the tax review (audit). If the payments specified in the decision on the findings of the tax review (audit) are not made within the abovementioned 30 days the tax administration shall assess the late payment charge determined in Section 29, Paragraph two of this Law starting with the day following the date on which the due term for the payment falls due.

*[13 October 2011]*

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

*[26 October 2006]*

### **Section 32.<sup>2</sup> Co-operation with the Officers of the Tax Administration**

(1) Within a specified term the taxpayer shall provide the informative declarations provided for in this Law or required under the provisions of the specific tax laws or additional information (documents supporting business revenues and expenditures, accounting records, as well as other information describing the activities which affected or could have affected the assessment and payment of tax) upon request of the tax administration officer, by not receiving which the determination of the tax amount due into the budget or a refund is not possible or made difficult.

(2) At the time of requesting information, the officer of the tax administration shall determine the term for the provision thereof which may not be longer than 30 days.

*[26 October 2006]*

### **Section 32.<sup>3</sup> Liability for Unjustified Increase of the Refundable Tax**

*[13 October 2011]*

### **Section 32.<sup>4</sup> Repeated Tax Infringements**

(1) The penalty for a repeated tax infringement shall be the double amount of the fine referred to in Section 32, Paragraphs four and five of this Law.

(2) A repeated tax infringement is such tax violation that meets the following criteria:

1) the previous tax infringement was found during a tax review (audit) which has been completed, and the abovementioned tax infringement has been committed not later than within three years of committing the repeated infringement;

2) the decision on the findings of the tax review (audit) for which the taxpayer was subject to liability in accordance with Section 32 of this Law for committing the previous infringement has entered into effect and is non-actionable or it has been appealed before a court;

3) in the administrative provision issued by the tax administration it has substantiated the repeated tax infringement with the same provisions of the law or a regulatory enactment related to the provision, or where changes have been made to the law or in regulatory enactment, with provisions which are analogous to the those used for the substantiation of the previous tax infringement.

*[13 October 2011]*

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

[26 October 2006]

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

[26 October 2006]

#### **Section 33.<sup>2</sup> Revision of Tax declaration**

(1) A taxpayer is entitled to make adjustments in the submitted tax declarations or submit a request to revise customs declarations and pay the underpaid tax and associated late payment charges assessed for the time period from the statutory due term on which the payment of the abovementioned taxes fell due to the budget as laid down in the specific tax law up to the day of the actual payment into the budget.

(2) Where a taxpayer submits an adjusted tax declaration or request to revise a customs declaration prior to the date on which tax review (audit) is commenced after it has received the notification of the tax administration regarding the commencement of a tax review (audit), in addition to the payments provided for in Paragraph one of this Law the tax administration shall apply a fine at five per cent of the underpaid tax.

(3) Until the deadline for submitting accounting records specified in the decision on the change of the terms of the tax review (audit), the taxpayer has the right to adjust tax declarations for the period subject to the additional review or the tax, or to submit an application with a request to correct the customs declaration, by concurrently making the payments provided for in Paragraphs one and two of this Section into the budget.

*[13 October 2011; 16 November 2017]*

#### **Section 33.<sup>3</sup> Reduction of the Fine Imposed (Assessed) by the Tax Administration**

[13 October 2011]

### **Section 34. Liability for the Performance of Economic Activity without Registering as a Taxpayer and for Other Tax Infringements**

(1) If a natural or legal person who has registered as a performer of economic activity performs economic activity without registering as a payer of a particular tax or within 30 days after the term determined by the tax administration, does not submit the tax declarations provided for by tax laws, as well as business and accounting records requested by the tax administration without which the tax administration officer (employees) are unable to assess the amount of the tax liability, then the tax administration shall, on the basis of a tax review (audit), assess and enforce for the benefit of the budget from the taxpayer the tax which has been assessed for the taxation period from the date on which the person had an obligation to register as a taxpayer in the amount provided for in Section 29, Paragraph two of this Law, and also a fine at 100 per cent of the underpaid tax due into the budget.

(2) If a natural person engaged in performance of economic activity without registering as a taxpayer, within 30 days after receipt of the reminder from the tax administration on the obligation to register as a performer of economic activity:

1) registers in the taxpayer's register and submits the tax declarations provided for in tax laws for the taxation period in which economic activity was performed, the tax assessed under tax declarations but not remitted into the budget on time shall attract the late payment charge assessed from the date on which the person had to register as a taxpayer in the amount provided for in Section 29, Paragraph two of this Law;

2) registers as a taxpayer, however, does not submit the tax declarations provided for in tax laws for the taxation period in which economic activity was performed, the tax authorities shall assess and enforce, on the basis of a tax review (audit), the tax into the budget assessing it from the date on which the person should have registered as a taxpayer, as well as the associated late payment charges in the amount laid down in Section 29, Paragraph two of this Law and a fine at 50 per cent of the underpaid tax due into the budget;

3) does not register as a taxpayer and does not submit the tax declarations provided for in tax laws for the taxation period in which economic activity was performed, the tax authorities shall, on the basis of a tax review (audit), assess and enforce tax into the budget calculating it from the date on which the person should have registered as a taxpayer, the late payment charge related to it in the amount provided for in Section 29, Paragraph two of this Law and a fine at 100 per cent of the underpaid tax due into the budget.

(3) If a person that performed economic activity in the previous taxation period without registering as a performer of economic activity, is no longer engaged in performing economic activity, has submitted the tax declarations provided for in tax laws for the previous taxation period in which economic activity was performed, the tax assessed under tax declarations but not remitted into the budget on time shall be subject to late payment charge assessed from the date on which the person had to register as a taxpayer in the amount provided for in Section 29, Paragraph two of this Law.

(4) Where it is not possible to assess the amount of tax, the tax administration shall determine the taxable base and the tax liability by assessment having regard to the increase in the assets or capital held by the taxpayer or the information at the disposal of the tax administration.

(5) In the cases referred to in Paragraph one and Paragraph two, Clauses 2 and 3 of this Section, upon request of the tax administration:

1) ministries, local governments and other institutions shall revoke the authorisation (licence) issued to the taxpayer for performance of commercial activity;

2) [23 November 2016 / See Paragraph 182 of Transitional Provisions]

3) impose the penalties prescribed in other laws and regulations. The tax administration is entitled to submit documents to the relevant state institution for initiating criminal proceedings.

(6) In the cases referred to in Paragraph one and Paragraph two, Clauses 2 and 3 of this Section, after having received from the tax administration an order on the suspension of the taxpayer's payment transactions, a credit institution or payment service provider shall suspend the provision of monetary funds and transfers from the taxpayer's account until receipt of an order on the suspension, in whole or in part, of the order on the suspension of the taxpayer's payment transactions from the tax administration or until receipt of a court ruling.

[21 May 2009; 23 November 2016; 30 May 2019]

### **Section 34.<sup>1</sup> Suspension of Economic Activity due to Violations of Laws and Regulations**

(1) The State Revenue Service has the right to suspend the economic activity of the taxpayer (or its structural unit in which violation has occurred) if at least one of the following violations is found:

1) if the taxpayer employs persons without concluding employment contracts with them, and the proportion of such persons is 50 per cent or more, however not less than three persons of the persons employed in the object which is audited (territories and premises owned or used by the taxpayer in which economic activity is performed or which are related to deriving of income in the territory of premises owned or used by other natural or legal person);

2) the taxpayer has evaded taxes or duties;

3) the taxpayer uses a cash register, hybrid cash register, cash-office system, dedicated device and equipment software or accounting information computer system the software of which has been changed or other activities have been carried out thereby creating an opportunity to conceal or reduce the taxable base on which taxes and duties are levied;

4) the taxpayer disburses income which is not recorded in the accounting registers and in the report on the mandatory State social insurance contributions, personal income tax levied on earnings of employees and State duty of the business risk for the reporting month submitted to the State Revenue Service to the person employed, or employs more than one person without concluding employment contracts;

5) the taxpayer has not eliminated the infringements which caused its removal from the register of value added tax payers of the State Revenue Service;

6) [1 November 2018];

7) the taxpayer has not settled late tax payments subject to recovery based on a decision on the recovery of late tax payments and the act on the impossibility of recovery is at the disposal of the State Revenue Service.

(2) The State Revenue Service shall, within five working days of identifying the violation referred to in Paragraph one of this Section, notify the taxpayer of the suspension of its economic activity, except when the violation referred to in Paragraph one, Clause 1 of this Section is found.

(2<sup>1</sup>) In warning the taxpayer regarding suspension of economic activity, the State Revenue Service has the right:

1) to prohibit the taxpayer from performing certain activities aimed at evading taxes;

2) to apply a prohibition for reorganisation and liquidation of the taxpayer.

(3) Within five working days of identifying the violation referred to in Paragraph one, Clause 1 of this Section the State Revenue Service shall take the decision to suspend the economic activity of the taxpayer (or its unit in which the violation has occurred).

(4) The State Revenue Service shall suspend the economic activity of the taxpayer based on the decision taken within five working days without warning upon identifying any of the violations referred to in Paragraph one of this Section and one of the following circumstances:

1) the taxpayer's address matches a risk address;

2) the State Revenue Service has information at its disposal that a person who had not had intention of performing commercial activity is registered in the commercial register as the only shareholder or official of the taxpayer and whose data were used for entering a record in the commercial register without the consent of this person or which became shareholder or the only official on request of third parties;

3) the State Revenue Service has information at its disposal that certain shareholders or officials of the taxpayer had not had intention of performing economic activity;

4) the legal address indicated by the taxpayer or the registered residential address is not registered in the Public Address Register;

5) the taxpayer, after being notified by the tax administration of a tax review (audit), is not reachable at the indicated address or registered residential place repeatedly within one year;

6) the taxpayer has repeatedly committed the infringement referred to in Paragraph one, Clauses 2, 3, 4 of this Section within a year.

(5) The State Revenue Service shall take the decision to suspend the economic activity of the taxpayer (or its unit in which the infringement has occurred) within 15 days of the notification to this effect in writing referred to in Paragraph two of this Section if the taxpayer has not eliminated the infringements indicated therein.

(6) The State Revenue Service shall, within three working days after taking of the decision to suspend economic activity of the taxpayer, carry out the following activities:

1) send details on the suspension of economic activity of the taxpayer to the Enterprise Register if the economic activity of the taxpayer registered in the register of the Enterprise Register or Commercial Register are suspended;

2) take a decision to make a prohibition reference in the relevant register of movable assets or other public register;

3) suspend the validity of the special authorisations (licences) issued by the State Revenue Service;

4) submit a request to ministries, local governments, and other institutions which must be executed to suspend the authorisation (licence) for performing commercial activity granted to the taxpayer;

5) issue orders to credit institutions or payment service providers regarding the suspension of the taxpayer's payment transactions;

6) affix an appropriate seal on the taxpayer's unit or other location where economic activity is performed if the layout thereof permits such activities and carry out other measures restricting the economic activity of the taxpayers provided for in laws and regulations;

7) send a request to the holder of the top-level domain ".lv" register regarding disconnection of the domain name.

(7) If the State Revenue Service suspends operation of such unit of the taxpayer in which the infringement has occurred, it shall carry out the activities referred to in Paragraph six, Clause 6 of this Section.

(8) The decision to suspend the economic activity of the taxpayer (or its units in which the infringement has occurred) shall enter into effect as of the date of taking thereof. The State Revenue Service shall, within three working days of taking the decision, publish the information regarding suspending the taxpayer's economic activity on its website.

(9) The taxpayer the economic activity of which has been suspended by the State Revenue Service, is prohibited from performing its payment obligations and carrying out transactions, except for the case provided for in Paragraph ten of this Section. Taxpayers may not engage in transactions with such taxpayer the economic activity of which has been suspended by the State Revenue Service, from the day following the date on which the entry of the record in the Commercial Register of the Enterprise Register regarding the suspension of the economic activity of the taxpayer is made, or the taxpayer registered with the State Revenue Service as a performer of economic activity, from the date following the date when the relevant information is published in the website of the State Revenue Service.

(10) The State Revenue Service has an obligation to permit to complete the transaction and to perform the payment obligations if the taxpayer submits an application requesting the permission to complete the transaction and the State Revenue Service identifies that the transaction is not being performed with a view to export, dispose of, or conceal assets and other sources of income or evade the performance of obligations in other way. The State Revenue Service shall grant this permission within three working days of receiving the necessary information from the taxpayer. The State Revenue Service shall immediately cancel the granted permission if during the process of administering taxes it has obtained grounded information that supports the concealing of the true circumstances of the transaction. If the permit is cancelled the liability for failure to conform to the restrictions of the suspension of economic activity laid down in laws and regulations shall apply from the date on which the economic activity of the taxpayer have been suspended.

(11) If the taxpayer carries out a transaction with such taxpayer the economic activity of which has been suspended by the State Revenue Service, and the transaction or the total value of the transactions exceeds EUR 1500, the expenses incurred by the taxpayer as a result of such activities shall not be considered expenses related to economic activity. The abovementioned provision does not apply to the transactions which were carried out before the decision to suspend the economic activity of the taxpayer enters into effect.

(12) If the taxpayer contests the decision to suspend its economic activity, the State Revenue Service shall examine the taxpayer's application and take a relevant decision within five working days after receipt of the application. The submission of the application shall not suspend the execution of the contested decision.

(13) The appealing of the decision to suspend economic activity shall not suspend its execution.

*[21 June 2012; 14 March 2013; 19 September 2013; 6 November 2013; 30 November 2015; 23 November 2016; 28 July 2017; 1 November 2018; 30 May 2019]*

### **Section 34.<sup>2</sup> Renewing the Suspended Economic Activity of a Taxpayer**

(1) If the taxpayer has eliminated all the infringements determined in the decision to suspend economic activity and has submitted a notification to this effect, the State Revenue Service shall, upon completing an audit, reinstate the economic activity of the taxpayer within one working day. The decision to reinstate economic activity of the taxpayer shall enter into effect as of taking thereof.

(2) The State Revenue Service shall carry out the following activities within one working day of taking the decision to reinstate the taxpayer's economic activity:

1) send details on reinstating of the taxpayer's economic activity to the Enterprise Register if the economic activity of the taxpayer subject to the registration with the Enterprise Register or Commercial Register are reinstated;

2) take the decision to revoke the prohibition reference in the relevant register of movable assets or other public registers;

3) reinstate the validity of the special authorisations (licences) suspended by the State Revenue Service;

4) revoke the requests submitted and orders issued in accordance with Section 34.<sup>1</sup>, Paragraph six, Clauses 4, 5, and 7 of this Law;

5) remove the affixed seals from the taxpayer's unit or other location where economic activity is performed, as well as cancel other measures restricting the economic activity of the taxpayer.

*[21 June 2012; 1 November 2018]*

### **Section 34.<sup>3</sup> Taking of a Decision to Include a Person in the List of Persons of Risk**

(1) The State Revenue Service has the right to take a decision to include a person in the list of persons of risk within five working days after establishing the criteria referred to in Section 1, Clause 31 of this Law.

(2) A decision to include a person in the list of persons of risk shall enter into effect at the time of taking thereof and shall be in effect for three years, except the cases when the decision is taken on the basis of Section 1, Clause 31, Sub-clause "b" of this Law or the grounds for its validity in accordance with Paragraph five of this Section have ceased to exist.

(3) If the person contests the decision to include him or her in the list of persons of risk, the State Revenue Service shall examine the application and, within five working days after receipt of the application, take a respective decision. The submission of the application shall not suspend the execution of the contested decision.

(4) Appeal of the decision to include a person in the list of persons of risk shall not suspend the execution thereof.

(5) If the person has carried out activities resulting in losing the grounds for his or her inclusion in the list of persons of risk according to that laid down in Section 1, Clause 31, Sub-clause "b", "c", "d" or "e" of this Law and has notified the State Revenue Service, the State Revenue Service upon evaluation shall decide on excluding the person from the list of persons of risk within one working day. A decision to include a person in the list of persons of risk shall enter into effect at the time of taking thereof.

*[6 November 2013]*

### **Section 34.<sup>4</sup> Disconnection of Domain Name and Discontinuation (Suspension) of Hosting Services due to Violations of Laws and Regulations**

(1) The State Revenue Service has the right to take a decision to disconnect a domain name, if one of the following conditions is detected:

1) the taxpayer uses the website for the performance of unregistered economic activity in the economic environment of Latvia;

2) the non-resident (foreign merchant) uses the website in the economic environment of Latvia and in accordance with laws and regulations a permanent establishment thereof is being formed for it, but it has not registered the permanent establishment or has not registered a branch in the commercial register;

3) the taxpayer uses the website for the performance of economic activity in the economic environment of Latvia and has not registered the website as a unit;

4) there is a non-conformity with any of the requirements of Section 15.<sup>3</sup> of this Law;

5) the taxpayer's economic activity has been suspended in accordance with Section 34.<sup>1</sup> of this Law, if the website is a unit within the meaning of Section 1, Clause 24 of this Law;

6) any of the requirements laid down in Section 15.<sup>3</sup> of this Law or Section 4, Paragraph one of the Law on Information Society Service have not been conformed to, and therefore the seller of goods or the service provider may not be identified;

7) the website offers (with or without a possibility to purchase online) goods or services the distance trade in which is prohibited;

8) the taxpayer fails to fulfil the obligation specified in Section 15, Paragraph six or eight of this Law and fails to submit the required information within the time period laid down by the State Revenue Service.

(2) The State Revenue Service shall, within five working days after establishing the violation referred to in Paragraph one of this Section, alert the taxpayer in writing regarding disconnection of the domain name, except for the case when the violation referred to in Paragraph one, Clause 5 or 6 of this Section is established.

(3) The State Revenue Service shall take a decision to disconnect the domain name within five working days:

1) after establishing the violation referred to in Paragraph one, Clause 5 or 6 of this Section;

2) after establishing the violation referred to in Paragraph one, Clause 1, 2, 3, 4, 7, or 8 of this Section if during the previous 12 months the taxpayer has been alerted to a similar violation established on the website in accordance with the procedures laid down in Paragraph two of this Section.

(4) The State Revenue Service shall take the decision to disconnect the domain name within 15 days after notifying the written warning referred to in Paragraph two of this Section if the taxpayer has not rectified the violations indicated therein.

(5) Within the meaning of Paragraph one of this Section, the performance of economic activity in the economic environment of Latvia shall mean economic activity which results or may result in an obligation of the performer of economic activity to pay tax in the Republic of Latvia.

(6) After taking the decision referred to in Paragraph one of this Section, with regard to the provisions laid down in Paragraphs two, three, and four of this Section, the official of the State Revenue Service shall send a request to execute the decision taken by the State Revenue Service to the holder of the top-level domain ".lv" register in accordance with the procedures laid down in laws and regulations.

(7) The holder of the top-level domain ".lv" register shall ensure disconnection of the respective domain name within five working days after receipt of the request from the State Revenue Service.

(8) The decision to disconnect the domain name shall enter into effect at the moment of its taking. The State Revenue Service shall publish information regarding the disconnected domain names on the website <https://www.vd.gov.lv/> within five working days after taking of the decision and sending of the request to the holder of the top-level domain ".lv" register.

(9) If the taxpayer contests the decision to disconnect the domain name, the State Revenue Service shall examine the taxpayer's application and take a relevant decision within five working days after receipt of the application. The submission of the application shall not suspend the execution of the contested decision.

(10) Appealing of the decision to disconnect the domain name shall not suspend its execution.

(11) If the taxpayer has eliminated the violations referred to in the decision to disconnect the domain name taken by the State Revenue Service and has submitted to the State Revenue Service an application for the elimination of violations, the State Revenue Service shall take a decision to renew the domain name within three working days after receipt of the application and performance of verification, send the relevant request to the holder of the top-level domain ".lv" register, as well as publish information regarding renewal of the domain name on the website

<https://www.vid.gov.lv/>. The decision to renew the domain name shall enter into effect at the moment it being taken. Contesting or appealing of the decision shall not suspend the execution of the contested decision. The holder of the top-level domain ".lv" register shall restore the operation of the domain name within five working days after receipt of the request from the State Revenue Service regarding renewal of the domain name.

(12) In order to prevent the violations referred to in Paragraph one of this Section, the State Revenue Service, in addition to the right of taking a decision to disconnect the domain name, shall also implement the functions of the supervisory body within the meaning of the Law on Information Society Services and shall perform other activities laid down in laws and regulations.

(13) Upon executing the right specified in Paragraph twelve of this Section, the State Revenue Service has the right to take a decision to discontinue (suspend) hosting services for the website in relation to which the violations referred to in Paragraph one of this Section have been found, and to take the measures specified in the Law on Information Society Services for executing the relevant decision in conformity with the conditions referred to in Paragraphs two, three, and four of this Section.

(14) Contesting or appealing of the decision to discontinue (suspend) hosting services shall not suspend its execution.

(15) If the taxpayer has eliminated the violations referred to in the decision to discontinue (suspend) hosting services taken by the State Revenue Service and has submitted an application for the elimination of violations, the State Revenue Service shall take a decision to terminate discontinuation (suspension) of hosting services within three working days after receipt of the application and performance of verification.

*[23 November 2016; 1 November 2018]*

#### **Section 34.<sup>5</sup> Prohibition to Transfer the Right of Use of the Domain Name due to Performance of a Tax Review (Audit)**

(1) The State Revenue Service has the right to take a decision on prohibition to transfer the right of use of the domain name:

1) to a taxpayer who is subject to a tax review (audit) and who has expressed a wish to transfer the right of use of the domain name to another taxpayer;

2) to a taxpayer who has transferred the right of use of the domain name to another taxpayer subject to a tax review (audit), if the holder of the right of use of the domain name has expressed a wish to transfer the right of use of the domain name to another taxpayer.

(2) Upon receipt of an application on transfer of the right of use of the domain name from the taxpayer referred to in Paragraph one of this Section, the holder of the top-level domain ".lv" register has a duty to postpone the transfer of the right of use of the domain name and to send a request on permission or prohibition to transfer the right of use of the domain name to the State Revenue Service.

(3) Having received the request from the holder of the top-level domain ".lv" register regarding the wish of the taxpayer referred to in Paragraph one of this Section to transfer the right of use of the domain name to another taxpayer, the State Revenue Service shall assess the information at its disposal and within seven working days shall take a decision to impose the prohibition to transfer the right of use of the domain name or permission to transfer the right of use of the domain name to another taxpayer.

(4) The State Revenue Service shall notify the decision taken to the taxpayer within one working day, whereas the holder of the top-level domain ".lv" register - the request to impose the prohibition to transfer the right of use of the domain name or the request to permit the transfer of the right of use of the domain name to another taxpayer.

(5) The holder of the top-level domain ".lv" register shall ensure that the prohibition imposed with regard to the transfer of the right of use of the domain name is effective until the day the State Revenue Service receives the request on cancellation of the prohibition to transfer the right of use of the domain name.

(6) The decision taken by the State Revenue Service on prohibition or permission to transfer the right of use of the domain name shall become effective at the moment it is taken.

(7) If the taxpayer contests the decision on prohibition to transfer the right of use of the domain name, the State Revenue Service shall examine the taxpayer's application and take the appropriate decision within five working days after receipt of the application. The submission of the application shall not suspend the execution of the contested decision.

(8) Appealing of the decision on prohibition to transfer the right of use of the domain name shall not suspend its execution.

(9) After the decision on the results of a tax review (audit) has entered into effect, the taxpayer has the right to



submit to the State Revenue Service the application with a request to take a decision on cancellation of the prohibition to transfer the right of use of the domain name, if the taxpayer does not have any tax debts.

*[23 November 2016]*

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

[26 October 2006]

## **Chapter VIII Procedures for Contesting and Appealing the Decisions Taken on Tax and Duty Issues**

*[28 February 2003]*

### **Section 36. Procedures for the Submission and Review of Complaints**

[28 February 2003]

### **Section 37. Procedures for Contesting and Appealing the Decisions taken by State Revenue Service Officials on Tax Issues**

(1) A taxpayer who has been notified of the decision of the official of the State Revenue Service based on the results of the control procedure (a review or audit), the decision to refund overpaid taxes, has the right to contest it to the Director General of the State Revenue Service within one month of its entering into effect.

(2) In contesting the decision the taxpayer has the right to:

- 1) request the cancelling of the decision in full or a part thereof;
- 2) propose the conclusion of a settlement agreement in accordance with the procedures laid down in this Law.

(3) In examining the application of the taxpayer, the Director General of the State Revenue Service may take the following decision:

- 1) to leave the contested decision unchanged;
- 2) to cancel the contested decision fully or any part thereof;
- 3) take a new decision on the taxpayer's matter.

(4) The State Revenue Service shall examine the application and take a decision within one month. Director General of the State Revenue Service may extend it for a time period not exceeding four months from the date of receipt of the application of challenge.

(5) Where the taxpayer disagrees to the decision of the Director General of the State Revenue Service, it has the right to appeal such decision to a court.

(6) The taxpayer in respect of which the enforcement measures have been applied or the decision on recovery of the outstanding tax payments has been delivered, may submit an appeal if the enforcement activities do not comply with the statutory provisions. Appeals may be submitted to Director General of the State Revenue Service within seven days of the date on which the taxpayers has become aware of enforcement activities. Director General of the State Revenue Service shall examine the appeal within the time period laid down in Paragraph four of this Section. The decision of Director General of the State Revenue Service may be appealed within seven days. The provisions of the Civil Procedure Law shall apply to the appealing of the activities of bailiffs. The submission of an appeal shall not suspend the application of enforcement measures and enforcement of outstanding tax payments.

*[12 June 2009; 13 December 2012]*

### **Section 37.<sup>1</sup> Procedures for Contesting and Appealing the Decisions Taken by Officials of other State and Local Government Institutions on Tax Matters**

(1) The decisions on tax matters of the officials of other State and local government institutions shall be contested and appealed according to the general procedure applicable for contesting and appealing of administrative acts.

(2) The decisions on tax matters taken by the officials of local governments, except the decisions on recovery of outstanding taxes and the decisions to the effect that the costs for recovery of outstanding tax payments on an uncontested basis are to be covered on the account of the taxpayer, may be (contested) appealed within 30 days of the taking of the decision according to the following procedure:

1) a decision of the official of a local government council - to chairperson of the local government council. The chairperson of the local government council shall examine the application and provide a response within 30 days;

2) a decision of chairperson of the local government council - to a court.

(3) Having examined the taxpayer's application, the officials of the local government may decide as follows:

1) to leave the contested decision unchanged;

2) to cancel the contested decision;

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

*[28 February 2003; 26 October 2006; 11 December 2008]*

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

If the taxpayer disagrees to the amount of the tax payments assessed by the tax administration, it shall provide evidence of the amount of tax liabilities.

### **Section 39. Appealing of Decisions before the Transaction Evaluation Commission**

[13 December 2012]

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

(1) Upon receiving an application contesting the decision taken as a result of the control procedure (a review or audit) carried out by the tax authorities, execution of the decision of the tax administration official shall be suspended for the term of the pre-trial examination of the application.

(2) [16 October 2014]

(3) If a taxpayer is removing, alienating or concealing its assets or other sources of income, is reorganising or liquidating commercial companies, co-operative societies or other legal persons governed by private law, or there is other evidence that the taxpayer is terminating its activity in Latvia, the tax administration has the right to take measures aimed at ensuring the receipt of the assessed tax amount before examination of the taxpayer's application is completed. In such cases the payment of the taxes imposed may be requested by the tax administration irrespective of the stage of examination of the application and time limits.

*[28 February 2003; 26 October 2006; 11 December 2008; 16 October 2014]*

### **Section 41. Conclusion of a Settlement Agreement between the Tax Administration and Taxpayer**

(1) The State Revenue Service and the taxpayer shall conclude a settlement agreement to terminate a legal dispute over additionally assessed payments payable into the budget as a result of the tax review (audit) or over unfounded increasing of the refunds repayable from the budget.

(1<sup>1</sup>) If the State Revenue Service after a data conformity check has assessed additional payments into the budget, the taxpayer is entitled to propose conclusion of a relevant settlement agreement to the Director General of the State Revenue Service. It shall be indicated in the settlement agreement that the taxpayer agrees to the amount of the additionally assessed tax payment, and that 85 per cent of the late payment charges assessed for the time period of late tax payments from the payment term of the declared tax liability until the date on which the decision on results of the data conformity check was taken, are to be cancelled.

(2) If the State Revenue Service has assessed additional payments payable into the budget as a result of the tax review (audit) in accordance with Section 32, Paragraph four or five of this Law, the taxpayer has the right to propose the conclusion of a settlement agreement to Director General of the State Revenue Service. The terms of the settlement agreement shall specify that the taxpayer agrees to the amount of the additionally assessed tax payment, and that 50 per cent of the assessed fine and late payment charges assessed for the period during which the tax payments were outstanding from the due date for the payment of the particular tax up to the date on which the tax review (audit) was started, are cancellable.

(3) If the State Revenue Service has assessed additional payments payable into the budget and a fine as a result of the tax review (audit) in accordance with Section 32, Paragraph seven of this Law, the taxpayer has the right to propose the conclusion of a settlement agreement to Director General of the State Revenue Service. The terms of the settlement agreement shall specify that the taxpayer agrees to the amount of the additionally assessed tax payment, and that the fines assessed at 50 per cent of the late payment charges assessed for the period, during which the tax payments were outstanding from the due date of the payment of a particular tax up to the date on which the tax review (audit) was started, are cancellable.

(4) If as a result of the tax review (audit) the State Revenue Service has identified unjustified increase of the refunds repayable from the budget and assessed a penalty in accordance with Section 32, Paragraph four or five or Section 32.<sup>4</sup> of this Law the taxpayer is entitled to propose the conclusion of a settlement agreement to the Director General of the State Revenue Service. The terms of the settlement agreement shall specify that the taxpayer agrees to the amount of the additionally assessed tax payment, and that the fine assessed in accordance with this Law shall be reduced by 50 per cent.

(5) If as a result of the tax review (audit) the State Revenue Service has identified unjustified increase of the refunds repayable from the budget and assessed a fine in accordance with Section 32, Paragraph seven of this Law the taxpayer is entitled to propose the conclusion of a settlement agreement to the Director General of the State Revenue Service. The terms of the settlement agreement shall specify that the taxpayer agrees to the amount of the additionally assessed tax payment, and that the fine assessed in accordance with this Law shall be reduced by 85 per cent.

(6) If as a result of the tax review (audit) the State Revenue Service has assessed additional payments into the budget, as well as penalties in accordance with Section 32.<sup>4</sup> or 34 of this Law or in accordance with Section 16.<sup>1</sup>, Paragraph one, 1.<sup>1</sup>, five, or 5.<sup>2</sup> of the law On State Social Insurance, or in accordance with Section 31 of the Natural Resources Tax Law, the taxpayer is entitled to propose the conclusion of a settlement agreement to the Director General of the State Revenue Service. The terms of the settlement agreement shall specify that the taxpayer agrees to the amount of the additionally assessed tax payment and late payment charges, and that 50 per cent of the fine assessed is cancellable.

(7) If the decision of the State Revenue Office on the findings of the tax review (audit) is contested and the State Revenue Office, having examined the application of the taxpayer, has left the decision unchanged or has taken a new decision according to which the contested decision is revoked partly, the taxpayer shall submit the application regarding the conclusion of the prospective settlement agreement to the Director General of the State Revenue Service within one month after taking of the relevant decision.

(8) The Director General of the State Revenue Service has the right to conclude the settlement agreement also if the taxpayer has submitted an application to the court or an appeal or a cassation appeal has been submitted in the case, however the hearing of the case in the court of first instance, court of appeal or cassation, respectively, has not been completed on its merits. In cases which are examined under a written procedure the settlement agreement may be concluded by the end of the term which in accordance with the law has been set by the judge for submitting the applications by the parties to the proceedings or for submitting explanations or changes or submitting of other type of applications and requests.

(9) The taxpayer shall pay the payments laid down in the concluded settlement agreement into the budget within one year from the date of conclusion thereof. Each month the taxpayer shall pay a commensurate part from the payment amount laid down in the settlement agreement according to the time periods for making payments laid down in this contract.

(10) If the taxpayer fails to comply with the terms of the settlement agreement, the settlement agreement shall become invalid and the State Revenue Service shall enforce additional payments assessed as a result of the tax review (audit) into the budget.

*[13 October 2011; 18 September 2014; 17 September 2015]*

## **Chapter IX**

### **Exchange of Information Regarding Savings Income**

[23 November 2016]

#### **Section 42. Obligations of the Savings Income Paying Agent**

[23 November 2016]

#### **Section 43. Obligations of the State Revenue Service in Respect of Exchange of Information Regarding Savings Income**

[23 November 2016]

#### **Section 44. Beneficial Owner**

[23 November 2016]

#### **Section 45. Paying Agent**

[23 November 2016]

## **Section 46. Savings Income**

[23 November 2016]

## **Section 47. Undertaking for Collective Investments of Transferable Securities**

[23 November 2016]

## **Section 48. Competent Authority**

[23 November 2016]

## **Section 49. Dependent and Associated Territories of the Member States of the European Union**

[23 November 2016]

# **Chapter X**

## **Mutual Assistance in the Recovery of Tax Claims in the European Union**

*[15 March 2012]*

## **Section 50. Notification of the Tax Claims and the Documents Related to the Enforcement Thereof**

(1) The State Revenue Service shall notify of the document issued in the Member State of the European Union which relates to the tax claim or the enforcement thereof on the basis of a request for assistance of the applicant authority of the Member State of the European Union.

(2) The State Revenue Service shall notify, in Latvian, the addressee of the document in respect of which assistance is requested in accordance with the procedures provided for in the Law on Notification as well as the document to be notified as provided by the applicant authority of the European Union by completing the uniform notification form prescribed by Annex I to Implementing Regulation (EU) No 1189/2011.

(3) The State Revenue Service shall notify the applicant authority of the Member State of the European Union regarding the measures taken to execute the request for assistance and the date on which the document was notified to the addressee in accordance with Article 12 of Implementing Regulation (EU) No 1189/2011.

(4) To notify of the document which relates to a tax claim or is related to the enforcement thereof in the territory of the Member State of the European Union, the State Revenue Service shall turn to the requested authority with a request for assistance regarding the notification of the document.

(5) The assistance regarding the notification of the document in connection with the tax claim or enforcement thereof, shall be requested to a Member State of the European Union if it has not been possible to notify the addressee of the document by sending a registered mail or by electronic means in accordance with the procedures laid down in the Law on Notification for the notification of the documents to foreign countries.

(6) The request for assistance regarding the notification of the document relating to a tax claim or the enforcement thereof shall be accompanied by:

1) the document for the notification of which assistance is requested;

2) the uniform notification form prescribed in Annex I to Implementing Regulation (EU) No 1189/2011 completed in the relevant language of the member state specifying the information regarding the document to be notified and information regarding the identification data, the address of the debtor, the purpose of the notification and the time limit during which the notification is to be performed, the document to be notified (a description thereof), the nature and amount of the claim, the authority which is responsible for the notification documents, a reference where and during what term this payment obligation can be challenged or appealed as well as the authority from which additional information regarding the notification document can be obtained.

(7) If the document which relates to a tax claim or the enforcement thereof has been notified in the foreign country, in response to the request for assistance made by the State Revenue Service it shall be considered that the document has been notified to the addressee on the date and in the manner as specified in the confirmation of the requested authority of the Member State of the European Union.

## **Section 51. Recovery of Tax Claims Made by the Member State of the European Union**

(1) The amount of the tax claim of the Member State of the European Union shall be recovered on the basis of a uniform instrument permitting enforcement in the requested Member State of the European Union and which has been received together with the request of the applicant authority of the Member State of the European Union for assistance for recovery.

(2) The amount of the tax claim of the Member State of the European Union shall be recovered in the amount specified in euros in the uniform instrument permitting enforcement in the requested member state in conformity with Article 18 of Implementing Regulation (EU) No 1189/2011.

(3) Upon commencing the recovery of the tax claim of the Member State of the European Union in respect of which a uniform instrument permitting enforcement in the requested member state is issued, the abovementioned instrument shall be notified to the debtor along with such additional information:

1) the date on which the State Revenue Service received the request for assistance of the Member State of the European Union;

2) that from the date on which the request for assistance for enforcement was the recoverable tax or fee shall be subject to the late payment charge in accordance with Section 29 of this Law.

(4) Upon commencing the recovery of the tax claim of the Member State of the European Union the State Revenue Service may, based on the uniform instrument permitting enforcement in the requested member state, also take measures for the enforcement of the recoverable tax claim, applying the enforcement measures of the tax administration decisions laid down in Section 26.<sup>1</sup>, Paragraph one of this Law.

(5) The State Revenue Service shall calculate the amount of the late payment charges prescribed in Paragraph three, Clause 2 of this Section and enforce it on the basis of the decision to recover the late tax payments.

(6) The State Revenue Service shall notify the applicant authority of the Member State of the European Union regarding the measures taken in respect of the request for assistance for the recovery in accordance with Articles 19 and 20 of Implementing Regulation (EU) No 1189/2011.

(7) After recovering the costs related to the enforcement of the request for assistance, the State Revenue Service shall remit the recovered amount of the tax claim and late payment charges calculated in accordance with Section 24, Paragraph seven of this Law and Section 29, Paragraphs eight and nine of this Law to the Member State of the European Union in accordance with the procedures laid down in Article 23 of Implementing Regulation (EU) No 1189/2011.

(8) If changes have been made in the request for assistance of the Member State of the European Union the Member State of the European Union shall perform the recovery of the amount of the tax claim in conformity with the provisions of Article 22 of Implementing Regulation (EU) No 1189/2011.

*[19 September 2013]*

## **Section 52. Request for Assistance in the Recovery of Debt to the Member State of the European Union**

(1) The State Revenue Service shall issue a uniform document permitting enforcement in the requested member state and appeal to the requested authority of the Member State of the European Union with a request for assistance in the recovery of a the tax debt if it has not been paid within the statutory due term laid down in tax laws or other laws and regulations, the tax claim shall be enforceable and the activities to recovery it have been carried out in the Republic of Latvia. Impossibility of the recovery need not be identified if the execution of the tax claim is not possible in whole or in part and the State Revenue Service has information at its disposal on the money or assets held by the debtor in the requested member state or if the recovering of the tax claim in the Republic of Latvia would not be commensurate with the possibilities to recover the tax claim in the requested member state.

(2) The uniform instrument permitting enforcement in the requested member state shall specify at least the following information:

1) information regarding the execution document which has been issued for the recovery of the tax claim, a description of the claim and the term to which the claim relates. If the amount of the tax claim is based on the tax declaration information, the uniform instrument permitting enforcement in the requested member state shall specify the date from which the recovery is possible and specify the due term for payment as laid down in the tax law;

2) the name of the debtor (for a natural person - given name and surname) and address;

3) the amount of the tax claim;

4) a reference as to where and in what term the payment obligation may be challenged or appealed;

5) the authority in which the debtor may obtain additional information regarding the claim.

(3) The State Revenue Service shall send the information concerning the execution of the request for assistance with enforcement submitted to the requested authority of the Member State of the European Union in accordance with Article 21(1) of Implementing Regulation (EU) No 1189/2011.

(4) The State Revenue Service shall make changes in the request for assistance for enforcement or revoke it in

accordance with Article 22 of Implementing Regulation (EU) No 1189/2011.

### **Section 53. Enforcement of the Tax Claim**

(1) The State Revenue Service shall ensure the enforcement of such a tax claim of the Member State of the European Union which shall be ensured in the country of its origin, on the basis of a uniform instrument permitting enforcement in the requested member state and which has been received together with the application for request of the applicant Member State of the European Union to carry out the enforcement measures.

(2) The State Revenue Service shall ensure the enforcement of such a tax claim of the Member State of the European Union to which uniform instrument permitting enforcement in the requested member state does not apply yet, in accordance with the procedures laid down in Section 26.<sup>1</sup>, Paragraphs one and three of this Law on the basis of the decision of the State Revenue Service on application of enforcement measures which is taken according to the request of the applicant authority of the Member State of the European Union to carry out enforcement measures.

(3) The measures for the enforcement of tax administration decisions laid down in Section 26.<sup>1</sup>, Paragraph one of this Law shall apply to the enforcement of the tax claims of the Member State of the European Union.

(4) The State Revenue Service shall appeal to the applicant authority of the Member State of the European Union with a request for assistance for enforcement of the tax claim if enforcement of the tax claim in the Republic of Latvia is not possible in whole or in part.

(5) The request for assistance to carry out enforcement measure shall be accompanied by:

1) if the execution document had been issued for the enforcement of the tax claim in the Republic of Latvia - the uniform instrument permitting enforcement in the requested member state;

2) if an execution document for the execution of the tax claim in the Republic of Latvia has not been issued yet - the decision to enforce such an administrative provision which imposes a duty to perform payments into the State or local government budget, or in the case referred to in Section 26.<sup>1</sup>, Paragraph three of this Law, a decision taken by the tax administration on application of the enforcement measures.

### **Section 54. Exchange of Information within the Recovery of Tax Claims of the Member State of the European Union**

(1) The State Revenue Service is entitled to refuse to provide the information requested by the applicant authority of the Member State of the European Union for the purpose of recovering a tax claim of the Member State of the European Union, if at least one of the following conditions listed further in this Paragraph of the Section exists:

1) it is not possible to obtain the requested information by enforcing the outstanding tax payment according to competence of the tax administration as laid down in this Law and the law On the State Revenue Service;

2) it is restricted access information which is related to a trade, industrial or professional secret;

3) disclosing of information might damage the safety of the Republic of Latvia or conflicts with the core principles of the Latvian legal system.

(2) The State Revenue Service may provide the information regarding refundable taxes (except for the value added tax) or other amounts refundable from the budget in the Republic of Latvia due to a person performing commercial activity in any of the Member States of the European Union or is a resident thereof to the authority of the Member State of the European Union without its prior request.

### **Section 55. Submitting of a Complaint in Cases Regarding Mutual Assistance in Enforcement of Claims and the Consequences Thereof**

(1) The person against which the State Revenue Service has applied measures related to the notification of such a document which relates to the claim or is related to the enforcement thereof in connection with the execution of the request for assistance of the applicant authority of the member state may submit a complaint if the notification does not conform to the provisions of this Law.

(2) The person against which a tax claim is recovered or enforcement measures are applied according to the request for assistance of the applicant authority of the member state may submit a complaint if the notification does not conform to the provisions of this Law. The person, for recovery or enforcement of the tax claim of which in another Member State of the European Union the State Revenue Service has appealed to with a request for assistance, may submit a complaint if in regard to the provisions regarding the uniform instrument permitting enforcement in the requested member state or the request for assistance the provisions of Sections 52 or 53 of this Law have not been complied with.

(3) The complaints regarding mutual assistance in the recovery of claims shall be submitted according to the procedures and within the time period applicable to the submission of complaints on enforcements.

(4) The submission of a complaint on the conformity of the enforcement with the provisions of this Law shall not suspend the recovery of the tax claim and the application of enforcement measures. If the person has contested or appealed the claim or has filed a complaint regarding enforcement of debts in the Member State of the European Union and the complaint procedures has been started in the authority of the Member State of the European Union, the enforcement of the tax claim shall be suspended in respect of the contested or appealed part of the claim on the basis of a request of the applicant authority. The suspension of the tax claim in connection with the contesting or appealing or filing of a complaint in the Member State of the European Union shall not suspend the application of enforcement measures aimed at recovering the tax claim or cancel the enforcement measures already applied.

(5) If the enforcement of the tax claim in the Member State of the European Union is performed on the basis of the issued uniform document permitting enforcement in the requested country issued by the State Revenue Service and the person has contested the claim or filed an appeal regarding the enforcement, the State Revenue Service shall notify the requested authority of the received complaint by concurrently requesting to suspend the enforcement of the tax claim in whole or in part if any of the provisions laid down in Section 26, Paragraph six of this Law applies to it.

(6) If the person against which the measures related to the enforcement of claims under mutual assistance procedure are applied has submitted a complaint to the State Revenue the review whereof lies within the competence of the authorities of the applicant authorities of the member state, the State Revenue Service shall, immediately, as soon as practicable, notify this person regarding the examination of the complaint in accordance with the laws in force in the member state of the applicant authority.

#### **Section 56. Costs Related to the Execution of the Requests for Assistance for the Notification of Documents, Recovery or Application of Enforcement Measures**

(1) The execution of the requests for assistance of the applicant authority of the Member State of the European Union for the notification of documents, recovery or application of enforcement measures shall occur on the account for the addressee (debtor). The costs related to the execution of the request for assistance shall be covered under the general procedure applicable to the execution of rulings.

(2) The costs related to the execution of the request for assistance shall also include the costs of the publishing of the notification documents, and they shall be enforced according to the procedures applicable to the recovery of late tax payments as laid down in this Law, on the basis of the decision withhold enforcement costs.

(3) The State Revenue Service may agree with the applicant authority of the European Union on a special cost compensation procedure if the enforcement of the tax claim is related with large costs or if the enforcement is aimed at the assets of a member of an organised group, when such assets are seized according to a judgement in criminal proceedings.

(4) If enforcement proceedings have been terminated in accordance with Section 563, Paragraph one, Clause 11 of the Civil Procedure Law and the reason for the revocation of the request for assistance is the cancelling of the recoverable claim or the document for its enforcement, the State Revenue Service shall notify the applicant authority of the Member State of the European Union regarding the amount of the enforcement costs to be compensated.

#### **Section 57. Restrictions for the Provisions of Mutual Assistance**

The State Revenue Service shall refuse to assist with the recovery of a tax claim if at least one of the following provisions set out in this Section exists:

1) the original request for information regarding the recovery of a tax claim, the carrying out of enforcement measures or provision of information relates to a tax claim which is older than five years counting from the date on which the payment liability fell due. If the tax claim or the instrument permitting enforcement thereof is contested or appealed, the five year term shall be counted from the date on which the claim or the instrument permitting enforcement thereof in accordance with the laws of the member state of the applicant authority may no longer be contested or appealed. If the term for the payment of the tax claim has been extended in the member state of the applicant authority, the five year term shall be counted from the date on which the granted extension term expires;

2) a tax claim is older than ten years counting from the date of the original request for assistance;

3) the amount of the tax claim in respect of which a request for assistance for enforcement has been submitted is less than EUR 1500.

#### **Section 58. Procedures for Sending Requests for Assistance**

The State Revenue Service shall send the information requests or notification of documents, requests to carry out enforcement and recovery measures and the documents accompanying them and conduct exchange of information in accordance with the procedures laid down in Article 2 of Implementing Regulation (EU) No 1189/2011.

#### **Section 59. Applicant and Requested Authority**

For the purposes of mutual assistance in the recovery of claims the applicant authority and the requested authority shall be:

- 1) in the Republic of Latvia - the State Revenue Service;
- 2) in other Member States of the European Union - the authority as notified to the European Commission by the member state.

## **Chapter XI**

### **Refunding of Late Tax Payments of a Legal Person**

*[17 December 2014 / See Paragraph 170 of Transitional Provisions]*

#### **Section 60. Grounds for Refunding Late Tax Payments and Initiation of Administrative Proceedings**

(1) The State Revenue Service has the right to initiate proceedings on refunding late tax payments of a legal person to the budget from a person who has been a member of the board of directors of such legal person at the time when the relevant late tax payments occurred (hereinafter - the member of the board of directors), if all of the criteria referred to henceforth are met:

1) the amount of late tax payments exceeds the sum total of 50 minimum monthly wages determined in the Republic of Latvia;

2) the decision to recover late tax payments has been notified to the legal person;

3) it has been established that after occurrence of late tax payments the legal person has alienated assets from such person which complies with the concept of an interested party within the meaning of the Insolvency Law in relation to the member of the board of directors;

4) an act on the impossibility of recovery has been drawn up;

5) the legal person has not fulfilled the obligation laid down in the Insolvency Law to submit an application for insolvency proceedings of a legal person.

(2) If the legal person has several members of the board of directors, they shall be solidarily responsible for the late tax payments of the legal person in accordance with Paragraph one of this Section.

#### **Section 61. Decision to Refund Late Tax Payments**

(1) If the criteria laid down in Section 60, Paragraph one of this Law have been established, the State Revenue Service shall, within three months from drawing up the act on the impossibility of recovery, warn the legal person and the member of the board of directors, during the term of office of which the late tax payments have occurred, in writing of the fact that proceedings on refunding late tax payments of the legal person to the budget from the relevant member of the board of directors of the legal person have been initiated. The time period for which evidence must be submitted in accordance with Section 61, Paragraph three of this Law shall be indicated in the warning.

(2) If the legal person or member of the board of directors, during the term of office of which the late tax payments have occurred, within 15 days after notification of the written warning referred to in Paragraph one of this Section, submits an application for legal protection proceedings or insolvency proceedings, informing the State Revenue Service thereof in writing, or makes payment of late tax payments, the State Revenue Service shall terminate the proceedings on refunding of late tax payments of the legal person to the budget from the member of the board of directors of the legal person after a court ruling on the initiation of legal protection proceedings or declaration of insolvency proceedings of the taxpayer has been made, or the State Revenue Service has established that payment of late tax payments has been made in full amount, not later than 10 working days after establishment of the abovementioned facts.

(3) If there are objective reasons for non-submission of an application for insolvency proceedings to the court, as well as evidence that after occurrence of late tax payments alienation of assets of the legal person for a person who should be recognised as the interested party in relation to the member of the board of directors within the meaning of the Insolvency Law, conforms to the economic nature, or there is evidence certifying that the member of the board of directors is not responsible for the occurrence of late tax payments of the legal person and alienation of assets of the legal person (division of duties of members of the board of directors, justifying reasons, etc.), the member of the board of directors shall, within one month from the day of receipt of the warning referred to in Paragraph one of this Section, inform the State Revenue Service by submitting the following documents regarding the time period from the day when the amount of late tax payments exceeds the sum total of 50 minimum monthly wages determined in the Republic of Latvia until the day of drawing up the act on the impossibility of recovery, but not more than the time period of one year:

- 1) an explanation indicating in detail objective reasons why the member of the board of directors did not submit an



application for insolvency proceedings of a legal person to the court during his or her term of office;

2) printouts from the accounts opened and closed in credit institutions or at a payment service provider in which also information regarding the balance at the beginning and balance at the end of the accounting period in the bank account is indicated, as well as an explanation and corroborative document regarding each payment made, the amount of which exceeds EUR 500, except for an explanation of the payments which are tax payments into the State or local government budget is indicated;

3) an explanation, listing in detail assets of the legal person (intangible investments, fixed assets, investment properties, biological assets, long-term financial investments, stocks, long-term investments held for sale, debtors, short-term financial investments, money) and their value on the day when the amount of late tax payments exceeded the sum total of 50 minimum monthly wages determined in the Republic of Latvia, and on the day when the State Revenue Service drew up a deed regarding impossibility of recovery. In listing debtors, the given name, surname, personal identity number shall be indicated for a natural person, the name, registration number and amount of debtor liabilities - for a legal person;

4) an explanation, to which evidence has been appended that alienation of assets of a legal person from a person who should be recognised as the interested party in relation to the member of the board of directors within the meaning of the Insolvency Law, conforms to economic nature;

5) an explanation to which evidence is appended that the member of the board of directors is not responsible for occurrence of late tax payments of a legal person and alienation of assets of a legal person.

(4) If at the time of notifying the written warning referred to in Paragraph one of this Section the member of the board of directors during whose term of office late tax payments have occurred does not have the right to access the documents of the legal person, the State Revenue Service shall, by itself, collect the necessary documents and other evidence related to the activity of the legal person.

(5) The State Revenue Service shall take a decision to refund late payments within two months after notification of the written warning referred to in Paragraph one of this Section, if any of the following circumstances is established:

1) the member of the board of directors has not submitted the documents laid down in Paragraph three of this Section to the State Revenue Service;

2) the member of the board of directors informs the State Revenue Service that he or she cannot provide evidence because the accounting documents are in such condition that it is impossible to get an overview on transactions and condition of property of the debtor in the time period from the day when the amount of late tax payments exceeds the sum total of 50 minimum monthly wages determined in the Republic of Latvia until the day of drawing up the act regarding impossibility of recovery.

(6) If the member of the board of directors has provided all the documents laid down in Paragraph three of this Section or if the State Revenue Service has fulfilled that laid down in Paragraph four of this Section, the State Revenue Service shall evaluate the documents at the disposal thereof and shall take a decision in accordance with the procedures laid down in the Administrative Procedure Law to refund the late tax payments or inform the member of the board of directors that proceedings on the liability of members of the board of directors for refunding the late tax payments of the legal person to the budget are terminated.

(7) The State Revenue Service may contest the decision of the official to refund the late tax payments by submitting an application to the Director General of the State Revenue Service in accordance with the procedures laid down in the Administrative Procedure Law.

(8) The decision of the Director General of the State Revenue Service may be appealed before a court in accordance with the procedures laid down in the Administrative Procedure Law.

(9) After the decision to refund the late tax payments has become not subject to contesting or appeal, the addressee indicated in this decision - the member of the board of directors shall be liable for the late tax liabilities of the legal person solidarily with the legal person.

(10) The regulation laid down in Paragraph one of this Section shall not apply to cases when the time period for the payment of taxes has been extended, deferred, or divided.

(11) The State Revenue Service, on the basis of an application of the member of the board of directors, shall revoke the decision to refund the late tax payments when the court makes a ruling in relation to the legal person on the initiation of legal protection proceedings or declaration of insolvency proceedings of the legal person. The regulation laid down in this Chapter shall not limit the rights of the State Revenue Service to exercise the possibilities laid down in the Insolvency Law to direct recovery against the member of the board of directors.

(12) The State Revenue Service shall, within three working days from the day of initiating the proceedings for refunding the late tax payments, publish the list of such legal persons on its website, in relation to which proceedings for refunding late tax payments have been initiated.

*[23 November 2016 / Amendment to Paragraph three shall come into force on 1 July 2017. See Paragraph 182 of Transitional Provisions]*

### **Section 62. Execution of the Decision to Refund Late Tax Payments**

(1) The member of the board of directors shall pay the late tax payments determined in the decision to refund the late tax payments into the budget within 30 days from the day of notification of the decision.

(2) If the payments determined in the decision to refund the late tax payments are not paid within the time period indicated in Paragraph one of this Section, the tax administration shall recover them in accordance with the procedures laid down in Section 26 of this Law.

(3) The application, in which the decision to refund the late tax payments is contested, shall suspend the operation of such decision from the day when the application is received at the institution until the day when the decision taken by the official of the State Revenue Service has become not subject to contesting or appeal.

## **Chapter XII Automatic Exchange of Information Regarding Financial Accounts**

*[17 December 2015]*

### **Section 63. Nature of Automatic Exchange of Information Regarding Financial Accounts**

(1) Automatic exchange of information regarding financial accounts is regular transfer of the information provided for in this Chapter regarding the financial accounts subject to notification to the competent authority of the state or territory involved without an individual request in accordance with the procedures provided for in this Chapter.

(2) The financial institution shall, in accordance with the procedures laid down in this Chapter, ascertain the financial accounts subject to notification and provide the information provided for in Section 100, Paragraph one of this Law (hereinafter in this Chapter - the report) to the State Revenue Service.

(3) The State Revenue Service is the competent State administration institution which ensures automatic exchange of information regarding financial accounts in accordance with the procedures laid down in this Chapter.

### **Section 64. State Involved**

The Cabinet shall determine the list of the states and territories involved in automatic exchange of information regarding financial accounts (hereinafter - the state involved). It shall include:

1) any other Member State of the European Union;

2) any other state or territory, with which the Republic of Latvia or European Union has entered into an agreement, according to which automatic exchange of the information referred to in Section 100, Paragraph one of this Law is provided for.

### **Section 65. Holding Institution**

Within the meaning of this Chapter, a holding institution is any legal entity which holds financial assets upon assignment of clients, if such activity forms a significant part of its economic activity. It shall be deemed that holding of financial assets upon assignment of clients is a significant part of its economic activity, if the revenue of the legal entity in relation to holding of financial assets and related financial services is at least 20 per cent from the revenue of the legal entity in the shortest of the following time periods:

1) within a time period of three years which ends on 31 December (or also on the last day of such accounting period which is not a calendar year) before the year in which it is determined whether the legal entity is deemed a holding institution;

2) during the time period of existence of the legal entity or during the time period in which the legal entity holds a licence for provision of investment services.

### **Section 66. Depository Institution**

Within the meaning of this Chapter, a depository institution is any legal entity which attracts deposits and other repayable resources in performing economic activity of a credit institution, savings and loan association, paying authority, electronic money institution or similar economic activity.

### **Section 67. Financial Asset**

Within the meaning of this Chapter, a financial asset is a security (for example, a share of stock in a corporation;

partnership or beneficial ownership interest in a widely held or publicly traded partnership or trust; note, bond, debenture, or other evidence of indebtedness), partnership interest, commodity, swap (for example, interest rate swaps, currency swaps, basis swaps, interest rate caps, interest rate floors, commodity swaps, equity swaps, equity index swaps, and similar agreements), insurance contracts or annuity contracts, or any interest (including a futures or forward contract or option sold in a regulated market and not sold in a regulated market) in securities, partnership interests, commodities, swaps, insurance contracts, or annuity contracts, except a non-debt, direct interest in immovable property.

### **Section 68. Investment Entity**

(1) Within the meaning of this Chapter, an investment entity is any legal entity:

1) which primarily conducts as economic activity one or more of the following activities or transactions for or on behalf of a client:

a) trading in money market instruments (for example, cheques, bills, certificates of deposit, derivatives, etc.), foreign exchange, exchange, interest rate and index instruments, transferable securities, or commodity futures traded on a regulated market;

b) management of individual financial assets of an investor or of collective financial assets of investors on the basis of an authorisation by investors;

c) otherwise investing, administering, or managing financial assets or money for or on behalf of a client;

2) the gross income of which is primarily attributable to investing, reinvesting, or trading in financial assets, if the entity is managed by another entity that is a depository institution, a custodial institution, a specified insurance company, or an investment entity referred to in Paragraph one, Clause 1 of this Section.

(2) For the application of Paragraph one of this Section an entity shall be treated as primarily conducting as economic activity one or more of the activities referred to in Paragraph one, Clause 1 of this Section, or an entity's revenue is primarily attributable to investing, reinvesting, or trading in financial assets for the purposes referred to in Paragraph one, Clause 1 of this Section, if the entity's revenue attributable to the relevant activities equals or exceeds 50 per cent of the entity's revenue during the shorter of:

1) the three-year period ending on 31 December of the year preceding the year in which the determination referred to in Section 65, Clause 1 of this Law is made;

2) the period during which the entity has been in existence.

(3) An entity that is an active non-financial legal entity which conforms to the criteria indicated in Section 86, Paragraph one, Clause 4, 5, 6, or 7 of this Law shall not be deemed an investment entity.

### **Section 69. Specified Insurance Company**

Within the meaning of this Chapter, a specified insurance company is an insurance company (or the holding company of an insurance company) which issues, or is obligated to make payments with respect to, a cash value insurance contract or an annuity contract.

### **Section 70. Financial Institution**

Within the meaning of this Chapter, a financial institution is a custodial institution, a depository institution, an investment entity, or a specified insurance company.

### **Section 71. Reporting Financial Institutions**

(1) The obligations specified in this Chapter in relation to obtaining and processing of information regarding an account, as well as for the provision of a report shall apply to:

1) any financial institution which is a resident in the Republic of Latvia, except for branches of such financial institution that are located outside the Republic of Latvia;

2) a branch of any financial institution which is not a resident in the Republic of Latvia, if this branch is located in the Republic of Latvia.

(2) The duties laid down in this Chapter in relation to obtaining and processing of information regarding an account, as well as regarding provision of a report shall not apply to the financial institutions and legal entities referred to in Section 81 of this Law.

### **Section 72. Governmental Entity**

Within the meaning of this Chapter a governmental entity is:

1) a body governed by public law of the Republic of Latvia or another state, including a territorial formation of the state (for example, local governments of different levels, federal formations, rural territory, city, municipality, state, province, district) or an agency or institution established (founded) by an administrative territorial formation of the Republic of Latvia or another state;

2) a closely related person and controlled entity of the Republic of Latvia or another state.

### **Section 73. Closely Related Person of the Republic of Latvia or Another State**

(1) Within the meaning of this Chapter a closely related person of the Republic of Latvia or another state is any person, institution, organisation, agency, bureau, foundation, representation, or another institution which forms a governmental entity of the Republic of Latvia or another state, provided that the revenue earned by the relevant persons in implementing public power are to be transferred into the account of such institution or in other accounts of the Republic of Latvia or another state and no private individual is benefiting from such revenue. Such natural person who is the head of State, public official of State, or representative of State administration shall not be deemed a closely related person, if he or she acts within his or her private or personal interests.

(2) It shall not be deemed that a private individual is benefiting from income of a governmental entity, if such private individual is a part of the target audience provided for in the governmental support programme and the support programme is implemented for the purpose of promoting general welfare of the public or is related to carrying out any function of State administration. Regardless of that mentioned above, it shall be deemed that a private individual is benefiting from income of a governmental entity, if this income is arising from the use of the governmental entity for the performance of commercial activity, for example, for the performance of activities of a credit institution when financial services are provided to private individuals.

### **Section 74. Controlled Entity of the Republic of Latvia or Another State**

Within the meaning of this Chapter a controlled entity of the Republic of Latvia or another state is an entity which by its form is separated from the Republic of Latvia or another state or which otherwise forms a separate legal person provided that:

1) the entity is wholly owned and controlled by one or more governmental entities (or it has been established by a governmental entity) directly or through one or more controlled entities;

2) the entity's net earnings are credited to its own account or to the accounts of one or more governmental entities, with no portion of its income inuring to the benefit of any private individual;

3) the entity's assets are vested to the disposal of one or more governmental entities upon dissolution.

### **Section 75. International Organisation**

(1) Within the meaning of this Chapter, an organisation which conforms to all of the following criteria shall be deemed an international organisation:

1) it is comprised primarily of states or their governments;

2) it has in effect an agreement on location of the headquarters in the Republic of Latvia;

3) its income does not inure to the benefit of private individuals.

(2) Within the meaning of this Chapter, also an entity of the international organisation or an agency wholly belonging to the international organisation shall be deemed an international organisation.

### **Section 76. Broad Participation Retirement Fund**

Within the meaning of this Chapter a broad participation retirement fund is a fund established to provide retirement, disability, or death benefits, or any combination thereof, to beneficiaries who are current or former employees (or persons designated by such employees) of one or more employers in consideration for services rendered, provided that the fund:

1) does not have a single beneficiary with a right to more than 5 per cent of the fund's assets;

2) is subject to regulation of the State laws and regulations and provides information to the tax administration authorities;

3) satisfies at least one of the following requirements:

a) the fund is generally exempt from tax on investment income, or taxation of such income is deferred or taxed at a reduced rate, due to its status as a retirement or pension plan;

b) the fund receives at least 50 per cent of its total contributions (except for transfers of assets from other plans

referred to in this Section or in Section 77 or 78 of this Law or from retirement and pension accounts referred to in Section 96, Paragraph one, Clause 1 of this Law) from the sponsoring employers;

c) distributions or withdrawals from the fund are allowed only upon the occurrence of events related to retirement, disability, or death (except for rollover distributions to other retirement funds referred to in this Section or in Section 77 or 78 of this Law or retirement and pension accounts referred to in Section 96, Paragraph one, Clause 1 of this Law), or penalties apply to distributions or withdrawals made before setting in of relevant events;

d) contributions (other than certain permitted make-up contributions) by employees to the fund are limited by reference to earned income of the employee or, as a result of application of adequate check procedures of accounts stipulated by the Cabinet, may not exceed, annually, an amount that according to the euro reference rate published by the European Central Bank is equivalent to euros and corresponds to USD 50 000.

### **Section 77. Narrow Participation Retirement Fund**

Within the meaning of this Chapter, a narrow participation retirement fund is a fund established to provide retirement, disability, or death benefits to beneficiaries who are current or former employees (or persons designated by such employees) of one or more employers in consideration for services rendered or work performed, provided that:

1) the fund has fewer than 50 participants;

2) the fund is sponsored by one or more employers that are not investment entities or passive non-financial legal entity;

3) the employee and employer contributions to the fund (other than transfers of assets from pension accounts referred to in Section 96, Paragraph one, Clause 1 of this Law) are limited by reference to earned income of the employee (including remuneration);

4) participants that are not residents of the involved state in which the fund is established are not entitled to more than 20 per cent of the fund's assets;

5) the fund is subject to regulation of the State laws and regulations and provides information to the tax administration authorities.

### **Section 78. Pension Fund of a Governmental Entity, International Organisation or Central Bank**

Within the meaning of this Chapter a pension fund of a governmental entity, international organisation or central bank is a fund established by a governmental entity, international organisation or central bank to provide retirement, disability, or death benefits to beneficiaries or participants who are current or former employees (or persons designated by such employees), or who are not current or former employees, if the benefits provided to such beneficiaries or participants are in consideration of personal services performed for the governmental entity, international organisation or central bank.

### **Section 79. Qualified Credit Card Issuer**

(1) Within the meaning of this Chapter, a qualified credit card issuer is a financial institution satisfying the following requirements:

1) the financial institution is a financial institution solely because it is an issuer of credit cards that accepts deposits only when the client makes a payment in excess of a balance due with respect to the card and the overpayment is not immediately returned to the client;

2) the financial institution implements measures and procedures either to prevent a customer from making an overpayment in excess of an amount that according to the euro reference rate published by the European Central Bank is equivalent to euros and corresponds to USD 50 000, or to ensure that any customer overpayment in excess of that amount is refunded to the customer within 60 days.

(2) In both cases referred to in Paragraph one of this Section due diligence procedures of accounts stipulated by the Cabinet shall be applied for account aggregation and currency translation. For this purpose, a client overpayment does not refer to credit balances to the extent of disputed charges but does include credit balances resulting from merchandise returns.

### **Section 80. Exempt Collective Investment Vehicle**

(1) Within the meaning of this Chapter an exempt collective investment vehicle is an investment entity that is regulated as a collective investment vehicle, provided that all of the interests in the collective investment vehicle are held by natural persons or organisations or are held by intermediation of such natural persons or organisations that are not reportable persons, except for a passive non-financial organisation one or several beneficial owners of which are recognised as person who are reportable persons.

(2) An investment entity that is regulated as a collective investment vehicle does not fail to qualify in accordance

with this Section as an exempt collective investment vehicle, solely because the collective investment vehicle has issued physical shares in bearer form, provided that:

- 1) the collective investment vehicle has not issued, and does not issue, any physical shares in bearer form after 31 December 2015;
- 2) the collective investment vehicle retires all such shares upon surrender;
- 3) the collective investment vehicle performs the due diligence procedures and reports any information required to be reported with respect to any such shares when such shares are presented for redemption or other payment;
- 4) the collective investment vehicle has in place policies and procedures to ensure that such shares are redeemed or immobilised as soon as possible, and in any event prior to 1 January 2018.

### **Section 81. Excepted Financial Institutions**

The provisions referred to in this Chapter in relation to obtaining, processing, and exchange of information regarding accounts shall not apply to the following financial institutions and legal entities:

- 1) a governmental entity, international organisation or central bank, except for information regarding a payment occurring as a result of such liabilities which arise from commercial activity characteristic to a specified insurance company, custodial institution, or depository institution;
- 2) a broad participation retirement fund, narrow participation retirement fund, qualified credit card issuer, pension fund of a governmental entity, international organisation, or central bank;
- 3) a private pension fund in relation to individual pension accounts supervised in accordance with the Law on Private Pension Funds;
- 4) a manager of resources of a funded pension scheme which is operating in accordance with the Law on State Funded Pensions;
- 5) an exempt investment consultant and investment manager in relation to the exempt collective investment vehicle;
- 6) a trust insofar the authorised person of the trust is a financial institution which provides reports on all trust accounts recognised as accounts on which a report must be provided;
- 7) a licensed investment service provider, insofar as a report on the relevant account is provided by another financial institution in relation the reportable accounts held thereby in which the following is held:
  - a) shares and funds of an investment fund established in accordance with the Law on Investment Management Companies;
  - b) shares and funds of a managed alternative investment fund established in accordance with the Law on the Alternative Investment Fund and Managers Thereof;
  - c) monies and financial assets of such person which receives investment services and investment ancillary services.

### **Section 82. Person of the State Involved**

(1) Within the meaning of this Chapter a person of the state involved is:

- 1) a natural person or legal entity which is a resident of any state involved in accordance with its legal acts regarding taxes;
- 2) inheritance (entirety of property of an estate) of such deceased person who has been a resident of the state involved in accordance with the legal acts of such state in the field of taxes.

(2) For the purpose of application of this Chapter such legal entity as a business partnership, limited liability business partnership, or similar legal entity which has no place of residence for application of taxes shall be deemed a resident of such state, in which the actual management of the relevant legal entity is located.

### **Section 83. Beneficial Owner**

Within the meaning of this Chapter the term "beneficial owner" is used within the meaning of the Law on the Prevention of Money Laundering and Terrorism Financing.

### **Section 84. Legal Entity and Related Legal Entity**

(1) Within the meaning of this Chapter, a legal entity is a legal person or similar foundation, including a capital company, partnership, association, foundation, trust, or fund.

(2) Within the meaning of this Chapter, a related legal entity is a legal entity which is related to another legal entity in one of the following ways:

- 1) one legal entity is controlling another legal entity;
- 2) both legal entities are controlled by the same person;

3) both legal entities are the investment entities referred to in Section 68, Paragraph one, Clause 2 of this Law which are managed collectively and such collective management organisation ensures due diligence procedures of accounts stipulated by the Cabinet.

(3) The control referred to in Paragraph two of this Section shall mean direct or indirect property rights for at least 50 per cent of the voting stock (investments shares) or fixed capital (collective investment) of the legal entity.

### **Section 85. Non-financial Legal Entity**

Within the meaning of this Chapter, a non-financial legal entity is any legal entity which is not a custodial institution, depository institution, investment entity, or a specified insurance company.

### **Section 86. Active Non-financial Legal Entity**

(1) Within the meaning of this Chapter, an active non-financial legal entity is any non-financial legal entity (with or without the status of a legal person) which conforms to at least one of the following criteria:

1) less than 50 per cent from the revenue of the non-financial legal entity in the previous calendar year or another corresponding reporting period are the passive revenue referred to in Paragraph two of this Section and less than 50 per cent of the assets held by the non-financial legal entity in the previous calendar year or another corresponding reporting period are assets which are held for the creation of the passive revenue referred to in Paragraph two of this Section;

2) stocks of the non-financial legal entity are regularly traded in a generally recognised securities market or the non-financial legal entity is such related legal entity of a legal entity the stocks of which are traded in a generally recognised securities market;

3) the non-financial legal entity is a governmental entity, international organisation, central bank, or a legal entity that belongs to one of the abovementioned structures;

4) the activities of the non-financial legal entity are related to holding (wholly or partly) of stocks issued by one or several such undertakings related to the entity which perform trading or other commercial activity that is the activities of a financial institution, as well as provision of financing and other services to such related undertakings. A legal entity may not be deemed an active non-financial legal entity, if it operates (or declares itself as such) as an investment fund, for example, private capital investment fund, risk capital fund, fund performing investment transactions, except for resources in loan, or an investment instrument the purpose of which is to purchase or finance undertakings and thus acquire participation in such undertakings, holding capital assets for the purpose of investment;

5) the non-financial legal entity does not perform and also has not previously performed economic activity, but it performs capital investment in assets for the purpose of performing economic activity which is not economic activity of a financial institution, provided that the non-financial legal entity does not conform to such status of exception, if at least 24 months have elapsed since its initial date of establishment;

6) the non-financial legal entity has not been a financial institution for the last five years and is under liquidation or reorganisation proceedings of assets of a legal entity for the purpose of continuing or resuming such economic activity that is not economic activity of a financial institution;

7) the non-financial legal entity mostly carries out financing and risk limitation activities with related legal entities which are not financial institutions, or under assignment of such legal entities, and does not provide financing or risk limitation services to an organisation which is not a related legal entity, provided that a group of such related legal entities is mainly involved in economic activity that is not economic activity of a financial institution;

8) the non-financial legal entity conforms to all of the following requirements:

a) it has been established and is operating solely for the purposes related to religion, charity, science, art, culture, sports, or education, or also has been established and is operating in its state or another state or residence and is a professional organisation, business union, commercial chamber, work organisation, agricultural or horticultural organisation, union or organisation of citizens which is operating only for promotion of collective welfare of the society;

b) it has been exempted from the income tax in its involved state or other tax residence state;

c) it has no stakeholders or shareholders which hold property rights or are interested in reaping benefit in relation to its income or assets;

d) in accordance with the legal acts applicable in the involved state of the non-financial legal entity or other state of residence or documents of incorporation of the non-financial legal entity income and assets of the non-financial legal entity may not be divided or used for the benefit of a natural person or legal entity which is not a charity institution, if such division or use is not related to the charity activities carried out by the non-financial legal entity, or used in performing a corresponding payment of compensation for services received or payment which is in the true market value of the property purchased by the non-financial legal entity;

e) in accordance with the legal acts applicable in the state of establishment (which is the involved state) of the non-financial legal entity or the state of tax residence of such legal entity or documents of incorporation of the non-financial legal entity, in case of liquidation or reorganisation of such non-financial legal entity, all assets of the legal entity are transferred to the governmental entity or other non-profit legal entity.

(2) Within the meaning of this Chapter, such part of revenue shall be deemed passive revenue of the non-financial legal entity which is formed by:

1) dividends;

2) interest payments and payments equivalent thereto;

3) rental, lease payments and payments of author's fees (except rental, lease payments and payments of author's fees obtained within the scope of principal commercial activity of the legal entity);

4) revenue from annuity contracts;

5) revenue obtained as a result of such alienation transactions of financial assets which generate the revenue referred to in Clause 1, 2, 3, or 4 of this Paragraph [except for revenue obtained as a result of principal activity of a broker (dealer)];

6) revenue obtained in transactions (including futures, transactions with options, and similar transactions) with financial assets [except for revenue obtained as a result of principal activity of a broker (dealer)];

7) revenue from currency exchange transactions [except for revenue obtained as a result of principal activity of a broker (dealer)];

8) result of swaps [except for revenue obtained as a result of principal activity of a broker (dealer)];

9) amounts obtained from cash value insurance contracts;

10) other revenue which by their economic nature are equivalent to the revenue referred to in Clause 1, 2, 3, 4, 5, 6, 7, 8, or 9 of this Paragraph.

### **Section 87. Passive Non-financial Legal Entity**

Within the meaning of this Chapter a passive non-financial legal entity is:

1) a non-financial legal entity (with or without the status of a legal person) which does not conform to the signs of the active non-financial legal entity;

2) the investment entity referred to in Section 68, Paragraph one, Clause 2 of this Law which is not the financial institution of the involved state.

### **Section 88. Reportable Person**

Within the meaning of this Chapter, a reportable person is any person of the involved state which is not:

1) a capital company capital shares of which are regularly traded in one or several regulated financial instrument markets, or a capital company related thereto;

2) a governmental institution;

3) an international organisation;

4) a central bank;

5) a financial institution.

### **Section 89. Reportable Account**

Within the meaning of this Chapter, a financial account the holder of which is one of the following persons shall be deemed a reportable account:

1) one or several reportable persons;



2) a passive non-financial legal entity with one or several beneficiary owners which after carrying out of due diligence procedures of the accounts provided for in this Chapter are to be recognised as reportable persons.

### **Section 90. Financial Accounts and Their Division Depending on the Assets in the Account**

(1) Within the meaning of this Chapter, financial accounts are accounts maintained by a financial entity which are:

1) a depository account which is any commercial, checking, savings, time, or thrift account, or an account that is evidenced by a certificate of deposit, thrift certificate, investment certificate, certificate of indebtedness, or other similar instrument maintained by a financial institution in the ordinary course of a banking (credit institution) or similar business. A depository account also includes an amount held by an insurance company according to a guaranteed investment contract or similar agreement to pay or credit interest thereon;

2) a financial instruments account which is an account (which is not an insurance contract or an annuity contract) in which one or several financial assets are held for the benefit of the client;

3) in relation to an investment entity - any equity or debt interest in financial institution, except for equity or debt interest of such investment entity which is an investment entity solely because it provides investment advice to, and acts on behalf of, or manages portfolios for, and acts on behalf of a client for the purpose of investing, managing, or administering financial assets deposited in the name of the client with another financial institution;

4) in relation to such financial institution which is not referred to in Clause 3 of this Paragraph - any equity or debt interest in the financial institution, if the class of interests was established with the purpose of avoiding reporting in accordance with Section 100, Paragraph one of this Law;

5) cash value insurance contracts and annuity contracts entered into with a financial institution, other than a non-investment-linked, non-transferable immediate life annuity that is entered into with a natural person and monetises a pension or disability benefit provided under an account that is an excluded account.

(2) For the application of this Chapter an account which has been recognised an excluded account in accordance with Section 96 of this Law shall not be deemed a financial account.

### **Section 91. Equity Interest**

(1) Within the meaning of Section 90, Paragraph one, Clauses 3 and 4 of this Law, equity interest is also profit interest.

(2) In the case of a trust that is a financial institution, an equity interest is considered to be held by any person treated as a settlor or beneficiary of all or a portion of the trust, or any other natural person exercising ultimate effective control over the trust. A reportable person will be treated as the beneficiary of a trust if such reportable person has the right to receive directly or indirectly (for example, through a nominee) a mandatory distribution or may receive, directly or indirectly, a discretionary (according to preferences or instructions) distribution from the trust.

### **Section 92. Annuity Contract**

Within the meaning of this Chapter, an annuity contract is:

1) a life pension insurance contract under which insurance compensation is provided for a period of time determined in whole or in part by reference to the life expectancy of one or more natural persons;

2) a contract that is considered to be an annuity contract in accordance with the law, regulation, or practice of such state in which the contract was issued, and under which insurance compensation is paid for a term of years.

### **Section 93. Cash Value Insurance Contract**

Within the meaning of this Chapter, a cash value insurance contract is a life insurance contract (other reinsurance contract) that has a cash value.

### **Section 94. Cash Value**

(1) Within the meaning of this Chapter, cash value is the amount that the policyholder is entitled to receive upon termination of the contract or the insured person - in the end of the term of the insurance contract (accumulated capital) (determined without reduction for any charge for termination of the contract or loan in relation to insurance contract), or the amount which a person can borrow under or with regard to the provisions of the contract - depending on which amount is greater.

(2) Notwithstanding Paragraph one of this Section, the cash value does not include an amount payable under an insurance contract:

1) solely based on the death of an individual in respect of whom a life insurance contract is in effect;

2) as a personal injury or sickness benefit or other benefit providing indemnification of an economic loss incurred upon the occurrence of the event insured against;

3) as a refund of a previously paid premium (less cost of insurance charges whether or not actually imposed) under an insurance contract (other than an investment-linked life insurance or annuity contract) due to cancellation or termination of the contract, decrease in risk exposure during the effective period of the contract, or arising from the correction of a posting or similar error with regard to the premium for the contract;

4) as amounts payable during operation of the insurance contract (bonuses), other than amounts (bonuses) in case of expiry of the term of the contract, according to an insurance contract during the term of which benefits payable are provided for in Clause 2 of this Paragraph;

5) as a return of an advance premium or premium deposit for an insurance contract for which the premium is payable periodically if the amount of the advance premium or premium deposit does not exceed the next annual premium that will be payable under the contract.

#### **Section 95. Account Holder**

(1) Within the meaning of this Chapter, an account holder is:

1) in relation to a cash value insurance contract or annuity contract - a person who has the right to receive the accumulated resources or to change the beneficiary of the contract. If no person can access the cash value or change the beneficiary, the account holder is any person named as the owner in the contract and any person with a vested entitlement to payment under the terms of the contract. Upon the maturity of a cash value insurance contract or an annuity contract, each person entitled to receive a payment under the contract is treated as an account holder;

2) in relation to other accounts - the person listed or identified as the holder of a financial account by the financial institution that maintains the account.

(2) A person, other than a financial institution, holding a financial account for the benefit (on behalf, upon assignment) of another person as agent, custodian, nominee, signatory, investment advisor, or intermediary, is not treated as holding the account; the person for whose benefit (on behalf, upon assignment) the account is held, is treated as holding the account.

#### **Section 96. Excluded Account**

(1) Within the meaning of this Chapter, an excluded account is any of the following accounts:

1) a retirement or pension account that satisfies the following requirements:

a) the account is subject to regulation as a personal retirement account or is part of a registered or regulated retirement or pension plan for the provision of retirement or pension benefits (including disability or death benefits);

b) the account is tax-favoured (i.e., contributions to the account that would otherwise be subject to tax are deductible or excluded from the gross income of the account holder or taxed at a reduced rate, or taxation of investment income from the account is deferred or taxed at a reduced rate);

c) information regarding the account must be provided to the tax administration authorities in accordance with the procedures provided for in legal acts;

d) withdrawals are subject to special conditions - reaching a specified retirement age, disability, or death, or penalties apply to withdrawals made before such specified events;

e) either, in applying the due diligence procedures stipulated by the Cabinet, annual contributions are limited to an amount which is equivalent in euros according to the reference rate of euro published by the European Central Bank and corresponds to USD 50 000 or, in applying the due diligence procedures stipulated by the Cabinet, there is a maximum lifetime contribution limit to the account of an amount which is equivalent in euros according to the reference rate of euro published by the European Central Bank and corresponds to USD 1 000 000;

2) a financial account that otherwise satisfies the requirements of Clause 1, Sub-clause "e" of this Paragraph will not fail to satisfy such requirements solely because such financial account may receive assets or funds transferred from one or more financial accounts that meet the requirements of Clause 1 or 3 of this Paragraph or from one or more retirement or pension funds that meet the requirements of Sections 76, 77, and 78 of this Law;

3) an account that satisfies the following requirements:

a) the account is subject to the laws and regulations governing the field of finances as an investment vehicle for purposes other than for retirement and is regularly traded on an established securities market, or the account is subject to regulation as a savings vehicle for purposes other than for retirement;

b) the account is tax-favoured (i.e., contributions to the account that would otherwise be subject to tax are

deductible or excluded from the gross income of the account holder or taxed at a reduced rate, or taxation of investment income from the account is deferred or taxed at a reduced rate);

c) withdrawals are conditioned on meeting specific criteria related to the purpose of the investment or savings account (for example, the provision of educational or medical benefits), or penalties apply to withdrawals made before such criteria are met;

d) annual contributions are limited to an amount which is equivalent in euros according to the reference rate of euro published by the European Central Bank and corresponds to USD 50 000, in applying the due diligence procedures stipulated by the Cabinet;

4) a financial account that otherwise satisfies the requirements of Clause 3, Sub-clause "d" of this Paragraph will not fail to satisfy such requirements solely because such financial account may receive assets or funds transferred from one or more financial accounts that meet the requirements of Clause 1 or 3 of this Paragraph or from one or more retirement or pension funds that meet the requirements of Sections 76, 77, and 78 of this Law;

5) a life insurance contract with a coverage period that will end before the insured individual attains age 90, provided that the contract satisfies the following requirements:

a) periodic premiums which do not decrease over time are payable at least annually during the period the contract is in existence or until the insured attains the age 90, whichever is shorter;

b) the contract has no contract value that any person can access (by withdrawal, loan, or otherwise) without terminating the contract;

c) the amount (other than a death benefit) payable upon cancellation or termination of the contract cannot exceed the aggregate premiums paid for the contract, less the sum of risk and expense charges for the period of the contract's existence and any amounts paid prior to the cancellation or termination of the contract;

d) the right of receipt of insurance benefit is not transferred to other person for the purpose of profit-making;

6) an account that is held solely by an estate if the documentation for such account includes a copy of the deceased's will or death certificate;

7) an account established in connection with a court decision or judgment;

8) an account established for a sale, exchange, or lease of immovable or movable property, provided that the account satisfies the following requirements:

a) the account is funded solely with a down payment, earnest money, or deposit in an amount appropriate to secure an obligation directly related to the transaction, or a similar payment, or is funded with a financial asset that is deposited in the account in connection with the sale, exchange, or lease of the property;

b) the account is established and used solely to secure the obligation of the purchaser to pay the purchase price for the property, the seller to pay any contingent liability, or the lessor or lessee to pay for any damages relating to the leased property as agreed under the lease;

c) the assets of the account, including the income earned thereon, will be paid or otherwise distributed for the benefit of the purchaser, seller, lessor, or lessee (including to satisfy such person's obligation) when the property is sold, exchanged, or surrendered, or the lease terminates;

d) the account is not a margin or similar account established in connection with a sale or exchange of a financial asset;

e) the account is not associated with an account referred to in Clause 11 of this Section;

9) an obligation of a financial institution servicing a loan secured by immovable property to set aside a portion of a payment solely to facilitate the payment of taxes or insurance related to the immovable property at a later time;

10) an obligation of a financial institution solely to facilitate the payment of taxes at a later time;

11) a depository account that satisfies the following requirements:

a) the account exists solely because the client makes a payment in excess of a balance due with respect to a credit card or other revolving credit facility and the overpayment is not immediately returned to the client;

b) the financial institution implements policies and procedures either to prevent a customer from making an overpayment in excess of an amount that according to the euro reference rate published by the European Central Bank is equivalent to euros and corresponds to USD 50 000, or to ensure that any customer overpayment in excess of that amount is refunded to the customer within 60 days, in applying the due diligence procedures of accounts stipulated by the Cabinet for assessment of the abovementioned amounts. For this purpose, overpayments do not refer to credit

balances to the extent of disputed charges but does include credit balances resulting from merchandise returns;

12) an individual account of a participant of a pension plan which is governed in accordance with the law On Private Pension Funds;

13) an account of a participant of a State funded pension scheme which is governed in accordance with the Law on State Funded Pensions.

(2) A financial institution is entitled to recognise a pre-existing financial account of a natural person (except for an annuity contract) as an excluded account, if it satisfies the following requirements:

1) its annual end balance of the account does not exceed the amount that according to the euro reference rate published by the European Central Bank is equivalent to euros and corresponds to USD 1000;

2) the account holder has not performed any transaction with this account or another account of the account holder in the relevant financial institution in the last three years;

3) the financial institution has not received new, additional, or updated information from the account holder in the last six years in relation to the maintenance of this account or another account of the account holder;

4) the relevant financial institution has not contacted the account holder in relation to any account held thereby in the financial institution in the last six years, if an account which is a cash value insurance contract is recognised as closed.

### **Section 97. Pre-existing Account**

(1) A pre-existing account is an account of a natural person or legal entity which is maintained by a financial institution on the date of determining the category of accounts. The date of determining the category of accounts for accounts the holder or beneficiary owner of which is a tax resident of another state of the European Union, is 31 December 2015. The Cabinet, in determining the list of the states involved, in relation to each state involved which is not a Member State of the European Union and with which automatic exchange of information regarding financial accounts takes place, shall determine the date of determining the category of accounts.

(2) A pre-existing account is also a financial account which has been opened after the date of determining the category of accounts, if the following conditions are fulfilled:

1) the holder of such account already until the abovementioned date holds another financial account in the relevant financial institution (or a legal entity related thereto which is operating in the Republic of Latvia), to be recognised a pre-existing account in accordance with Paragraph one of this Section;

2) the financial institution (or accordingly a legal entity related thereto which is operating in the Republic of Latvia) shall deem all accounts of such account holder as a single financial account, in applying due diligence procedures of accounts stipulated by the Cabinet which apply to determination of the end balance or value of accounts and relying on the certification or documentary evidence provided by the account holder itself;

3) the financial institution, when applying the client identification and research procedures approved by the financial institution in accordance with the Law on the Prevention of Money Laundering and Terrorism Financing to this account, is entitled to rely on the results of the application of the abovementioned procedures which apply to the pre-existing account indicated in Paragraph one of this Section;

4) in order to open a financial account after the date indicated in Paragraph one of this Section, the account holder need not provide new, additional, or updated information, except for such information which is to be submitted for achieving the regulation objectives of this Chapter.

(3) If a financial institution exercises the rights laid down in Section 99, Paragraph four of this Law, 31 December 2015 shall be deemed as the date of determining the category of accounts.

### **Section 98. New Account**

A new account is an account maintained by a financial institution that has been opened after the date of determining the category of accounts, except for cases when the financial institution recognises it as a pre-existing account in accordance with Section 97, Paragraph two of this Law.

### **Section 99. Due Diligence Procedures**

(1) The Cabinet shall determine the procedures by which a financial institution shall carry out due diligence procedures of accounts.

(2) A financial institution shall ascertain whether a new account is reportable in accordance with the procedures laid down in this Chapter on the basis of the information included in the certification provided by the client of the financial institution itself on the tax residence, unless it contradicts with facts obtained by the financial institution regarding the

client in relation to opening an account and during the course of application of the client identification and research procedures approved by the financial institution in accordance with the Law on the Prevention of Money Laundering and Terrorism Financing.

(3) A financial institution shall ascertain whether a pre-existing account is reportable in accordance with the procedures provided for in this Chapter according to the due diligence procedures stipulated by the Cabinet, including also on the basis of the information obtained by the financial institution regarding the client in relation to opening an account and during the course of application of the client identification and research procedures approved by the financial institution in accordance with the Law on the Prevention of Money Laundering and Terrorism Financing. When ascertaining whether a pre-existing account is reportable in accordance with the procedures laid down in this Chapter, a financial institution is also entitled to rely only on the information included in the certification provided by the client on the tax residence, unless it contradicts with facts obtained by the financial institution regarding the client in relation to opening an account and during the course of application of the client identification and research procedures approved by the financial institution in accordance with the Law on the Prevention of Money Laundering and Terrorism Financing.

(4) A financial institution is entitled to apply the due diligence procedures of accounts referred to in this Chapter and Cabinet regulations also in relation to such financial accounts, the holders or beneficiary owners of which during the performance of due diligence check are not deemed persons in relation to which the information referred to in Section 100 of this Law must be provided.

(5) A financial institution is entitled to use outsourcers for carrying out the obligations laid down in this Chapter, assuming responsibility for acts or omissions of the outsourcers.

(6) A holder of financial account and a beneficial owner of a passive non-financial legal entity has an obligation to submit correct and true own certification on the place of tax residence or new documentary evidence to the financial institution within the time period laid down by the financial institution.

#### **Section 100. Obligations of a Financial Institution**

(1) The financial institution referred to in Section 71 of this Law has an obligation to provide the following information to the State Revenue Service regarding each reportable account which is ascertained by the financial institution according to the due diligence procedures stipulated by the Cabinet:

1) if the account holder is a natural person - the given name, surname, date and place of birth, address of the person of the involved state (who is the account holder), the name of the relevant involved state, the identification number of the taxpayer (if such is granted);

2) if the account holder is a legal entity - the name, address of the person of the involved state (who is the account holder), the name of the relevant involved state, the identification number of the taxpayer (if such is granted);

3) if the account holder is a legal entity and such entity has one or several beneficiary owners which after application of due diligence procedures are recognised as reportable persons - the name, address of the account holder, information regarding the status of the involved state and tax resident of another state, the identification number of the taxpayer (if such is granted), the given name, surname, date and place of birth, address of each beneficiary owner (who is a reportable person of the involved state), the name of the relevant involved state, the identification number of the taxpayer (if such is granted);

4) the account number (of functional equivalent, if there is no account number);

5) the name and identification number (if any) of the financial institution which provides reports;

6) end balance or value of the account (including - in relation to cash value insurance contract or annuity contract - value in money or repurchase amount) at the end of the relevant calendar year or other relevant reporting period or, if the account was closed in the relevant year or reporting period, information regarding closing the account;

7) regarding the account of financial instruments:

a) the total gross amount of interest, the total gross amount of dividends, and the total gross amount of other income generated with respect to the assets held in the account, in each case paid or credited to the account (or with respect to the account) during the calendar year or other appropriate reporting period;

b) the total gross proceeds from the sale or redemption of financial assets paid or credited to the account during the calendar year or other appropriate reporting period with respect to which the reporting financial institution acted as a custodian, broker, nominee, or otherwise as an agent for the account holder;

8) regarding a depository account - the total gross amount of interest paid or credited to the account during the calendar year or other appropriate reporting period in relation to the financial assets held in the depository account;

9) regarding any reportable account not referred to in Clause 7 or 8 of this Paragraph - the total gross amount paid or credited to the account holder with respect to the account during the calendar year or other appropriate reporting

period with respect to which the reporting financial institution is the obligor or debtor (including the aggregate amount of any redemption payments made to the account holder during the calendar year or other appropriate reporting period).

(2) The currency of each amount shall be indicated in the information notified in accordance with Paragraph one of this Section.

(3) If a reportable account is a pre-existing account, notwithstanding the provisions of Paragraph one, Clauses 1, 2, and 3 of this Section a financial institution does not have a duty to notify the taxpayer identification number and date of birth of the beneficial owner, if the financial institution does not have such taxpayer identification number and date of birth at its disposal. A reportable financial institution has a duty to take the necessary additional actions in order to obtain the taxpayer identification number or date of birth in relation to pre-existing accounts until the end of such second calendar year which follows the year when pre-existing accounts were identified as reportable accounts.

(4) Notwithstanding the provisions of Paragraph one, Clauses 1 and 3 of this Section the data of the place of birth need not be notified, except for cases when:

1) a reportable financial institution has had a duty to obtain and notify such data in accordance with other laws and regulations;

2) they are available in electronically searchable data maintained by a reportable financial institution.

(5) The procedures by which financial institutions shall provide the information indicated in Paragraph one of this Section to the State Revenue Service for transfer to the competent authority of another state and the State Revenue Service shall transfer such information to the competent authorities of other states shall be determined by the Cabinet.

(6) Prior to providing reports to the State Revenue Service, a reporting financial institution shall inform its clients of the subject on which the report must be submitted, and that their data will be processed and sent to the State Revenue Service in accordance with the procedures and for the purpose provided for in this Chapter.

#### **Section 101. Obligations of the State Revenue Service in Relation to the Exchange of Information Regarding Financial Accounts**

(1) The State Revenue Service shall provide the information laid down in Section 100, Paragraph one of this Law to the competent authority of the involved state at least once a year not later than within nine months after the end of such calendar year to which the information applies.

(2) The State Revenue Service shall send a list with the types of excepted financial institutions and excluded financial accounts to the European Commission for publishing in the Official Journal of the European Union.

#### **Section 101.<sup>1</sup> Monitoring of the Automatic Exchange of Information Regarding Financial Accounts**

In order to ensure effective implementation of the monitoring of the automatic exchange of information regarding financial accounts, a financial institution shall grant the State Revenue Service access to the procedures, documents, and information referred to in Section 11.<sup>1</sup>, Paragraphs one and nine, Sections 18, 18.<sup>1</sup>, 18.<sup>2</sup>, and 37 of the Law on the Prevention of Money Laundering and Terrorism Financing.

*[16 November 2017 / Section shall come into force on 1 January 2018. See Paragraph 201 of Transitional Provisions]*

### **Chapter XIII**

## **Liability Coverage of the Main Performer of Construction Work towards Employees of the Subcontractor Hired for Execution of Public Works Contract or Works Contract**

[22 June 2017]

#### **Section 102. Main Performer of Construction Work**

[22 June 2017]

#### **Section 103. Subcontractor**

[22 June 2017]

#### **Section 104. Liability Coverage**

[22 June 2017]

## **Section 105. Procedures for the Calculation, Payment and Accounting of Liability Coverage**

[22 June 2017]

## **Section 106. Liability for the Payment of Liability Coverage**

[22 June 2017]

# **Chapter XIV**

## **Electronic Recording of Information at a Construction Site and Use Thereof**

*[22 June 2017 / See Paragraph 192 of Transitional Provisions]*

### **Section 107. Main Performer of Construction Work**

Within the meaning of this Chapter the main performer of construction work shall be the performer of construction work who performs construction work for its own needs or has concluded a contract with the initiator of construction regarding construction of a new group three building or construction work with the total costs of one million euros or more (hereinafter - the works contract) and who performs construction work by itself, or transfers certain obligations specified in the works contract or a part thereof for execution to a subcontractor.

[22 June 2017]

### **Section 108. Subcontractor**

Within the meaning of this Chapter, the subcontractor is a person hired by the main performer of construction work or by the initiator of the construction or, in turn, a person hired by him or her (except for the developer of the building design and the performer of author's supervision) who performs work at a construction site for the execution of the works contract or provides labour force.

[22 June 2017; 30 May 2019]

### **Section 109. Person Employed at a Construction Site**

Within the meaning of this Chapter, an employee of the main performer of construction work or subcontractor who performs work at a construction site for the execution of the works contract shall be regarded as a person employed at a construction site. A natural person who has registered as the performer of economic activity, domestic employee with the employer - a foreigner, a foreign employee with the employer - a foreigner shall also be regarded as a person employed at a construction site, if the abovementioned persons perform work at a construction site for the execution of the works contract, as well as a person who for the purpose of executing the works contract performs work at a construction site for the benefit and under subordination of the recipient of the labour force provision service, and a construction supervisor.

[22 June 2017]

### **Section 110. Electronic Working Time Recording at a Construction Site**

(1) Working time recording at a construction site shall be ensured electronically, using an electronic working time recording system and the means to be used for ensuring identification of a person laid down in Section 111 of this Law. The electronic working time recording system is an audited (initial security check and, not less than once in two years, external security check has been ensured for it, also including therein the performance of penetration testing and checking of conformity with the requirements laid down in Chapter XIV of this Law) electronic system in which electronic registration, accounting, and data storage of the working time (within the meaning of this Chapter, the whole period of time during which the person is located at a construction site shall be considered working time) of the persons employed at a construction site is ensured in order to transfer the abovementioned data for inclusion in the single electronic working time recording database.

(2) The external security check for the electronic working time recording system shall be ensured by a person who organises and manages the operation of such system (hereinafter in this Chapter - the system manager), commissioning the performance of such check from a person not related to the system manager.

(3) The Cabinet shall determine the requirements for a person who may perform the external security check laid down in Paragraph one of this Section for the electronic working time recording system.

[30 May 2019]

### **Section 111. Electronic Identification of a Person Employed at a Construction Site**

(1) An individually designed device or information technologies solution, ensuring the identification of a person

employed at a construction site and recording of the working time in the electronic working time recording system, shall be applied to identify a person employed at a construction site.

(2) The main performer of construction work shall ensure the electronic identification solution for the identification of a person at a construction site also for a person who stays in the territory of a delimited construction site, but is not employed for the purpose of performing construction work at a construction site and is not regarded as a person employed at a construction site.

(3) The requirement laid down in Paragraph two of this Section regarding granting of the electronic identification solution shall not be applicable to representatives of law enforcement authorities, controlling authorities, or emergency services, as well as to drivers who perform delivery of construction products or other products to the construction site.

*[22 June 2017; 30 May 2019]*

### **Section 112. Single Electronic Working Time Recording Database**

(1) The single electronic working time recording database which is a part of the Construction Information System is established in order to compile and maintain the data included in the electronic working time recording system, as well as to issue the relevant data to the institutions referred to in this Section for the performance of their functions.

(2) The single electronic working time recording database shall be applied by:

1) the State Revenue Service - for the purpose of administering the personal income tax, mandatory State social insurance contributions, and micro-enterprise tax;

2) the State Labour Inspectorate - for the purpose of supervising and control of conformity with the laws and regulations governing the field of employment legal relationships;

3) the State Construction Control Bureau - for the purpose of control of the fulfilment of the duties of construction specialists in accordance with the provisions laid down in Section 6.<sup>1</sup>, Paragraph one, Clause 1 of the Construction Law;

4) the Central Statistical Bureau - for the purpose of statistical analysis and evaluation of work remuneration.

(3) The data of the single electronic working time recording database which do not contain information identifying natural persons may be used for the purpose of developing the construction policy and implementation of the general supervision of the construction sector.

(4) The Cabinet shall determine the procedures by which the data of the electronic working time recording system shall be provided for inclusion in the single electronic working time recording database.

(5) *[30 May 2019]*

(6) *[30 May 2019]*

*[22 June 2017; 23 November 2017; 30 May 2019]*

### **Section 113. Data Recordable in the Electronic Working Time Recording System and Requirements in Relation to the Electronic Working Time Recording System**

(1) The following data shall be recorded and compiled in the electronic working time recording system in an electronic system:

1) on a person employed at a construction site:

a) given name, surname;

b) personal identity number (if the person does not have a personal identity number - the date, month, and year of birth or the number of visa or residence permit attesting that the foreigner has been granted the right to employment);

c) position;

d) name of the employer or given name and surname thereof (if the employer is a natural person);

e) unified registration number assigned by the Enterprise Register of the Republic of Latvia to the employer or personal identity number (if the employer is a natural person), or another identification number (if the employer is a legal person registered abroad);

f) number of the construction permit or cadastral designation of the immovable object (if a construction permit has not been issued);



g) time when the person has arrived at the construction site and left it;

h) total amount of time - the data referred to in Sub-clause "g" of this Clause depicted as the total amount of time of 24 hours within the scope of one calendar month for each person employed at a construction site. The total amount of time shall also include the breaks from work laid down in the laws and regulations governing employment legal relationship;

2) on a person who stays at a construction site and is not employed for the performance of construction work at the construction site:

a) given name, surname;

b) personal identity number; if the person does not have a personal identity number - the date, month, and year of birth;

c) time when the person had arrived at the construction site and left it;

d) time of stay at the construction site depicted as a total amount of time of 24 hours;

3) on the works contract concluded by the main performer of construction work with the initiator of the construction and, if the contract amount changes, on amendments to such contract:

a) name of the initiator of the construction;

b) unified registration number assigned by the Enterprise Register of the Republic of Latvia to the initiator of the construction or personal identity number (if the initiator of the construction is a natural person), or another identification number (if the initiator of the construction is a legal person registered abroad);

c) contract date;

d) contract amount or, if the contract amount changes due to amendments to the contract, the new contract amount.

(2) The electronic working time recording system in respect of information resources of the system [software, files (also those which contain the information kept, processed in the system and accessible to the users of the system) and system documentation] shall use the software by which audit trails are recorded, recording data on events in the system to ensure a possibility to assess their impact on security of the system. The Cabinet shall determine the requirements for the creation, storage, and issuance of audit trail.

(3) Such functions as automatic or pre-programmed actions for the correction, changing, or deletion of the data registered in the electronic working time recording system, for the registration of the working time of the persons employed at a construction site, including the time when the person has arrived to and left the construction site, for automatic registration, or for the deduction of breaks from work provided for in the laws and regulations governing employment legal relationship for data registered in such system may not be introduced in the electronic working time recording system, including its software.

(4) The data laid down in Paragraph one, Clause 1, Sub-clauses "g" and "h", Clause 2, Sub-clauses "c" and "d", and Clause 3, Sub-clauses "c" and "d" of this Section which are registered and accumulated in the electronic working time recording system shall not be subject to corrections or changes. If the data laid down in Paragraph one, Clause 1, Sub-clauses "g" and "h" and Clause 2, Sub-clauses "c" and "d" of this Section which are registered in the electronic working time recording system do not coincide with the time actually spent by a person at a construction site, in addition to the data accumulated in the system the main performer of construction work shall register information regarding the time actually spent by the person at a construction site, indicating the actual arrival at the construction site, the actual time when the person left the construction site, the actual total amount of time, as well as a justification as to why the data registered in the electronic working time recording system do not coincide with the time actually spent by the person at the construction site. If incorrectly (erroneously or improperly) registered data are established in the electronic working time recording system, except for the ones referred to in the first sentence of this Paragraph, the data shall be corrected, ensuring audit trail of events in the electronic working time recording system which include information regarding the relevant corrections, including identifying information regarding the performer of correction, the date and time of performing correction, the correction performed (data deleted, corrected, changed, or supplemented), and the corrected data (value before and after correction or changing).

(5) *[Paragraph shall come into force on 1 September 2019 and shall be included in the wording of the Law as of 1 September 2019. See Paragraph 227 of Transitional Provisions]*

*[22 June 2017; 30 May 2019]*

#### **Section 114. Storage of the Electronic Working Time Recording System Data, Transfer Thereof for Inclusion in the Single Electronic Working Time Recording Database, and Issuance Thereof**

(1) The main performer of construction work shall ensure the following involving the data registered and accumulated in the electronic working time recording system:

1) storage in the non-volatile data carriers deployed in the territory of Latvia, including servers of data centres, for three years from the moment when data have been registered in the electronic working time recording system;

2) deletion after the end of the time period laid down in Clause 1 of this Paragraph;

3) issuance to the controlling authorities:

a) of data to be transferred for inclusion in the single electronic working time recording database - until the moment when the abovementioned data have been transferred for inclusion in the single electronic working time recording database;

b) of data not to be transferred for inclusion in the single electronic working time recording database - throughout the term of storage laid down in Clause 1 of this Paragraph.

(2) Upon a request of the State Revenue Service, the State Labour Inspectorate or the State Construction Control Bureau, the main performer of construction work shall ensure that, upon performing an inspection at the construction site, the data contained in the electronic working time recording system on all persons would be presented and provided to the State Revenue Service or the State Labour Inspectorate, whereas to the State Construction Control Bureau - on all construction specialists who are located at the construction site at the moment of data request.

(3) The main performer of construction work shall, by the 15th date of the current month, transfer the data registered and accumulated in the electronic working time recording system (except for the data referred to in Section 113, Paragraph one, Clause 2 of this Law, as well as the audit trail of events of the electronic working time recording system) regarding the previous month for inclusion in the single electronic working time recording database in a structured manner.

(4) The main performer of construction work shall transfer the data contained in the electronic working time recording system for inclusion in the single electronic working time recording database in a structured manner at the level of information technologies systems, using the web services of the single electronic working time recording database.

(5) The holder of the single electronic working time recording database shall ensure the accumulation, storage, issuance of the data transferred by the main performer of construction work and online access thereto to controlling authorities and the Central Statistical Bureau for a time period of three years from the moment the recording of the working time of the persons employed at a construction site is started in the electronic working time recording system. The data contained in the single electronic working time recording database shall be deleted from it after expiry of the abovementioned period. The Cabinet shall determine the obligations, rights and responsibilities of the holder of the single electronic working time recording database.

*[22 June 2017; 23 November 2017; 30 May 2019]*

#### **Section 115. Use of the Electronic Working Time Recording System Data for Tax Administration, Implementation of Supervision and Control in the Field of Employment Legal Relationships, Ensuring State Control of Construction Work and Statistical Analysis of Work Remuneration**

(1) The data recorded in the electronic working time recording system on persons employed at a construction site and their working hours shall be used by the State Revenue Service to administer the personal income tax, mandatory State social insurance contributions, and micro-enterprise tax, by the State Labour Inspectorate to supervise and control the conformity with the laws and regulations governing the field of employment legal relationships, by the State Construction Control Bureau to control the fulfilment of the obligations of construction specialists in accordance with the provisions laid down in Section 6.<sup>1</sup>, Paragraph one, Clause 1 of the Construction Law, and by the Central Statistical Bureau for the statistical analysis and evaluation of work remuneration.

(2) The data recorded in the electronic working time recording system on working hours of the person employed at a construction site within the scope of a calendar month may differ by not more than 20 per cent from the actually recorded working hours used for the calculation of the remuneration for work at the construction site.

(3) If the State Revenue Service finds that the data recorded in the electronic working time recording system on the working hours of the person employed at a construction site within the scope of a calendar month differs from the actually recorded working hours used for the calculation of the remuneration for work at the construction site to a greater extent than the amount referred to in Paragraph two of this Section, the State Revenue Service may use the data recorded in the electronic working time recording system to determine the reduced object taxable with taxes and duties.

*[22 June 2017; 30 May 2019]*

#### **Section 116. Obligations of the Main Performer of Construction Work**

(1) The main performer of construction work shall have the following obligations:

1) to ensure electronic working time recording at each construction site in accordance with that laid down in Section 113 of this Law from the moment when construction work has been commenced until the moment when an entry is made in the construction work logbook regarding the completion of construction work or, if the construction work logbook is not necessary in accordance with the laws and regulations, until the moment when construction work at a construction site are considered to be completed in accordance with the laws and regulations governing construction;

1<sup>1</sup>) to use such electronic working time recording system which conforms to the requirements of this Law and for which external security check is ensured;

2) to inform the subcontractor of being involved in the performance of construction work subject to the regulation contained in this Chapter;

3) to ensure that there would be no person in the territory of a delimited construction site without being provided with an electronic identification device or information technologies solution, and whereof no data are recorded in the electronic working time recording system;

4) to ensure that an electronic identification device or information technologies solution for the electronic recording of working time in the electronic working time recording system is provided to a person employed at a construction site who performs work at the construction site of the main performer of construction work for the execution of the works contract;

5) to ensure that an electronic identification device or information technologies solution for the recording of the stay at a construction site in the electronic working time recording system is provided to a person who stays in the territory of a delimited construction site, but is not employed for the performance of construction work at the construction site and is not regarded as a person employed at the construction site;

6) to ensure that its employees or the attracted persons who perform work at the construction site for the execution of the works contract record their working time in the electronic working time recording system, using the electronic identification device or information technologies solution;

7) to submit information regarding the commencement of construction of a group three building or the commencement of such construction work the total costs of which is one million euros or more for the inclusion thereof in the single electronic working time recording database not later than within five working days after commencement of construction work, indicating also information regarding the electronic working time recording system used at the construction site (the name and system manager). To submit information regarding completion of construction work for inclusion in the single electronic working time recording database not later than within five working days after completion of construction work;

8) to submit information (in the form of electronic data) regarding the works contract concluded with the initiator of the construction and, if the contract amount changes, the amendments to such contract for the inclusion thereof in the single electronic working time recording database, indicating the following data:

a) name of the initiator of the construction;

b) unified registration number assigned by the Enterprise Register of the Republic of Latvia to the initiator of the construction or personal identity number (if the initiator of the construction is a natural person), or another identification number (if the initiator of the construction is a legal person registered abroad);

c) contract date;

d) contract amount or, if the contract amount changes due to amendments to the contract, also the new contract amount;

9) to submit information (in the form of electronic data) regarding all works contracts concluded with their subcontractors in the previous month with the total contract amount of EUR 15 000 or more and, if the contract amount changes, the amendments to such contract for the inclusion thereof in the single electronic working time recording database every month by the 15th day of the month, indicating the following data:

a) name of the subcontractor;

b) unified registration number assigned by the Enterprise Register of the Republic of Latvia to the subcontractor or personal identity number (if the subcontractor is a natural person), or another identification number (if the subcontractor is a legal person registered abroad);

c) contract date;

d) contract amount or, if the contract amount changes due to amendments to the contract, also the new contract amount;

10) to ensure protection of the data registered in the electronic working time recording system (protection of the data or information resources which is implemented by means of software, identifying the user of the information system, verifying the conformity of his or her authorisation with the respective activities in the electronic working time recording system, and safeguarding information against intentional or accidental correction, changing, or deletion);

11) to ensure the registration and recording of data laid down in Section 113, Paragraph one of this Law also for a period when such disturbances occurred in the operation of the electronic working time recording system at a construction site which precluded registration or recording of data in the system;

12) to ensure retrieval of the data registered and accumulated in the electronic working time recording system for a subcontractor (in viewing mode, electronically, or in printed form) regarding its employees or persons attracted thereby who are performing work for execution of the works contract at the construction site of the main performer of construction work.

*(2) [Paragraph shall come into force on 1 September 2019 and shall be included in the wording of the Law as of 1 September 2019 / See Paragraph 227 of Transitional Provisions]*

*[22 June 2017; 30 May 2019 / Amendment to Clause 7 regarding the replacement of the number and words "one million euros or more" with the number and words "EUR 350 000 or more" shall come into force on 1 January 2020 and shall be included in the wording of the Law as of 1 January 2020. See Paragraph 223 of Transitional Provisions]*

### **Section 117. Obligations of a Subcontractor**

A subcontractor has the following obligations:

1) to ensure that its employees or the attracted persons who perform work at the construction site of the main performer of construction work for the execution of the works contract record their working time in the electronic working time recording system, using the electronic identification device or information technologies solution;

2) to inform its subcontractor of being involved in the performance of construction work subject to the regulation contained in this Chapter;

3) to inform the main performer of construction work regarding the malfunction of the electronic working time recording system, hindering the recording of the start of working time or end of working time of its employees or the persons involved;

4) by logging into the single electronic working time recording database, to submit information regarding all works contracts concluded with their subcontractors in the previous month with the total contract amount of EUR 15 000 or more and, if the contract amount changes, the amendments to such contract for inclusion thereof in the single electronic working time recording database every month by the 15th day of the month, indicating the following data:

a) name of the subcontractor;

b) unified registration number assigned by the Enterprise Register of the Republic of Latvia to the subcontractor or personal identity number (if the subcontractor is a natural person), or another identification number (if the subcontractor is a legal person registered abroad);

c) contract date;

d) contract amount or, if the contract amount changes due to amendments to the contract, also the new contract amount.

*[22 June 2017; 30 May 2019]*

### **Section 118. Obligation of a Person Employed at a Construction Site**

A person employed at a construction site has the obligation to record the working time in the electronic working time recording system using the electronic identification device or information technologies solution - upon entry in the construction site, to record the start of the working time and, upon leaving the construction site, to record the end of the working time.

*[22 June 2017]*

## **Transitional Provisions**

1. Upon this Law entering into force the following shall be repealed:

1) the law On Taxes and Duties 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 Duties 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);

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, 1993, No. 26).

2. [14 December 2000]

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

[14 December 1997]

4. Until the date on which the law On Enterprise Income Tax comes into force, the law On Profit Tax shall be in force.

5. Until the date on which the law On Value Added Tax comes into force, the law On Turnover Tax shall be in force.

6. [14 December 2000]

7. [28 February 2003]

8. By 1 April 1995 the Cabinet shall draft 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 of this Law.

10. Such provisions of this Law the execution whereof is governed by the 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 referred to 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 duties for airports.

[6 June 1996]

14. [25 November 1999]

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

[6 June 1996; 25 November 1999]

16. [8 March 2001]

17. From 1 January 1998 the State Revenue Service shall administer social tax payment debts. In carrying out audits for the period when the law On Social Tax was in force, the norms of the law On Social Tax shall be applied, except for the liability for the reduction of the tax base which shall be determined in accordance with Section 32 of the law On Taxes and Duties, considering that for a late social tax payment a late payment charge shall be enforced at 0.1 per cent of the principal debt (as well as the fine) not paid in time for each late day.

*[4 December 1997]*

18. The amendments provided for by this Law to 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 Duties shall come into force on 1 January 1998.

*[4 December 1997]*

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.

*[4 December 1997]*

20. Social tax payers (employers) whose social tax debts have arisen up to 1 January 1998 and who have coordinated the amounts of such with the State Social Insurance Agency shall submit an application to the State Revenue Service for the division of the social tax debt payments in instalments and deferment for a period of up to one year without assessment of late charges until 1 October 1998.

*[18 June 1998]*

21. [8 March 2001]

22. For companies whose equity capital does not conform to the requirements of the law On Limited Liability Companies 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 5 000 lats, tax debts shall be extinguished based on a submission to the Enterprise Register of the Republic of Latvia and tax administration notice attached thereto regarding tax debts, indicating the principal debt, the increase in the amount of principal debt, late charges and a fine for every type of tax. The tax debts which are to be paid into State budget shall be extinguished by the Director General of the State Revenue Service, while the tax debts to be paid into local government budgets shall be extinguished by the relevant local government.

*[14 October 1998; 13 April 2000; 8 March 2001; 31 January 2008; 12 June 2009]*

23. The amendments made with this Law to Section 8, Clause 5 in the law On Taxes and Duties 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.

*[14 October 1998]*

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 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 stipulated 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 on extension of term for the late tax payment payable to the State budget, if the undertakings (companies) and institutions financed from the budget do not fulfil their obligations.

*[25 November 1999; 12 December 2002]*

25. In accordance with procedures stipulated 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 outstanding 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 outstanding tax payments to be paid into the State budget, as well as personal income tax payments, if within the term provided for in Sub-paragraph "a" of this Paragraph the taxpayer pays more than 50 per cent of the principal debt of the specific tax payment 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;

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.

*[25 November 1999; 13 April 2000 and 12 December 2002]*

26. In applying Paragraph 25 of the Transitional Provisions, first the principal debt of the mandatory State social insurance contributions (social tax) and the related increases in the amount of principal debt shall be paid.

*[25 November 1999]*

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;

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.

*[25 November 1999; 12 December 2002]*

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

*[13 April 2000]*

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

*[13 April 2000]*

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

*[14 December 2000]*

31. By 1 January 2003 the Enterprise Register shall issue the uniform eleven-digit registration number and nine-digit Enterprise Register number. On the registration certificates issued, both numbers shall be indicated. During the abovementioned time period, both of the numbers issued may be used for the identification of the relevant legal persons.

*[14 December 2000]*

32. All State authorities that use the nine-digit number to identify legal persons shall carry out the necessary transition by the deadline referred to in Paragraph 31 of Transitional Provisions in order to use the uniform eleven-digit number from 1 January 2003.

*[14 December 2000]*

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 Duties regarding the registration of taxpayers with the State Revenue Service.

*[14 December 2000]*

34. *[31 January 2008]*

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

1) the undertaking (company) has made all regular tax payments and it does not have outstanding 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 liabilities of the

undertaking (company), the amounts which are to be extinguished in accordance with this Paragraph are disregarded;

3) a decision on the conformity of such aid with the legal norms of the European Union has been taken by the European Commission;

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.

*[14 December 2000; 12 December 2002; 28 February 2003; 31 March 2004]*

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.

*[8 March 2001]*

37. The functions of the institution performing the disposal of the state property as provided for in Paragraphs ten and twelve of Section 24 and Paragraph 39 of Transitional Provisions of this Law shall be performed by the Privatisation Agency.

*[30 March 2006]*

38. [30 March 2006]

39. In cases when the tax debt to be paid into the State and local government budget has arisen for privatised undertakings (companies) 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 the 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,

b) the State or local government share does not exceed 25 per cent of the equity capital.

*[10 May 2001; 12 December 2002]*

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

*[10 May 2001]*

41. The institution performing capitalisation in the cases provided for in Paragraph 39 of 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 referred to in Section 24, Paragraphs ten and twelve of this Law.

*[10 May 2001]*

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

*[10 May 2001; 12 December 2002]*

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

*[20 December 2001]*

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

*[20 December 2001]*

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



a) the undertaking (company) has paid all current taxes in full amount from 1 January 2002;

b) the debt liabilities of the undertaking (company) do not exceed its assets. In determining the tax liabilities of the undertaking (company), the amounts which are to be extinguished in accordance with this Paragraph are disregarded;

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

*[9 October 2002]*

46. The extension of the payment term for 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 just once. The Cabinet shall determine the time limits for the making of the late tax payment and the amount thereof, extinguish the previously assessed fines and late payment charges for such tax payments, as well as provide for the reinstatement of the late payment charges and fines in respect of the part of the tax debt that is not paid within the time limits specified in the order.

*[9 October 2002; 12 December 2002]*

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) for the fulfilment of such tax payment obligations as may have granted an extension of the term;

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

*[9 October 2002; 12 December 2002]*

48. For an undertaking (company) to which the tax administration statement referred to in Paragraph 47, Sub-paragraph "c" of these Transitional Provisions on the extension of the term for the payment of late tax payments has been issued the tax administration shall suspend the assessment of late charges associated with the relevant principal debt. If the term 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.

*[9 October 2002]*

49. [9 October 2003]

50. For Section 11, Paragraph two of this Law:

a) Clause 48 shall come into force concurrently with the law On Protection of Employees in Case of Insolvency of Employer;

b) Clause 52 shall come into force concurrently with the relevant amendments to the Personal Data Protection Law;

c) Clause 53 shall come into force concurrently with the coming into force of the Electronic Documents Law.

*[9 October 2002]*

51. Based upon a decision taken by the Minister for Finance from 1 January up to 31 December 2006, 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 principal debt which has formed up to 31 December 2004, and the increase in the amount of principal 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 term specified in Sub-paragraph 1 of this Paragraph, the taxpayer has paid in more than 50 per cent of the late specific tax payment principal debt which has formed up to 31 December 2004, and the increase in the amount of principal debt associated with this;

3) extinguish the increase in the amount of principal debt associated with the principal debt if the outstanding 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 decision of the Minister for Finance;

4) apply to the personal income tax payment debt the conditions referred to in Sub-paragraphs 1, 2, and 3 of this Paragraph if the consent has been obtained from the local government into whose budget more than 50 per cent of the taxes are payable.

*[12 December 2002; 31 March 2004; 1 December 2005]*

52. For a taxpayer whom the Minister for Finance has permitted to arrange the payment of the relevant outstanding specific tax payment in accordance with the conditions in Paragraph 51 of these Transitional Provisions, the State Revenue Service shall suspend the assessment of late charges associated with the relevant tax payment principal debt from the first day of that month in which the decision of the Minister for Finance is taken.

*[12 December 2002]*

53. The assessment of late payment charges shall be reinstated according to general procedures from the day on which such assessments were suspended in relation to that part of the relevant late specific tax payment principal debt which is not paid in by the term specified in Paragraph 51, Sub-paragraph 1 of these Transitional Provisions.

*[12 December 2002]*

54. Those tax payments which are made 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 principal debt, thereafter the increase in the amount of principal debt.

*[12 December 2002]*

55. The decision of the Minister for Finance referred to in Paragraph 51 of these Transitional Provisions shall be taken if up to 15 December 2006 the following documents are submitted to the Ministry of Finance:

1) taxpayer's application in which a description of the taxpayer is provided and the cause of the debts is indicated, and the measures which have been performed to pay the tax debt;

2) tax administration's issued statement on the outstanding tax payments which the taxpayer has formed until 31 December 2004, indicating separately the payment principal debt, the amount of increase in the principal debt and the late charges on the first day of the month of submission;

3) the decision of the relevant local government council which certifies that the relevant local government agrees to apply the conditions referred to in Paragraph 51, Sub-paragraphs 1, 2, and 3 of the Transitional Provisions to the personal income tax payment debt.

*[12 December 2002; 31 March 2004; 1 December 2005]*

56. Within ten days after the end of the term specified in the decision of the Minister for Finance, the State Revenue Service shall submit to the Minister for Finance a statement indicating therein that the taxpayer has fulfilled the obligations specified in the decision.

*[12 December 2002]*

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.

*[12 December 2002]*

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 use 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.

*[28 February 2003]*

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

*[28 February 2003]*

60. Amendments to Section 28, Paragraph two of this Law in relation to the application of penalties for late payments for failure to refund overpayments within the specified term shall come into force on 1 January 2004.

*[28 February 2003]*

61. Until 1 April 2004, on the basis of a justified application from a taxpayer, Section 25, Paragraph one, Clause 4 of this Law 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 principal debt amounts, and

late charges the term for the collection of which has ended in accordance with Section 23, Paragraph one of the law On Taxes and Duties in the wording that was in force until 1 January 2000.

*[28 February 2003; 9 October 2003]*

62. Section 11, Paragraph one, Clause 10 of this Law shall come into force concurrently with the Law on Lotteries of Goods and Services.

*[19 June 2003]*

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

*[19 June 2003]*

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

*[31 March 2004]*

65. Up to the day of the new Cabinet regulations coming into force, however, not later than 1 July 2005, the 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.

*[16 December 2004]*

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 Ministry of Labour and Social Affairs of Norway, the increase in the amount of principal debt and the penalties for late payments of the State mandatory social insurance payments shall not be calculated if the State budget has received such payments within 183 days after coming into effect of the abovementioned Agreement. If the abovementioned condition is not fulfilled, the increase in the amount of principal debt and late payment charge shall be calculated beginning with the 184th day after the coming into effect of the Agreement.

*[16 December 2004]*

67. The provisions of Section 11, Paragraph two, Clauses 56 and 57 of this Law shall come into force on 1 January 2006.

*[21 April 2005]*

68. By 1 July 2005, the Cabinet shall determine:

- 1) a form of the residence certificate provided for in Section 42, Paragraph three, Clause 2 of this Law for tax purposes;
- 2) a uniform form - certificate on savings income provided for in Section 42, Paragraph seven of this Law;
- 3) a form of the certificate for non-withholding of tax provided for in Section 43, Paragraph two of this Law;
- 4) a form of the certificate issuable by the competent authority provided for in Section 45, Paragraph four of this Law.

*[21 April 2005]*

69. The payers and the economic entities referred to in of Section 45, Paragraph three of this Law shall submit the information referred to Section 42, Paragraph one and Section 45, Paragraph three of this Law to the State Revenue Service for the first time for the period from 1 July 2005 to 31 December 2005. In this case the abovementioned information shall be submitted not later than on 31 March 2006.

*[21 April 2005]*

70. Up to 31 December 2010 the percentage share provided for in Section 46, Paragraph one, Clause 4 and Paragraph three of this Law shall be 40 per cent.

*[21 April 2005]*

71. The State Revenue Service shall provide the information referred to in Section 43, Paragraph one of this Law for the first time for the period from 1 July 2005 to 31 December 2005. In this case the abovementioned information shall be submitted not later than on 30 June 2006.

*[21 April 2005]*

72. In applying the provisions of Section 42, Paragraph one of this Law up to the date on which a safe electronic signature is ensured for an electronic document, the paying agents shall notify the State Revenue Service in writing.

*[21 April 2005]*

73. Amendments in Section 15, Paragraph one, Clause 8, Section 18, Clause 13, and Section 28.<sup>1</sup> of this Law shall come into force on 1 January 2006.

*[1 December 2005]*

74. Until 31 December 2006, the taxpayers which are not engaged in carrying on activities with excise goods (alcoholic beverages, tobacco products, and oil products), medicines and timber may opt to use mandatory delivery note-invoice forms as documents supporting transactions. The mandatory delivery notes-invoices shall be drawn up and used in conformity with Cabinet Regulation No. 339 of 25 June 2003, Regulations Regarding Mandatory Delivery Notes-Invoices. For transactions involving timber taxpayers shall use timber transport delivery notes-invoices until 31 December 2006. The timber transport delivery notes-invoices shall be drawn up and used in conformity with Cabinet Regulation No. 181 of 15 March 2005, Procedures for Using and Drawing up a Timber Transport Delivery Note-Invoice.

*[1 December 2005]*

75. The Cabinet shall issue the regulations provided for in Section 28.<sup>1</sup>, Paragraph three of this Law by 31 December 2005.

*[1 December 2005]*

76. The Cabinet shall issue the regulations provided for in Section 28.<sup>1</sup>, Paragraph four of this Law by 1 July 2007, and the regulations provided for in Section 28.<sup>1</sup>, Paragraph five of this Law - 31 December 2006.

*[26 October 2006]*

77. Cabinet Regulation No. 361 of 1 July 2003, Regulations Regarding Electronic Devices and Equipment for Registering Tax and Other Payments, shall apply to the extent they set out technical requirements for the electronic devices and equipment used for the registration of tax and other payments, and to the extent they do not conflict with the regulations regarding the procedures for the use of electronic devices and equipment for the registration of tax and other payments and the obligations of users, traders, maintenance service providers and experts, up to the date on which the Cabinet regulations regarding technical requirements for the electronic devices and equipment used for the registration of tax and other payments will come into force, however, not later than until 1 July 2007.

*[26 October 2006]*

78. Section 11, Paragraph two, Clause 36 of this Law is repealed on 30 June 2006.

*[30 March 2006]*

79. Section 11, Paragraph two, Clause 36.<sup>1</sup> of this Law shall come into force on 1 July 2006.

*[30 March 2006]*

80. The provisions of Section 11, Paragraph two, Clause 59 of this Law shall come into force on 1 January 2007.

*[30 March 2006]*

81. Amendments to Section 11, Paragraph two, Clause 5 of this Law which provides for the payment of a State duty for the certification of signatures with the Enterprise Register shall come into force on 1 July 2006.

*[25 May 2006]*

82. The amendment to Section 11, Paragraph two, Clause 12 of this Law regarding the determination of a State duty for the review of documents related to requesting the status of the permanent resident of the European Community in the Republic of Latvia, and the amendment to Clause 40 regarding the determination of a State duty for the examination of the knowledge of the official language for requesting the status of the long-term resident of the European Community in the Republic of Latvia shall come into force concurrently with the law on the status of a long-term resident of the European Community in the Republic of Latvia.

*[25 May 2006]*

83. Section 11, Paragraph two, Clauses 60, 61, 62, 63, and 64 of this Law shall come into force on 1 January 2007.

*[14 September 2006]*

84. The amendment to Section 18, Clause 13 of the Law regarding the deletion of the words "mandatory delivery note-invoice and" shall come into force on 1 January 2009.

*[26 October 2006]*

85. Until 31 December 2006, the calculated principal debt increase charge applicable to the principal debt of a particular tax shall be summed up with the late payment charges.

*[26 October 2006]*

86. Until the entering into force of the new Cabinet regulations provided for in Section 30 of this Law, however, not later than until 1 July 2007, Cabinet Regulation No. 329 of 24 July 2011, Regulations for Reporting Cash Transactions, shall apply, insofar as it is not in contradiction with this Law.

*[26 October 2006]*

87. Taxpayers may voluntarily use the mandatory delivery notes-invoices acquired from the State Revenue Service until 31 December 2006 for the drawing up of the documents supporting transactions until 1 January 2008. The mandatory delivery notes-invoices shall be drawn up and used in conformity with Cabinet Regulation No. 339 of 25 June 2003, Regulations Regarding Mandatory Delivery Notes-Invoices.

*[26 October 2006]*

88. If against an enterprise (company), branch, unit or a representative office in respect of which an application for registration with the Commercial Register had not been filed by the term provided for in the provisions of Chapter II of the Law On Procedures for the Coming into Force of The Commercial Law and in respect of the liquidation of which a decision has not been taken, only tax administration has filed claims to the commercial register - the Enterprise Register of the Republic of Latvia and the total amount of these claims does not exceed 5 000 lats, the tax debts shall be extinguished on the basis of the application to the commercial registry office - Enterprise Register of the Republic of Latvia - and a certificate of the tax administration accompanying it regarding tax debts by specifying the principal debt, the principal debt increase charge, the late payment charge and a fine. The tax debts payable to the State budget in whole or in part shall be extinguished by the Director General, the deputy thereof or the head of the structural unit of tax administration of the State Revenue Service, whilst the tax debts payable into the local government budget shall be extinguished by the relevant local governments.

*[19 December 2006; 31 January 2008; 12 June 2009]*

89. The term restrictions applicable to tax reviews (audits) as provided for in Section 23, Paragraph three of this Law shall not apply in cases when the tax review (audit) has been commenced on request of the person directing the criminal proceedings or when the tax administration has received a request from the person directing the criminal proceedings regarding the performance of a tax review (audit) by 1 January 2007.

*[19 December 2006]*

90. The amendment in Section 29, Paragraph two of this Law shall not apply to the fines which fall due for payment on or before 31 December 2006.

*[19 December 2006]*

91. If the decision on the findings of the tax review (audit) has been taken until 31 December 2006, the officers of the tax administration have the right, in assessing the substance and nature of the infringement committed by the taxpayer, to determine how many times the infringement has been committed, what are the losses caused, the good faith of the taxpayer; in cases when the taxpayer has challenged the decision of the tax administration - to reduce the fine imposed as a result of the control procedure [tax review (audit) and review] by up to 70 per cent.

*[1 March 2007]*

92. The following officers of the tax administration have the right to reduce the fines imposed in accordance with Paragraph 91:

1) the head of the supreme institution of the tax administration;

2) the heads of territorial tax administration offices if the amount by which the fine is reduced does not exceed 1000 lats, notifying the head of the supreme institution of the tax administration of the decision taken within five days from the date on which the decision is taken.

*[1 March 2007; 12 June 2009]*

93. The head of the supreme authority of the tax administration has the right to cancel ungrounded decisions to reduce the fine taken by the heads of the structural units of the tax administration in accordance with Paragraph 91 within 30 days of the receipt of the notification of the head of the structural unit of the tax administration or the date of

the receipt of the taxpayer's complaint.

*[1 March 2007; 12 June 2009]*

94. The provisions of Section 11, Paragraph two, Clause 85 of this Law shall come into force on 1 January 2008.

*[17 May 2007]*

95. The amendment to Section 1, Clause 22 of this Law shall not apply to the fines the payment term of which was due on or before 31 December 2006.

*[8 November 2007]*

96. The amendment to Section 3, Paragraph two of this Law regarding the right of the local governments to levy a surcharge of the immovable property tax shall come into force on 1 January 2011.

*[8 November 2007]*

97. In applying Section 15, Paragraph one, Clause 3 of this Law until 1 January 2011, a tax and an informative declaration submitted in electronic form shall be considered to have been submitted in the due term if the State Revenue Service has received it within five days past the due term provided for in the laws and regulations.

*[31 January 2008; 12 June 2009]*

98. The amendment to Section 15, Paragraph one, Clause 3 of this Law regarding the obligation to submit tax and informative declarations in electronic form for the budget authorities and companies in which shares are owned by the State or a local government or the State and a local government shall come into force on 1 January 2009, but regarding the other taxpayers, except for such natural persons which are not performing economic activity - on 1 January 2011.

*[31 November 2008; 1 December 2009]*

99. The taxpayers the registered office or registered residential address whereof is located in an administrative territory which does not have an internet access has the right to submit tax and informative declarations in paper form until 1 January 2012.

*[31 November 2008; 1 December 2009]*

99.<sup>1</sup> The duty to submit tax and informative declarations electronically provided for in Section 15, Paragraph one, Clause 3 of this Law shall apply to the taxpayers - natural persons starting from 1 January 2014. Until 31 December 2013 the taxpayers - natural persons - shall have the discretionary right to submit tax and informative declarations either electronically or in paper form.

*[14 April 2011]*

100. Section 22, Paragraph 2.<sup>1</sup> of this Law shall come into force concurrently with the relevant amendments in Section 15 of the Personal Data Protection Law which provides for imposing prohibition on the disclosure of information for ensuring the financial interests of the government in the tax field.

*[31 January 2008]*

101. The provisions laid down in Sections 24 and 25 of this Law applicable to the immovable property tax shall also apply to the land tax.

*[8 May 2008]*

102. *[11 December 2008]*

103. The amendments providing for the deletion of the words "individual undertaking (including a farm or a fishery undertaking)" (in the relevant case and number), "an individual undertaking, a farm or fishery undertaking" (in the relevant case and number) and "individual enterprises (including farm and fishery undertakings)" (in the relevant case) as well as amendments to Section 25, Paragraph one of this Law regarding the deletion of Clause 2 shall come into force on 1 July 2011.

*[11 December 2008]*

104. The amendments to Section 1, Clauses 3 and 8, Section 2, Paragraphs three and four, Section 3, Paragraph one, Clause 3, Section 10, Paragraphs one and three, the introductory part of Section 12, Paragraph one and Clause 1 and the deletion of Paragraph two, the amendment to Section 12, Paragraphs three and four and the deletion of Paragraph five, amendments to Section 23, Paragraph two, Section 25, Paragraph five, Clause 2, and Section 37.<sup>1</sup>, Paragraph two shall come into force on 1 July 2009.

*[11 December 2008]*

105. The decisions on tax matters taken by the local government council up to 1 July 2009, except for the decisions relating to the recovery of the late tax payments and decisions on covering of the costs incidental to the recovery on an uncontested basis on account of the taxpayer after 1 July 2009 may be appealed to the chairman of the local government council within 30 days of the receipt of the decision.

*[11 December 2008]*

106. With respect to late tax payments the due term whereof is in 2008, the term for the application provided for in Section 24, Paragraph one, Clause 5 of this Law shall be determined counting from 1 January 2009.

*[11 December 2008]*

107. The amendment to Section 41, Paragraph one regarding the supplementation of this Paragraph with words "and a half of the late payment charge which has been calculated for the period during which the tax payment is outstanding from the due payment term of the particular tax until the day of the commencement of the tax review (audit)" shall apply to the taxpayers that have applied for the conclusion of a prospective settlement agreement after 1 January 2009.

*[11 December 2008]*

108. Section 11, Paragraph one, Clause 11 of this Law shall come into force concurrently with the Law on the Road User Charge.

*[11 December 2008]*

109. Section 11, Paragraph two, Clause 91 of this Law shall come into force on 1 July 2009.

*[11 December 2008]*

110. Amendment to Section 11, Paragraph two, Clause 78 of this Law in relation to deletion thereof shall come into force on 1 July 2009. The amendment to Section 11, Paragraph two, Clause 68 regarding its rewording, and Section 11, Paragraph two, Clauses 92 and 93 of this Law shall come into force on 1 December 2009. Section 11, Paragraph two, Clause 64.<sup>1</sup> of this Law shall come into force on 1 April 2010.

*[30 April 2009]*

111. [1 December 2009]

112. The amendments to Section 30, Paragraphs 1.<sup>1</sup>, 1.<sup>2</sup>, 1.<sup>3</sup> of this Law, amendments to Paragraphs four and six shall come into force on 1 July 2009.

*[21 May 2009]*

113. Amendments to Section 29 of this Law regarding the suspension and resumption of the calculation of the late payment charge to commercial companies within the legal protection proceedings shall come into force concurrently with the relevant amendments in the Insolvency Law.

*[11 June 2009]*

114. Section 11, Paragraph two, Clause 94 of this Law shall come into force on 1 July 2009.

*[11 June 2009]*

115. The amendment to Section 37 of this Law providing for the procedures for one-tier challenging of the decisions of the officers of the State Revenue Service shall be applicable once the territorial authorities of the State Revenue Service have completed the transfer of the tasks and documents entrusted to them to the structural units designated by the Director General of the State Revenue Service, however not later than on 1 November 2009.

*[12 June 2009]*

116. The provisions of Section 11, Paragraph two, Clause 97 of this Law shall come into force on 1 January 2011.

*[20 December 2010]*

117. The amendments to Section 18, Paragraph one of this Law regarding the deletion of Clause 13 shall come into force on 1 January 2013.

*[1 December 2009]*

118. Taxpayers shall be required to inventory their delivery note numbers outstanding on 31 December 2009 and submit a statement, not later than by 15 January 2010, on the use of delivery note numbers to the State Revenue Service, in conformity with Cabinet Regulation No. 1038 of 27 December 2005, Regulations Regarding Delivery Notes with the Numbers Assigned by the State Revenue Service. Unused delivery note numbers shall be cancelled.

*[1 December 2009]*

119. Section 18, Paragraph one, Clause 19 of this Law shall come into force concurrently with the relevant amendments in the Non-Profit Organisations Law.

*[1 December 2009]*

120. Section 11, Paragraph two, Clauses 99, 100, 103, 104, and 105 of this Law shall come into force concurrently with relevant amendments in the Law on the Supervision of the Handling of Food.

*[17 December 2009; 20 May 2010]*

121. The amendment to Section 11, Paragraph two, Clause 35 of this Law regarding the deletion of the words "and distributors, places of film distribution and films" shall come into force on 1 July 2010.

*[20 May 2010]*

122. Section 18, Paragraph one, Clause 20 of this Law shall come into force on 1 August 2010.

*[20 May 2010]*

123. Section 11, Paragraph two, Clause 108 of this Law shall come into force on 1 January 2011, and Clause 109 thereof shall come into force 1 August 2010.

*[17 June 2010]*

124. Section 11, Paragraph two, Clause 110 of this Law shall come into force concurrently with the Law on the Circulation of Pyrotechnic Articles.

*[9 August 2010]*

125. Section 8, Clause 12 and Section 20, Clause 12 of this Law shall come into force on 1 September 2010.

*[9 August 2010]*

126. Section 11, Paragraph two, Clause 111 of this Law shall come into force concurrently with the relevant changes in the Consumer Right Protection Law.

*[9 September 2010]*

127. Section 30, Paragraphs 1.<sup>4</sup> and 1.<sup>5</sup> of this Law shall come into force on 1 July 2011.

*[21 October 2010]*

128. The amendment to Section 11, Paragraph two, Clause 16 of this Law regarding the State duty for the extension of the breeder's rights shall come into force on 1 December 2011, the amendment to Section 11, Paragraph two, Clause 73 regarding the State duty for the permit to use animals in trials and the amendment to Section 11, Paragraph two, Clause 76 regarding the State duty for the registration of the wild animal species holding place shall come into force on 1 January 2011.

*[28 October 2010]*

129. Section 11, Paragraph one, Clause 12 of this Law shall come into force concurrently with the Financial Stability Fee Law.

*[20 December 2010]*

130. Section 11, Paragraph two, Clause 117 of this Law shall come into effect concurrently with the relevant amendments in the Water Management Law.

*[20 December 2010]*

131. Section 11, Paragraph two, Clause 118 of this Law shall come into effect concurrently with the relevant amendments in the law On Pollution.

*[20 December 2010]*



132. The amendment to Section 11, Paragraph two, Clause 70 of this Law shall come into force on 1 July 2011.

*[14 April 2011]*

133. The taxpayers in respect of which up to the date on which the amendments in Section 28, Paragraph three of this Law come into force, the tax administration in accordance with Section 28, Paragraph three of this Law in connection with the initiated criminal proceedings has taken the decision not to refund the overpaid taxes and not to set them off against the outstanding or current taxes, has the right, within three years after the term on which the tax payment is due in accordance with the specific tax law (excluding the time from the refusal of the tax administration to refund overpaid taxes up to the date on which the amendments come into force) to submit to the tax administration a reasoned application regarding the refunding of the overpaid taxes or steering thereof for the covering the outstanding and current payments. The tax administration shall refund, on the basis of a received reasoned request, the amount of the overpaid tax into the bank account specified by the taxpayer or steer it for the cover the outstanding or current tax liabilities within 15 days of the completion of the audit by the tax administration. The tax administration shall refund the overpaid taxes to the taxpayer who has been subject to a tax review (audit) by the tax administration in respect of the amount of overpaid taxes up to the date on which the amendments to Section 28, Paragraph three of this Law have come into force, within 15 days on the receipt of a reasoned application or shall steer the overpayment for the covering of outstanding or current tax liabilities.

*[14 April 2011]*

134. The taxpayers which up to the date on which the amendments to Section 28, Paragraph three of this Law come into force have not applied to the tax administration for the refund of the overpaid taxes because of the initiated criminal proceedings have the right, within three years after the due term on which the tax payment is due in accordance with the specific tax law (excluding the time form the initiation of the criminal proceedings up to the date on which the amendments came into force) to submit a reasoned application to the tax administration or steering thereof for the covering of outstanding or current tax liabilities. The tax administration shall refund, on the basis of a received reasoned request, the amount of the overpaid tax into the bank account specified by the taxpayer or steer it for the cover the outstanding or current tax liabilities within 15 days of the completion of the audit by the tax administration. The tax administration shall refund the overpaid taxes to the taxpayer who has been subject to a tax review (audit) by the tax administration in respect of the amount of overpaid taxes up to the date on which the amendments to Section 28, Paragraph three of this Law have come into force, within 15 days on the receipt of a reasoned application or shall steer the overpayment for the covering of outstanding or current tax liabilities.

*[14 April 2011]*

135. The tax administration audits referred to in Paragraphs 133 and 134 of these Transitional Provisions shall not be subject to the restriction laid down in Section 23, Paragraph one of this Law in respect of the term during which according to the findings of the tax review (audit) it is possible to adjust tax and informative declarations and subject to the liability laid down in the laws as well as the restriction laid down in Section 23, Paragraph 5.<sup>1</sup> for the term during which data conformity review should be performed.

*[14 April 2011]*

136. If less than 15 calendar days remain until the due term for submitting the application provided for in Paragraphs 133 and 134 of these Transitional Provisions, the taxpayer may submit this application within one month from the date on which the amendments in Section 28, Paragraph three of this Law come into force.

*[14 April 2011]*

137. Section 11, Paragraph two, Clause 120 of this Law concurrently with relevant amendments to the Immigration Law.

*[5 May 2011]*

138. Amendments to Section 24 of this Law with respect to the rewording of Paragraph one, Clause 1, deletion of Clause 2, supplementing Clause 3 with words "and six months", deletion of Clause 5 and supplementing Paragraph one with Clause 6, as well as amendments to the introductory part of Paragraph 1.<sup>1</sup> of the abovementioned Section, amendments with respect to the rewording of Paragraph 1.<sup>1</sup>, Clause 2, amendments with respect to the rewording of the introductory part of Paragraph 1.<sup>3</sup>, amendments in Paragraph 1.<sup>3</sup>, Clause 1, and amendments to Paragraphs 1.<sup>4</sup>, seven, and nine as well as Paragraph 9.<sup>1</sup> shall come into force on 1 July 2012.

*[13 October 2011]*

139. The amendments to Section 33.<sup>3</sup> regarding the deletion thereof and in Section 41 regarding the rewording of the Section shall apply with respect to the decisions on the findings of the audit which are taken after these amendments come into force.

*[13 October 2011]*

140. Section 7.<sup>1</sup> of this Law shall come into force on 1 July 2012.

*[22 March 2012]*

141. The Cabinet shall issue the laws and regulations provided for in Section 7.<sup>1</sup>, Paragraphs four, five and six of this Law by 30 June 2012.

*[22 March 2012]*

142. Section 1, Clause 29 of this Law, the amendment to Section 15, Paragraph three, Clause 5, and Section 15, Paragraph three, Clause 5.<sup>1</sup>, Sections 15.<sup>2</sup> and 16.<sup>1</sup>, the amendment with respect to the supplementing of Section 18, Paragraph one, Clause 10 of this Law, Section 23, Paragraph 1.<sup>1</sup>, the amendment with respect to the supplementing of the first sentence of the introductory part of Section 23, Paragraph 3.<sup>1</sup>, Section 23, Paragraph 3.<sup>1</sup>, Clause 4, the amendment to Section 30, Paragraphs one, two, and four, and Section 30, Paragraph seven shall come into force on 1 January 2013.

*[21 June 2012]*

143. The Cabinet shall issue the laws and regulations provided for in Section 16.<sup>1</sup>, Paragraph three, as well as Section 30, Paragraph seven of this Law by 30 December 2012.

*[21 June 2012]*

144. The duty of reporting cash transactions provided for in Section 15, Paragraph three, Clause 5.<sup>1</sup> and Section 30, Paragraph seven of this Law shall come into force from 2014 by reporting, each year, the cash transactions carried out in the previous year.

*[21 June 2012]*

145. The amendment to Section 11, Paragraph two, Clause 73 of this Law regarding the State duty for the issuance of the trial project for the use of animals in procedures shall come into force on 1 January 2013.

*[27 September 2012]*

146. The late tax payments of the taxpayers, the insolvency proceedings, legal protection proceedings or out-of-court legal protection proceedings whereof have been started by 31 October 2010, shall be cancelled or enforced on an uncontested basis by applying the Sections 25., 25.<sup>2</sup>, and 26 of the law On Taxes and Duties in accordance with the wording which was in force up to 31 October 2010.

*[13 December 2012]*

147. The amendments to Section 15.<sup>1</sup>, Paragraph one of shall come into force concurrently with the relevant amendments to the Commercial Law.

*[13 December 2012]*

148. The amendments to Section 18, Paragraph one, Clause 8; Paragraph one, Clause 22 and this Section, Paragraphs five and six of this Law shall come into force on 1 April 2013.

*[13 December 2012]*

149. Section 7.<sup>2</sup> of this Law shall come into force on 1 May 2013.

*[13 December 2012]*

150. The amendment to Section 7, Paragraph four of this Law regarding its rewording shall come into force on 1 July 2013.

*[14 March 2013]*

151. Until 30 June 2013, the Cabinet shall issue the regulations provided for in Section 7, Paragraph four of this Law.

*[14 March 2013]*

152. Amendments to Section 11, Paragraph two, Clause 51 of this Law shall come into force on 1 January 2014.

*[12 September 2013]*

153. The guarantee referred to in Section 26.<sup>2</sup>, Paragraph one of this Law for taxpayers to whom a special permit (licence) for the operation of an approved tax warehousekeeper, for the operation of a registered consignee with petroleum products or for the operation of a registered consignor with petroleum products has already been issued at the time of coming into force of this Section, shall be submitted within 90 calendar days after coming into force of this Section.

*[6 November 2013]*

154. If the guarantee referred to in Section 26.<sup>2</sup>, Paragraph one of this Law is not submitted within the time period referred to in Clause 153 of Transitional Provisions of this Law, economic activity of the taxpayer shall be suspended in accordance with Section 34.<sup>1</sup> of this Law.

*[6 November 2013]*

155. Until 31 December 2013 the Cabinet shall issue the laws and regulations provided for in Section 26.<sup>2</sup>, Paragraph four of this Law.

*[6 November 2013]*

156. Section 1, Clause 31, Sub-clauses "d" and "e" of this Law shall come into force on 1 July 2014.

*[6 November 2013]*

157. Amendment to Section 11, Paragraph two, Clause 56 of this Law regarding its deletion shall come into force concurrently with the respective amendments to the Electronic Communications Law.

*[19 December 2013]*

158. Until 1 May 2014, the Cabinet shall issue the regulations provided for in Section 15, Paragraph one, Clause 3 of this Law.

*[27 February 2014]*

159. Amendments to Section 15, Paragraph one, Clause 3 of this Law providing for submitting tax declarations and informative declarations in the form of an electronic document shall come into force on 1 June 2014.

*[27 February 2014]*

160. Section 11, Paragraph two, Clauses 127 and 128 of this Law shall come into force on 1 January 2015.

*[5 June 2014]*

161. In relation to the late tax payments, the payment term of which has set in after 8 August 2014 until the day of coming into force of Section 24, Paragraph one, Clause 9 of this Law, the time period for submitting the application provided for in the abovementioned legal norm shall be determined counting from the day of coming into force of the relevant legal norm.

*[18 September 2014]*

162. Section 24, Paragraph one, Clause 9 and Paragraph 1.<sup>5</sup> of this Law is repealed from 9 August 2016.

*[18 September 2014; 11 June 2015]*

163. In applying the amendments provided for in Section 24 of this Law in relation to supplementation of its Paragraph one with Clause 9 and supplementation of Section with Paragraph 1.<sup>5</sup>, the late payment is not calculated also for the time period before coming into force of these amendments.

*[18 September 2014]*

164. For the application of Section 24, Paragraph 9.<sup>1</sup> of this Law in the time period from 1 October 2014 until 9 August 2015 the restriction of the number of term extensions laid down therein in a calendar year shall be not more than six times.

*[18 September 2014]*

165. Amendments to Section 11, Paragraph two of this Law regarding the rewording of Section 29, as well as regarding the deletion of Clauses 70, 96, and 100 of this Law shall come into force on 1 January 2015.

*[25 September 2014]*

166. Section 11, Paragraph two, Clauses 129 and 130 of this Law shall come into force on 1 January 2015.

*[16 October 2014]*

167. The duty of submission of an informative declaration laid down in Section 15, Paragraph three, Clause 5.<sup>2</sup> of this Law must be fulfilled from 1 January 2016, submitting the relevant informative declarations each year.

*[17 December 2014]*

168. Until 1 June 2015 the Cabinet shall issue the regulations provided for in Section 15, Paragraph three, Clause 5.<sup>2</sup> of this Law.

*[17 December 2014]*

169. Amendments to Section 18, Paragraph one of this Law in relation to a uniform publicly accessible database (register) of receipts registered with the State Revenue Service shall come into force on 1 October 2015.

*[17 December 2014]*

170. Chapter XI of this Law shall be applicable to the late tax payments of a legal person which have been incurred after 1 January 2015.

*[17 December 2014]*

171. Until 31 March 2015, the Cabinet shall issue the regulations provided for in Section 15, Paragraph four of this Law.

*[29 January 2015]*

172. Amendments to Section 2 of this Law in relation to the additional duties of the State Revenue Service and a credit bureau in processing of personal data, Section 18, Paragraph one, Clause 24 and its Paragraphs seven and eight, Section 22, Paragraph two, Clause 7, and Section 22.<sup>1</sup> shall come into force on 1 March 2016.

*[17 September 2015]*

173. The Cabinet shall issue the regulations provided for in Section 18, Paragraphs seven and eight of this Law until 1 January 2016.

*[17 September 2015]*

174. Amendments to Section 11, Paragraph two of this Law regarding the rewording of Clause 39, as well as regarding the deletion of Clause 90 shall come into force on 1 January 2016.

*[26 November 2015]*

175. Amendments to Section 11, Paragraph one of this Law in relation to supplementation thereof with Clause 133, shall come into force concurrently with the relevant amendments to the law On Environmental Impact Assessment.

*[26 November 2015]*

176. Until 30 January 2016 the Cabinet shall issue the regulations provided for in Section 22.<sup>2</sup>, Paragraphs one and six of this Law.

*[30 November 2015]*

177. Section 22.<sup>2</sup> of this Law which determines the duty of a credit institution and a payment service provider to provide information to the State Revenue Service regarding suspicious transactions shall come into force on 1 April 2016.

*[30 November 2015]*

178. The Cabinet shall, until 1 September 2016, prepare and submit amendments to this Law to the Saeima, providing for the application of an obligation for the State Revenue Service to provide information regarding suspicious transactions also to other subjects of the Law on the Prevention of Money Laundering and Terrorism Financing.

*[30 November 2015]*

179. Section 18, Paragraph one, Clause 25, Section 26.<sup>1</sup>, Paragraph 3.<sup>1</sup>, and Section 28,<sup>1</sup>, Paragraphs 4.<sup>1</sup> and six of this Law shall come into force on 1 July 2016.

*[30 November 2015]*

180. Section 11, Paragraph two, Clause 135 of this Law shall come into force on 1 March 2016.

*[17 December 2015]*

181. Payment settlement with regard to the cash transactions referred to in Section 30, Paragraph eight of this Law which have been concluded prior to 1 January 2017 and full or partial execution whereof is provided for after 1 January 2017 shall be subject to the change to the settlement of a non-cash payment by 1 January 2018.

*[23 November 2016]*

182. Section 16, Clause 13, Section 18.<sup>2</sup>, Section 24, Paragraph one, Clause 11, amendments to Section 24, Paragraphs 1.<sup>1</sup>, seven, and 9.<sup>1</sup>, Section 26, Paragraph three, Section 26, Paragraph three, Clause 1.<sup>1</sup>, amendments to Section 26, Paragraph eleven, Section 26.<sup>1</sup>, Paragraph 1.<sup>1</sup>, Section 29, Paragraphs four and seven, Section 34, Paragraph five with regard to deletion of Clause 2, Section 34, Paragraph six, amendment with regard to the new wording of Section 34.<sup>1</sup>, Paragraph six, Clause 5, amendments to Section 61, Paragraph three, and Chapter XIII shall come into force on 1 July 2017.

*[23 November 2016; 8 June 2017]*

182.<sup>1</sup> Amendments to Section 18, Paragraph one of this Law with regard to deletion of Clauses 17 and 18 shall come into force on 1 September 2017.

*[8 June 2017]*

183. The Cabinet shall issue the regulations referred to in Section 18.<sup>2</sup>, Paragraph nine of this Law by 1 March 2017.

*[23 November 2016]*

184. The tax administration may issue an order whereby the notified amount of monetary funds or enforceable measures in the encashment order or the order regarding suspension of the taxpayer's payment transactions in whole or in part which has been issued by 30 June 2017, are adjusted. The respective order shall be prepared and notified, taking into account the provisions laid down in Section 18.<sup>2</sup> of this Law and the restrictions on recovery specified in the legal norms in force on the day of preparing the order.

*[23 November 2016]*

185. Paragraph six, Clause 2 and the second sentence of Paragraph nine of Section 18.<sup>2</sup> of this Law is repealed from 1 July 2019.

*[23 November 2016]*

186. The type of data exchange specified in Section 18.<sup>2</sup>, Paragraph six, Clauses 1 and 2 of this Law shall be ensured by the State Revenue Service for data exchange with credit institutions and payment service providers starting from 1 July 2017. The type of data exchange specified in Section 18.<sup>2</sup>, Paragraph six, Clause 1 of this Law shall be applied by the State Revenue Service for data exchange with credit institutions and payment service providers which in accordance with the procedures stipulated by the Cabinet have previously informed the State Revenue Service regarding the use of the type of data exchange specified in Section 18.<sup>2</sup>, Paragraph six, Clause 1 of this Law. The type of data exchange specified in Section 18.<sup>2</sup>, Paragraph six, Clause 2 of this Law, in accordance with the procedures stipulated by the Cabinet, shall be applied by the State Revenue Service until 30 June 2019 for data exchange with credit institutions and payment service providers that have previously not informed the State Revenue Service regarding the use of the type of data exchange specified in Section 18.<sup>2</sup>, Paragraph six, Clause 1 of this Law.

*[23 November 2016]*

187. A late payment charge shall be calculated for the amount of the principal tax debt included in the decision on voluntary execution of late tax payments which has been taken by 30 June 2017 in the amount specified in Section 29, Paragraph two of the Law for each day throughout the period of default by 30 June 2017, and half of the late payment charge specified in Section 29, Paragraph two of this Law for each day throughout the period of default which started on 1 July 2017.

*[23 November 2016]*

188. If on 1 July 2017 the amount of the late payment charge has reached or exceeded two fifths of the amount of

late payment (principal debt), calculation of the late payment charge shall be stopped.

*[23 November 2016]*

189. Amendment to Section 11, Paragraph two of this Law regarding deletion of Clause 80 shall come into force concurrently with the relevant amendments to the Law on Social Services and Social Assistance.

*[22 December 2016]*

190. Section 11, Paragraph two, Clause 140 of this Law shall come into force concurrently with the Law on Psychologists.

*[30 March 2017]*

191. Section 16, Paragraph one, Clause 14 and Paragraph two of this Law shall come into force on 1 January 2018.

*[8 June 2017]*

192. The electronic working time recording at a construction site specified in Chapter XIV of this Law shall be introduced from 1 October 2017.

*[22 June 2017]*

193. The requirements laid down in this Law regarding introduction of the electronic working time recording system at a construction site and the deadline for its introduction shall be applied in respect of the construction of new group three buildings and construction work with the total costs of one million euro or more, if the deadline for completion of construction work specified in the construction permit is 1 July 2018 or later.

*[22 June 2017]*

194. *[30 May 2019]*

194.<sup>1</sup> The Cabinet shall issue the regulations referred to in Section 112, Paragraph four of this Law by 1 October 2019.

*[30 May 2019]*

195. The Cabinet shall, by 1 November 2017, draft and submit to the Saeima amendments to this Law which provide for determination of the holder of the single electronic working time recording database and its duties.

*[22 June 2017]*

196. Section 114, Paragraphs three, four, and five, Section 116, Clauses 7, 8, and 9, and Section 117, Clause 4 of this Law shall be applicable from 1 February 2020.

*[22 June 2017; 10 January 2019; 30 May 2019]*

197. Section 115, Paragraph three of this Law shall be applicable from 1 October 2019.

*[22 June 2017; 30 May 2019]*

198. Until the day on which application of Section 115, Paragraph two of the Law is commenced in accordance with Paragraph 197 of the Transitional Provisions, data recorded in the electronic working time recording system regarding working hours spent by the person employed at a construction site within a calendar month may differ from the actually recorded working hours used for the calculation of the remuneration for work at the construction site in the following amount:

- 1) by 30 September 2018 - by 25 per cent;
- 2) from 1 October 2018 by 31 December 2018 - by 15 per cent.

*[22 June 2017; 30 May 2019]*

199. Until 1 September 2018, a credit institution and payment service provider shall submit to the State Revenue Service information regarding clients - natural persons who are residents of the Republic of Latvia - the total balance of whose sight-deposit accounts and payment accounts at the beginning of the day on 1 January 2018 is equal to EUR 15 000 or more, indicating the given name, surname, personal identity number and total balance of sight-deposit accounts and payment accounts of the client.

*[8 February 2018]*

199.<sup>1</sup> The Cabinet shall evaluate the progress and results of the practical implementation of Section 22.<sup>3</sup> of this

Law, in particular whether upon providing information regarding the turnover of the account of a natural person to the State Revenue Service any disproportionate interference in the right of a data subject to privacy is excluded, and shall submit to the Saeima a report thereon every year by 31 October throughout the period from 2020 until 2022.

*[8 February 2018]*

200. The Cabinet shall issue the regulations provided for in Section 22.<sup>3</sup>, Paragraph two of this Law by 1 May 2018.

*[28 July 2017]*

201. Amendments to Section 1, Clause 3, Clause 5 of this Law regarding the deletion of the word "duty" from Clause 5 of the Section and the supplementation of the Section with Clauses 5.<sup>1</sup> and 5.<sup>2</sup>, amendments to Sections 2 and 3, the amendment to Section 10 regarding the new wording of Paragraph one, the amendment regarding the deletion of Section 11, the amendment to Section 13, the amendment to Section 16, Paragraph two, Clause 3, the amendment regarding the new wording of the title of Chapter V, amendments to Section 18 regarding the new wording of the Section, deletion of the word "duty" from Paragraph one, Clause 5 of the Section and supplementation of the Section with Paragraph 1.<sup>1</sup>, and amendments to Section 23.<sup>1</sup>, the amendment regarding the deletion of Section 26.<sup>2</sup> and Section 101.<sup>1</sup> of the Law shall come into force on 1 January 2018.

*[16 November 2017]*

202. The obligation specified in Section 18, Paragraph 1.<sup>1</sup> of this Law regarding the accounting of State fees shall be started on 1 July 2018. The Cabinet shall issue the regulations provided for in Section 18, Paragraph 1.<sup>1</sup> of this Law not later than until 31 March 2018.

*[16 November 2017]*

203. Amendments to Section 7.<sup>2</sup>, Paragraph one of this Law aimed at ensuring access to the Electronic Declaration System of the State Revenue Service from the official electronic address account shall come into force on 1 March 2018.

*[16 November 2017]*

204. Section 15.<sup>1</sup>, Paragraph 1.<sup>1</sup> of this Law shall come into force on 1 March 2018.

*[16 November 2017]*

205. Amendments to Section 15.<sup>1</sup>, Paragraphs eight and nine of this Law regarding the function of the Enterprise Register to ensure access to information from the list of public persons and institutions shall come into force on 1 June 2018.

*[16 November 2017]*

206. Until 1 June 2018, the State Revenue Service shall register public persons and institutions as taxpayers in accordance with the procedures laid down until 1 March 2018.

*[16 November 2017]*

207. Section 1, Clause 34 of this Law, amendments to Section 23.<sup>1</sup>, Paragraphs one and two, as well as Paragraph three regarding the deletion thereof, Section 23.<sup>1</sup>, Paragraphs five, six, seven, eight, nine, ten and eleven, amendments to Section 24, Paragraph six and Section 28 Paragraph four regarding the introduction of the single tax account shall come into force on 1 January 2021.

*[23 November 2017 / The abovementioned amendments shall be included in the wording of the Law on 1 January 2021.]*

208. The transfer of payments referred to in Section 23.<sup>1</sup>, Paragraph one, Clause 5 of this Law into the single tax account shall be commenced from 1 January 2023. During the period from 1 January 2021 to 31 December 2022, customs payments referred to in Section 1, Clause 4 of the Customs Law shall be payable into the budget account specified by tax administration, and they shall be recognised as received in the State budget in accordance with the laws and regulations which determine the procedures for making payments into the State budget, and they shall be recognised as received, and shall be payable in accordance with the requirements for the use of online payment services in accounting with the State budget.

*[23 November 2017]*

209. The Cabinet shall issue the regulations provided for in Section 23.<sup>1</sup>, Paragraphs nine, ten and eleven of this

Law until 1 May 2018.

*[23 November 2017]*

210. Amendment to Section 7.<sup>1</sup> of this Law in relation to its rewording shall come into force on 1 January 2019.

*[27 September 2018]*

211. The Cabinet shall issue the regulations referred to in Section 7.<sup>1</sup>, Paragraph four of this Law (in the wording which comes into force on 1 January 2019) by 1 November 2018.

*[27 September 2018]*

212. In order to ensure operation of the In-depth Cooperation Programme in compliance with Section 7.<sup>1</sup> of this Law starting from 1 January 2019 (in the wording which comes into force on 1 January 2019), the State Revenue Service shall take the measures necessary for the inclusion of participants in the relevant programme up to 31 December 2018.

*[27 September 2018]*

213. In respect of a participant of the In-depth Cooperation Programme included in the In-depth Cooperation Programme in accordance with the criteria laid down in the Cabinet Regulation No. 459 of 26 June 2012, Regulations Regarding Operation of In-depth Cooperation Programme, the relevant advantages and relief shall be applicable up to 31 December 2018.

*[27 September 2018]*

214. Amendments to Sections 1 and 15.<sup>2</sup> of this Law by which requirements for the transfer price documentation are reworded providing for liability for violation of the requirements for the transfer price documentation, as well as the terms used in the Law are adjusted to the new requirements for the transfer price documentation shall be applicable to the transactions conducted starting from the reporting period which starts in 2018. The taxpayer is entitled to apply the abovementioned amendments also to the transactions conducted in earlier reporting periods. If the taxpayer fails to exercise the right to apply the abovementioned amendments also to the transactions conducted in earlier reporting periods, the wording of Section 15.<sup>2</sup> of this Law which was in force at the moment of conducting of the relevant transactions shall be applicable to the transactions conducted during these periods.

*[25 October 2018]*

215. Section 16.<sup>1</sup>, Paragraph 1.<sup>1</sup> of this Law shall come into force on 1 January 2019.

*[25 October 2018]*

216. The Cabinet shall issue the regulations provided for in Section 15.<sup>2</sup>, Paragraphs ten and twelve of this Law by 1 December 2018.

*[25 October 2018]*

217. Amendment to Section 1, Paragraph 24 of this Law by which the definition of a unit is extended shall come into force on 1 January 2019.

*[1 November 2018]*

218. Amendments to Section 16, Paragraph one, Clause 14 and Paragraph two of this Law shall come into force on 1 February 2019.

*[1 November 2018]*

219. For transactions related to alienation of immovable properties which have been concluded prior to 1 May 2019 and the operation of which continues after this date, and full or partial enforcement of which is provided for in the form of cash settlements, the conditions referred to in Section 30, Paragraph 1.<sup>6</sup> of this Law shall be applicable from 1 January 2020.

*[3 April 2019]*

220. A credit institution shall, until the day of coming into force of amendments to Section 18.<sup>2</sup>, Paragraph two, Clause 1 and Paragraph three, Clause 1, Section 34, Paragraph six and Section 34.<sup>1</sup>, Paragraph six, Clause 5 of this Law in relation to the deletion of the order of the tax administration regarding partial suspension of the taxpayer's payment transactions, continue enforcement of the order notified by the tax administration regarding partial suspension of the taxpayer's payment transactions as an order regarding suspension of the taxpayer's payment transactions, in



conformity with the condition included in the order in relation to the amount to be preserved to the natural person.

*[30 May 2019]*

221. Amendment to Section 18.<sup>2</sup>, Paragraph ten of this Law regarding deletion of the second sentence shall come into force on 1 July 2019.

*[30 May 2019]*

222. Amendment to Section 22.<sup>2</sup>, Paragraph three, Clause 9 of this Law regarding replacement of the number "60 000" with the number "10 000" shall come into force on 1 September 2019.

*[30 May 2019 / The abovementioned amendment is included in the wording of the Law as of 1 September 2019]*

223. Amendment to Section 107 and Section 116, Clause 7 of this Law regarding replacement of the number "one million euros" with the number "EUR 350 000" shall come into force on 1 January 2020.

*[30 May 2019 / The abovementioned amendments shall be included in the wording of the Law on 1 January 2020.]*

224. The requirements laid down in this Law regarding introduction of the electronic working time recording system at a construction site and the time period laid down for introduction thereof which comes into force on 1 January 2020 shall not be applicable in relation to the construction of new group three buildings and construction work the costs of which are EUR 350 000 or more, but less than one million euros, if the deadline for the completion of construction work specified in the construction permit does not exceed two months from the day of coming into force of the abovementioned requirements.

*[30 May 2019]*

225. The requirement laid down in Chapter XIV of this Law regarding provision of external security check of the electronic working time recording system shall be applicable from 1 June 2020. The main performer of construction work who until 1 June 2020 has commenced the use of the electronic working time recording system for which external security check has not been provided has the right to continue the use of such system at the particular construction site until completion of construction work therein, however, not longer than until 1 January 2021.

*[30 May 2019]*

226. The Cabinet shall issue the regulations provided for in Section 110, Paragraph three and Section 113, Paragraph two of this Law by 31 December 2019.

*[30 May 2019]*

227. Section 113, Paragraph five and Section 116, Paragraph two of this Law shall come into force on 1 September 2019.

*[30 May 2019 / The abovementioned amendments shall be included in the wording of the Law on 1 September 2019.]*

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

*[21 April 2005; 14 September 2006; 8 November 2007; 11 December 2008; 15 March 2012; 14 March 2013; 17 December 2015; 23 November 2016; 8 June 2017; 16 November 2017]*

This Law contains norms arising from:

1) [23 November 2016];

2) Council Directive 2004/66/EC of 26 April 2004 adapting Directives 1999/45/EC, 2002/83/EC, 2003/37/EC and 2003/59/EC of the European Parliament and of the Council and Council Directives 77/388/EEC, 91/414/EEC, 96/26/EC, 2003/48/EC and 2003/49/EC, in the fields of free movement of goods, freedom to provide services, agriculture, transport policy and taxation, by reason of the accession of the Czech Republic, Estonia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Slovenia and Slovakia;

3) Council Directive 76/308/EEC of 15 March 1976 on mutual assistance for the recovery of claims resulting from operations forming part of the system of financing the European Agricultural Guidance and Guarantee Fund, and of the agricultural levies and customs duties;

4) Council Directive 2001/44/EC of 15 June 2001 amending Directive 76/308/EEC on mutual assistance for the recovery of claims resulting from operations forming part of the system of financing the European Agricultural Guidance and Guarantee Fund, and of agricultural levies and customs duties and in respect of value added tax and certain

excise duties;

5) [14 March 2013];

6) [14 March 2013];

7) [14 March 2013];

8) [14 March 2013];

9) [14 March 2013];

10) Council Directive 2006/98/EC of 20 November 2006 adapting certain Directives in the field of taxation, by reason of the accession of Bulgarian and Romania;

11) Council Directive 2008/7/EC of 12 February 2008 concerning indirect taxes on the raising of capital;

12) [15 March 2012];

13) Council Directive 2010/24/EU of 16 March 2010 concerning mutual assistance for the recovery of claims relating to taxes, duties and other measures;

14) Council Directive 2011/16/EU of 15 February 2011 on administrative cooperation in the field of taxation and repealing Directive 77/799/EEC;

15) Council Directive 2014/107/EU of 9 December 2014 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation;

16) Council Directive (EU) 2016/881 of 25 May 2016 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation;

17) Council Directive (EU) 2016/2258 of 6 December 2016 amending Directive 2011/16/EU as regards access to anti-money-laundering information by tax authorities.

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

Law On Taxes and Duties  
**Annex**

## **Associated Entities Which Function as Public Authorities or the Special Status Whereof Is Recognised under International Agreements, And the Relevant Original Form of These Associated Entities in the Legislation of the Member States**

*[21 April 2005; 8 November 2007]*

1. Associated entities in the European Union:

1.1. Belgium:

1.1.1. *Vlaams Gewest* (Flanders),

1.1.2. *Région wallonne* (Wallonie),

1.1.3. *Région bruxelloise/Brussels Gewest* (Brussels region),

1.1.4. *Communauté française* (French community),

1.1.5. *Vlaamse Gemeenschap* (Flemish community),

1.1.6. *Deutschsprachige Gemeinschaft* (German speaking community);

1.1.<sup>1</sup> Bulgaria:

1.1.<sup>1</sup> 1. *Общините* (local governments),

1.1.<sup>1</sup> 2. *Социалноосигурителни фондове* (social insurance funds);

1.2. Spain:

1.2.1. *Xunta de Galicia* (the Galicia region executive committee),

1.2.2. *Junta de Andalucía* (the Andalusia region executive authority),

1.2.3. *Junta de Extremadura* (the Extremaduras region executive authority),

1.2.4. *Junta de Castilla-La Mancha* (the Castile-La Mancha region executive authority),

1.2.5. *Junta de Castilla-León* (the Castile-Leon region executive authority),

1.2.6. *Gobierno Foral de Navarra* (the Navarras region local government),

1.2.7. *Govern de les Illes Balears* (the Balears Isles region local government),

1.2.8. *Generalitat de Catalunya* (the Catalonia autonomous region local government),

1.2.9. *Generalitat de Valencia* (the Valencia autonomous region local government),

1.2.10. *Diputación General de Aragón* (the Aragon region council),

1.2.11. *Gobierno de las Islas Canarias* (the Canary Islands local government),

1.2.12. *Gobierno de Murcia* (Murcia local government),

1.2.13. *Gobierno de Madrid* (Madrid local government),

1.2.14. *Gobierno de la Comunidad Autónoma del Pays Vasco/Euzkadi* (management of the Autonomous Community of the Basque Country),

1.2.15. *Diputación Foral de Guipúzcoa* (the Guipúzcoa regional council),

1.2.16. *Diputación Foral de Vizcaya/Bizkaia* (the Bizkaia regional council),

1.2.17. *Diputación Foral de Alava* (the Alava regional council),

1.2.18. *Ayuntamiento de Madrid* (the Madrid City Council),

1.2.19. *Ayuntamiento de Barcelona* (the Barcelona City Council),

1.2.20. *Cabildo Insular de Gran Canaria* (the Gran Canaria Island Council),

1.2.21. *Cabildo Insular de Tenerife* (the Tenerife Islands Council),

1.2.22. *Instituto de Crédito Oficial* (the National Credit Institutions),

1.2.23. *Instituto Catalán de Finanzas* (the Catalan Institute of Finance),

1.2.24. *Instituto Valenciano de Finanzas* (the Valenciano Institute of Finance);

1.3. Greece:

1.3.1. *Οργανισμός Τηλεπικοινωνιών Ελλάδος* (the National Telecommunications Organisation),

1.3.2. *Οργανισμός Σιδηροδρόμων Ελλάδος* (the National Railway Organisation),

1.3.3. *Δημόσια Επιχείρηση Ηλεκτρισμού* (the National Electricity Society);

1.4. France:

1.4.1. *La Caisse d'amortissement de la dette sociale* (CADES) (the Social Debt Redemption Fund),

1.4.2. *L'Agence française de développement* (AFD) (the French Development Agency),

1.4.3. *Réseau Ferré de France* (RFF) (the French Railway Network),

1.4.4. *Caisse Nationale des Autoroutes* (CNA) (the National Motorway Fund),

1.4.5. *Assistance publique Hôpitaux de Paris* (APHP) (the Paris National Hospital Support),

1.4.6. *Charbonnages de France* (CDF) (the French Coal Board),

1.4.7. *Entreprise minière et chimique* (EMC) (the Mining and Chemistry Society);

1.5. Italy:

1.5.1. regions,

1.5.2. provinces,

1.5.3. local governments,

1.5.4. *Cassa Depositi e Prestiti* (the Deposit and Loan Fund);

1.6. Latvia: local governments;

1.7. Poland:

1.7.1. *gminy* (municipalities),

1.7.2. *powiaty* (districts),

1.7.3. *województwa* (provinces),

1.7.4. *związki gmin* (community associations),

1.7.5. *związki powiatów* (district associations),

1.7.6. *związki województw* (province associations),

1.7.7. *miasto stołeczne Warszawa* (the city of Warsaw),

1.7.8. *Agencja Restrukturyzacji i Modernizacji Rolnictwa* (the Agriculture Restructurisation and Modernisation Agency),

1.7.9. *Agencja Nieruchomości Rolnych* (the Agricultural Property Agency);

1.8. Portugal:

1.8.1. *Região Autónoma da Madeira* (the Madeira autonomous region),

1.8.2. *Região Autónoma dos Açores* (the Acores Island autonomous region),

1.8.3. local governments;

1.8.<sup>1</sup> Romania: *autoritățile administrației publice locale* (local State administration authorities);

1.9. Slovakia:

1.9.1. *mestá a obce* (local governments),

1.9.2. *Železnice Slovenskej republiky* (the Slovakia Railway Society),

1.9.3. *Štátny fond cestného hospodárstva* (the National Motorway Fund),

1.9.4. *Slovenské elektrárne* (the Slovakian Power Station),

1.9.5. *Vodohospodárska výstavba* (the Rational Water Usage Society).

2. International associated entities (the provisions laid down in Section 46, Paragraph seven of this Law do not apply to the international treaties which the member states could have concluded with respect to the said international entities):

2.1. The European Reconstruction and Development Bank;

2.2. The European Investment Bank;

2.3. The Asian Development Bank;

- 2.4. The African Development Bank;
- 2.5. The World Bank/IBRD/IMF;
- 2.6. The International Financial Corporation;
- 2.7. The American Development Bank;
- 2.8. The European Council Social Development Fund;
- 2.9. The European Nuclear Energy Community;
- 2.10. The European Community;
- 2.11. *Corporación Andina de Fomento* (CAF) (Andean Development Corporation);
- 2.12. *Eurofima*;
- 2.13. The European Coal and Steel Community;
- 2.14. The Nordic Investment Bank;
- 2.15. The Caribbean Development Bank.

3. Associated entities established in third countries (the countries which are not the Member States of the European Union or their dependent and associated territories, and the countries with which international agreements that are binding on Latvia on the savings income have not been concluded) which meet the following criteria:

- 3.1. the entity is unambiguously considered a public authority in accordance with the laws of the relevant country;
- 3.2. such public authority has been established or functions to meet the general needs of the society which are not of a commercial or industrial nature and which are effectively controlled by the government;
- 3.3. such public authority issues debt instruments professionally on a regular basis;
- 3.4. the relevant country can guarantee that such public authority will not exercise its redemption rights prematurely.

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

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