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25 November 1999 [shall come into force from 1 January 2000];

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23 November 2000 [shall come into force from 1 January 2001];

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20 December 2004 [shall come into force from 1 January 2005];

20 October 2005 [shall come into force from 1 January 2006];

8 December 2005 [shall come into force from 14 December 2005];

19 December 2006 [shall come into force from 1 January 2007];

17 May 2007 [shall come into force from 12 June 2007];

1 November 2007 [shall come into force from 28 November 2007];

14 November 2008 [shall come into force from 1 January 2009];

12 June 2009 [shall come into force from 14 July 2009];

16 June 2009 [shall come into force from 1 July 2009];

24 September 2009 [shall come into force from 20 October 2009];

15 October 2009 [shall come into force from 18 November 2009];

1 December 2009 [shall come into force from 1 January 2010];

10 June 2010 [shall come into force from 14 July 2010];

9 August 2010 [shall come into force from 1 September 2010];

7 October 2010 [shall come into force from 10 November 2010];

20 December 2010 [shall come into force from 1 January 2011];

15 December 2011 [shall come into force from 1 January 2012];

7 March 2013 [shall come into force from 29 March 2013];

6 June 2013 [shall come into force from 5 July 2013];

19 September 2013 [shall come into force from 1 January 2014];

6 November 2013 [shall come into force from 1 January 2014];

4 December 2014 [shall come into force from 25 December 2014];

17 December 2014 [shall come into force from 1 January 2015];

19 February 2015 [shall come into force from 1 March 2015];

4 February 2016 [shall come into force from 29 February 2016].

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*1 has adopted and

and the President has proclaimed the following Law:

**On Enterprise Income Tax**

**Chapter I**

**General Provisions**

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

(1) The terms used in this Law correspond to the terms used in the Law On Taxes and Fees, the Law On Accounting, the Law On the Annual Accounts and Consolidated Annual Accounts, the Credit Institutions Law, the Law On Savings and Loan Associations, the Insurance and Re-insurance Law, and the Law On Scientific Activity, unless otherwise provided for in this Law.

(2) **Domestic undertakings** – commercial companies, co-operative societies or other private law legal persons as are considered residents in accordance with the Law On Taxes and Fees.

(3) **Affiliated undertakings** – two or more commercial companies or co-operative societies if:

1) they are parent and subsidiary undertakings;

2) the participatory share of one commercial company or co-operative society in another commercial company or co-operative society is 20 to 50 per cent and, in addition, such company does not have a majority vote;

3) more than 50 per cent of the value of equity capital, shares or co-operative shares in each of these two or more of these commercial companies or co-operative societies (or commercial company and co-operative society) is owned by or is ensured by a contract or otherwise a decisive influence over these two or more commercial companies or co-operative societies (or commercial company and co-operative society) to:

a) one and the same person or relatives of such person to the third degree or the spouse of such person, or those in affinity with such person to the second degree,

b) more than one, but, not more than 10, one and the same persons,

c) a commercial company or co-operative society wherein the natural person (or his or her relatives to the third degree or spouse, or those in affinity with such person to the second degree) owns directly or indirectly more than 50 per cent of the value of the equity capital, shares of such commercial company or the value of the co-operative society co-operative shares;

4) one and the same person or one and the same persons have a majority vote in the administrative institutions of such commercial companies or co-operative societies (or commercial company and co-operative society);

5) in addition to a contract regarding a specific transaction, an agreement in any form has been entered into (including an agreement that has not been made public) between these commercial companies or co-operative societies (or commercial company and co-operative society) regarding whatsoever additional remuneration not foreseen in the contract, or also such companies perform other types of concerted activities with intent to reduce taxes.

(4) **A person** – a natural or a legal person, or a group of such persons or representatives of such persons or groups bound through a contract.

(5) **A person affiliated with an undertaking** – a person (in the case of a natural person – his or her relatives to the third degree or spouse, or those in affinity with such person to the second degree) who owns more than 50 per cent of the value of the equity capital, shares of a commercial company or the value of a co-operative society co-operative shares, or a person (in the case of a natural person – his or her relatives to the third degree or spouse, or those in affinity with such person to the second degree) whose decisive influence over a commercial company or co-operative society is ensured by a contract or otherwise.

(6) **Dividends** – income in cash or in kind from capital shares or stocks of a commercial company or co-operative society co-operative shares, or other rights, not resulting from debt obligations, to participate in the distribution of profits of such commercial company or co-operative society. This term shall not apply to income in cash or in kind received in the event of liquidation of the commercial company or co-operative society, as well as the distribution of the profits a partnership.

(7) **Interest income (yield)** – income from any debt obligations, income from government emitted securities, and income from bonds or promissory notes, including premiums and bonuses pertaining to such securities, bonds or promissory notes.

(8) **Payment for intellectual property** – any payment received as remuneration for any copyright (including neighbouring rights), or for the right to use copyright (including neighbouring rights) to a literary, scientific or artistic work, including computer programs, films, sound recordings, patents, trademarks, sample design or model, plan, secret formula or process, or for the right to utilise manufacturing, commercial or scientific equipment or for utilisation thereof, or for information in respect of industrial, commercial or scientific activity and experience.

(9) **Economic activity** – activity directed at manufacture of goods, performance of work, trade, provision of services or other form of activity for remuneration.

(10) **Tonnage tax** – an enterprise income tax, which, on the basis of a ship’s net tonnage (hereinafter – tonnage) and confirmed by a valid International Tonnage Certificate (1969), is calculated and paid by the tonnage taxpayer.

(11) **International Tonnage Certificate (1969)** – a document, which is issued on the basis of the 1969 International Convention on Tonnage Measurement of Ships, and which certifies a ship's net tonnage.

(12) **The utilisation of a ship for international carriage and activities associated thereto** are:

1) the utilisation of a ship which owned by a tonnage tax payer, in joint ownership or held on the basis of a bareboat charter contract, except a ship with a net tonnage capacity less than 100 units, for the carriage of cargo or passengers operating to foreign ports, between foreign ports or in foreign ports if the ship, in the taxation period, is utilised for at least 75% of operating time for such purposes;

2) in the ship utilisation taxation period referred to in Clause 1 of this Paragraph, the carriage of cargo or passengers between Latvian or foreign ports and places outside the territorial waters of Latvia, including places where natural resources are investigated or acquired if the ship, in the taxation period, is utilised for at least 75% of operating time for such purposes;

3) in the ship utilisation taxation period referred to in Clause 1 of this Paragraph, the provision of towing, pushing or rescue services outside of the territorial waters of Latvia, including places where natural resources are investigated or acquired, for ships which perform international carriage;

4) international carriage by another persons utilised ship strategic and commercial management on the basis of a mutual written agreement in the place of another person if the following conditions are fulfilled:

a) strategic and commercial management is performed simultaneously;

b) the total amount of the net tonnage of the ships managed in the place of another person (calculated in respect of each calendar day) in the taxation period does not exceed by more than ten times the total amount of net tonnage of the ships owned by the tonnage tax payer, in joint ownership with at least 5 per cent participation (taking into account in the calculations the total tonnage of ships in joint ownership) or ships held on the basis of bareboat charter contracts in the taxation period;

5) international carriage by another persons utilised ship technical management and crew recruitment management on the basis of a mutual written agreement in the place of another person if the following conditions are fulfilled:

a) together with ship technical management or crew recruitment management, or both of the referred to types of management also ship strategic and commercial management is performed;

b) the conditions referred to in Clause 4, Sub-clause “b” of this Paragraph;

6) temporary transfer of the ship referred to in Clause 1 of this Paragraph to another person on the basis of a ship time charter contract or other sea carriage contract (voyage charter contract or carriage of volume of cargo contract);

7) utilisation of ships for international carriage not referred to in Clause 1 of this Paragraph on the basis of a ship time charter contract or other sea carriage contract (voyage charter contract or carriage of volume of cargo contract) if the condition is fulfilled that the net tonnage of the ship (calculated for each calendar day) in the total taxation period does not exceed by ten times the total amount of net tonnage of the ships owned by the tonnage tax payer, in joint ownership with at least 5 per cent participation (taking into account in the calculations the total tonnage of ships in joint ownership) or ships held on the basis of bareboat charter contracts in the taxation period;

8) the loading and unloading of the ships referred to in Clause 1 of this Paragraph, agency, the provision of supplies and other services to these ships;

9) the provision of hotel, casino, restaurant (café, bar), shop activities, domestic services on the ships referred to in Clause 1 of this Paragraph if the condition is fulfilled that these services are performed by the tonnage tax payer;

10) the utilisation of the ships referred to in Clause 1 of this Paragraph in relation to the alienation of equipment and structures (including buildings and premises in which the tonnage taxpayer performs his or her business).

(13) **Ships operating time** – time included in the taxation period during which a ship is utilised for carriage and the performance of activities associated with this carriage. Ship operating time does not include ship repair and ship lay-up time, as well as the time during which a ship is not operated in relation to being under arrest or due to circumstances caused by *force majeure*.

(14) **Transfer of types of economic activity** – a process whereby a company (transferring company) ceasing to exist without liquidation proceedings, transfers one or more branches of its activity to another company (acquiring company) in exchange for the issued stock of the acquiring company or the transfer thereof. The branches of activity shall include all such assets and liabilities of the company, which from an organisational point of view is a type of independent economic activity.

(15) **Exchange of stock** – a process whereby a company (acquiring company) acquires a holding in the capital of another company (acquired company) in exchange for the stock issued by the acquiring company or the transfer thereof to the shareholders of the acquired company and – depending upon the circumstances – for a recognised cash compensation, receiving the stock of the acquired company on the condition that the acquiring company has a majority of votes in the acquired company.

(16) **Merger** – a process, which is manifested in one of the following ways:

1) one company or several companies (acquired company) in ceasing to exist without liquidation proceedings transfer all their assets and liabilities to another already existing company (acquiring company) in exchange for the stock issued by the acquiring company or the transfer thereof to the shareholders of the acquired company and – depending upon the circumstances – for a recognised cash compensation;

2) two or more companies (acquired companies) in ceasing to exist without liquidation proceedings transfer all their assets and liabilities to a company which they establish (acquiring company) in exchange for the stock issued by the acquiring company or the transfer thereof to the shareholders of the acquired company and – depending upon the circumstances – for a recognised cash compensation;

3) a company (acquired company) in ceasing to exist without liquidation proceedings transfers all of its assets and liabilities to a company (acquiring company) which owns all the stocks of the acquired company.

(17) **Division** – a process, which is manifested in one of the following ways:

1) a company (divided company) in ceasing to exist without liquidation proceedings transfers all its assets and liabilities to two or more already existing or newly established companies (acquiring companies) in exchange for a proportional number of the stock issued by the acquiring companies or the transfer thereof to the shareholders of the divided company and – depending upon the circumstances – for a recognised cash compensation; or

2) a company (divided company) transfers one or more branches of its activity to a company which it establishes (acquiring company) in exchange for the issued stock of the acquiring company or the transfer thereof to the shareholders of the divided company and – depending upon the circumstances – for a recognised cash compensation.

(18) **Recognised cash compensation** – cash which, in addition to the value of issued or transferred stock, is paid by the acquiring company, acquired company or divided company and which does not exceed 10 per cent of the nominal value of the issued or transferred stock.

(19) **Company** – a capital company, which is:

1) a resident of the Republic of Latvia;

2) a company – resident of other Member States of the European Union, which at the same time conforms to the following criteria:

a) is referred to in the Annex 1 to this Law;

b) in accordance with the tax regulatory enactments of the Member States of the European Union is recognised for the purposes of imposing taxes as a resident of the relevant Member State of the European Union and, on the basis of an agreement for the prevention of the imposition of double taxation, which has been entered into with a third state, for the purposes of imposing taxes is not considered as a resident of a state which is not a Member State of the European Union;

c) is a taxpayer, which pays one of the taxes referred to in Annex 2 to this Law if it is not exempt from the relevant tax or it does not have the possibility to choose a tax exemption;

3) a resident of a state of the European Economic Area, with which Latvia has entered into a convention on the prevention of imposition of double taxation and tax evasion and such convention has entered into force and which is not a Member State of the European Union, which in the state of residence is subject to the imposition of a tax similar in substance to the enterprise income tax of the Republic of Latvia, is not exempt from the relevant tax or it does not have the possibility to choose a tax exemption and, on the basis of an agreement for the prevention of the imposition of double taxation, which has been entered into with a third state, for the purposes of imposing taxes is not considered as a resident of a state which is not a member state of the European Economic Area.

(191) **Companies associated with the Member States of the European Union** – companies which conform to the criteria specified in Paragraph nineteen, Clauses 2 and 3 of this Section and are referred to in Annex 3 to this Law, as well as if they conform to one of the following criteria:

1) one company owns at least 25 per cent of the capital or voting rights in another company;

2) 25 per cent of the capital or voting rights of both companies belongs to another company, which conforms to the criteria specified in Paragraph nineteen, Clauses 2 and 3 of this Section and are referred to in Annex 3 to this Law.

(20) **Shareholder** – an owner of capital shares or stocks of a commercial company or co-operative society co-operative shares or any other person who has other rights not arising from debt obligations to participate in the division of the profits of the relevant commercial company or co-operative society.

(21) **Stock** – stocks, shares, capital shares or other documents, which create a right to receive dividends within the meaning of Section 1, Paragraph six of this Law.

(22) **Transfer of a legal address** – an operation by which a European commercial company or European co-operative society, without terminating its activities and establishing a new legal person transfers its legal address from the Republic of Latvia to another Member State of the European Union or to the Republic of Iceland, or the Kingdom of Norway, or the Duchy of Luxemburg.

(23) **Parent undertaking** – such a commercial company in which the participation share in another commercial company exceeds 50 per cent or in which other commercial company it has a majority of votes.

(24) **Subsidiary undertaking** – such a commercial company in which the participation share of the parent company exceeds 50 per cent or in which the parent undertaking has a majority of votes.

(25) **European Union or European Economic Area publicly-traded securities** – securities quoted in the regulated markets of the European Union or European Economic Area, as well as open investment fund investment certificates registered in the Member States of the European Union or the states of the European Economic Area, also when they are not included in the regulated markets of any Member State of the European Union or state of the European Economic Area.

(26) **Representation passenger car** – a passenger car in which the number of seats not counting the driver’s seat does not exceed eight seats, the value of which without the value added tax exceeds 50 000 euro and which is not an operational means of transport or a special passenger car (ambulance, caravan or hearse), or a passenger car, which is specially equipped in order to transport disabled persons in wheelchairs, or a new passenger car, which is used as a demonstration car for an authorised car dealer.

(27) **Initial long-term investments** – investments in unused (new) fixed assets [new production technological equipment and telecommunications and computer programming equipment, servers and data centre equipment pipelines, communications and transmission lines (Code 22 of the Classification of Structures) and auxiliary equipment thereof which ensure a technological operation set for a complete production or service provision cycle], as well as investments in buildings and structures which in accordance with the laws and regulations laying down the classification of structures, have been classified as transport and communications buildings (Code 124 of the Classification of Structures), industrial production buildings and warehouses (Code 125 of the Classification of Structures) and transport structures (Code 21 of the Classification of Structures) within the scope of a project of investments to be supported, if the abovementioned long-term investments are to be used for the performance of economic activity of the taxpayer in the priority sectors to be supported and specified in Section 17.2, Paragraph eight of this Law and the requirements referred to in Section 17.2, Paragraph four, Clause 4 of this Law have been met.

(28) **New production technological equipment** – unused (new) machinery for the performance of a set of specific subsequent technological operations in order to transform the properties of the work object (substance, material, article), thus creating an increase in the value of the work object, and essential auxiliary devices and auxiliary instruments of the referred to machinery, with which the machinery is supplemented for the performance of the set of technological operations. Machinery are facilities (mechanisms or a complex thereof), essential component of which is executive systems of any type and control system. Within the meaning of this Law trade technological equipment is not production technological equipment.

(29) **Research and development** – creative work performed systematically to increase the volume of knowledge and to use such knowledge for the creation of new developments, provided that it corresponds to at least one of the following types of work:

1) industrial research – planned research or critical study with the aim of acquiring new knowledge and methods to be used for the development of new products (goods or services) or technologies or significant improvement of existing products or technologies;

2) experimental development – combination, modelling or use of scientific findings, technological, commercial or other important knowledge or skills in order to create new or significantly improved products (goods or services) or technologies, or activities with the aim of conceptually defining, planning and documenting new products (goods or services) or technologies.

(30) **Scientific staff** – scientists who have acquired scientific qualification (a scientific doctoral degree) and professionals with an academic degree or a higher education diploma, who perform research activities in order to acquire new knowledge, products, processes, methods and systems, as well as project managers who are engaged in planning and management of scientific and technical aspects of research activities.

(31) **Research technical staff** – persons who have the necessary technical knowledge and experience in one or several areas and who participate in research activities by performing technical tasks under the guidance of the scientific staff. Engineers, technicians, laboratory assistants, technologists, and operators are included in the research technical staff.

*[10 September 1998; 30 March 2000; 22 November 2001; 19 June 2003; 20 December 2004; 20 October 2005; 19 December 2006; 17 May 2007; 1 November 2007; 14 November 2008; 12 June 2009; 20 December 2010; 15 December 2011; 6 June 2013; 19 September 2013; 6 November 2013; 4 December 2014; 4 February 2016]*

**2.pants. Tax Payers**

(1) Enterprise income tax payers are:

1) all of the performers of economic activity referred to in this Clause which carry out economic activity (hereinafter – residents);

a) domestic undertakings,

b) institutions financed from the State budget to which the conditions of Paragraph two of this Section do not apply,

c) institutions financed from local government budgets, which obtain income from economic activity and to which the requirements of Paragraph two of this Section do not apply;

2) foreign commercial companies, natural persons and other persons (hereinafter – non-residents);

3) permanent representations of non-residents (hereinafter – permanent representations).

(2) Enterprise income tax shall not be paid by:

1) natural persons;

2) individual (family) undertakings (including farms and fishing holdings) which have chosen not to submit annual accounts in accordance with the Law On Annual Accounts and Consolidated Annual Accounts;

3) institutions financed from the State budget whose income from economic activity is provided for in the State budget;

4) institutions financed from local government budgets whose income from economic activity is provided for in local government budgets;

5) private pension funds;

6) associations, foundations if the open or hidden aim of the foundation thereof is not the acquisition of profit or the growth of capital for the members thereof;

7) religious organisations, trade unions and political parties;

8) the Finance and Capital Market Commission.

(3) Partnerships, agricultural services co-operative societies and forestry services co-operative societies that conform to the determined compliance criteria, apartment owner’s co-operative societies, motor vehicle garage owner’s co-operative societies, boat garage owner’s co-operative societies and horticultural co-operative societies shall not pay enterprise income tax independently. Each partnership member shall pay the relevant personal income tax or enterprise income tax according to the share of taxable income of the partnership due to him or her, but a member of an agricultural services co-operative society – for the share of the agricultural services co-operative society surplus allocated to him or her, and for their part members of an apartment owner’s co-operative society, motor vehicle garage owner’s co-operative society, boat garage owner’s co-operative society or horticultural co-operative society – for his or her share of the distributed profit.

(31) Paragraph three of this Section regarding agricultural services co-operative societies and forestry services co-operative societies that conform to the determined compliance criteria shall apply to the taxation period after assessing the results of which during the after-taxation period the compliance status has been granted to the respective society. The expenses of the taxation period of the referred-to societies, which are not related to economic activities and are not subject to personification, shall be deemed the part of the profit distributed to the members, which is attributable to the part of surplus of the respective co-operative society distributed to each member in proportion to the scope of the services of the co-operative society used by such member.

(32) The expenses referred to in Paragraph 3.1 of this Section that apply to the part of the surplus distributed to a member of the society shall not include:

1) payments that are a donation to the institutions referred to in Section 20.1 of this Law, provided that the provisions of Section 20.1, Paragraph seven of this Law are conformed to;

2) the amount of representation expenses of the co-operative society, provided that they do not exceed 700 euros and the net turnover of the taxation period of the co-operative society does not exceed 700 000 euros;

3) the amount of representation expenses of the co-operative society, provided that they do not exceed 0.1 per cent of the net turnover of the taxation period and the net turnover of the taxation period of the co-operative society exceeds 700 000 euros;

4) the amount utilised for fines, contractual penalties and financial penalties, as well as default interest and other penal sanctions, calculated in accordance with the Law On Taxes and Fees and the laws of the particular taxes.

(33) The part of the taxable income of a partnership referred to in Paragraph three of this Section due for the partnership member – natural person – shall be increased by the relevant part of the income of the partnership which is obtained from:

1) alienation of stocks, except the income from alienation of stocks if the capital company is a resident of such state or territory which in accordance with the provisions of laws and regulations has been recognised as a low-tax or tax-free state or territory;

2) dividends determined for the partnership, except the case when the payer of dividends is a resident of such state or territory which in accordance with the provisions of laws and regulations has been recognised as a low-tax or tax-free state or territory;

3) alienation of such European Union or European Economic Area publicly-traded securities which are not securities of State or local governments (including interest payments obtained from bonds).

(4) [19 December 2006]

(5) [19 December 2006]

(6) A limited liability company, an individual undertaking, as well as a farm or fish holding, which has been registered as the micro-enterprise tax payer, shall include enterprise income tax in the total micro-enterprise tax in accordance with the Law On Micro-Enterprise Tax.

*[13 March 1997; 25 November 1999; 19 June 2003; 20 December 2004; 20 October 2005; 19 December 2006; 12 June 2009; 10 June 2010; 9 August 2010; 6 November 2013; 17 December 2014; 4 February 2016]*

**Section 2.1 Tonnage Tax Payers**

(1) Tonnage taxpayers are domestic undertakings (companies) to which the State Revenue Service has granted tonnage taxpayer status and which:

1) utilise ships owned, in joint ownership or held on the basis of a bareboat charter contract by them for international carriage and activities associated with this,

2) perform in Latvia for themselves or in conformity with the conditions in Section 1, Paragraph twelve, Clauses 4 and 5 of this Law, the economic activities to be performed by another person, the functions which are necessary for strategic, commercial, technical and crew recruitment management.

(2) The Cabinet shall determine the criteria on the basis of which the activities performed by domestic undertakings are recognised as ship strategic management, commercial, technical management and crew recruitment management, and the procedures by which the State Revenue Service grants tonnage tax payer status, and the documents which a domestic undertaking shall submit to the State Revenue Service for gaining the tonnage tax payer status and for ensuring the administration of the tax.

(3) With the subsequent taxation period after gaining of tonnage tax payer status, the tonnage tax payer shall, in the calculation and payment of the tax, apply Section 6, Paragraph one, Clauses 9 and 10 and Paragraph four, Clause 10, Section 6.1, Section 22, Paragraph six and Section 23, Paragraph eleven of this Law, and the restrictions specified in Section 15, Paragraph three of this Law shall be applicable to the tonnage tax payer.

(4) The domestic undertaking to which the State Revenue Service has granted tonnage tax payer status is entitled to change it not earlier than 10 taxation periods after the gaining of the referred to status.

*[22 November 2001]*

**Section 3. Taxable Object, Tax Rates and Taxation Periods**

(1) In respect of residents, the object upon which tax shall be imposed is taxable income obtained during a taxation period in Latvia and foreign countries. The tax shall be 15 per cent of such taxable income.

(11) The taxable object of a tonnage tax payer shall consist of two parts: the object laid down in Paragraph one of this Section and the income taxable with tonnage tax which is laid down in accordance with Section 6.1 of this Law. Each part of the object upon which tax is imposed shall have separately applied the tax rate specified in Paragraph one of this Section.

(12) In respect of a limited liability company, an individual undertaking, as well as a farm or fish holding, which has been registered as the micro-enterprise tax payer, the taxable object and tax rate is determined in the Law On Micro-Enterprise Tax.

(2) In respect of permanent representations, the object upon which tax shall be imposed is taxable income obtained by such office independently during a taxation period in Latvia and foreign countries. The tax shall be 15 per cent of such taxable income.

(3) If a non-resident directly carries on economic activity in Latvia, including trade or providing of services, which is the same economic activity as that carried on by the permanent representation of such non-resident in Latvia, the directly obtained income of such non-resident as has been obtained in Latvia shall be included in the income of the permanent representation located in Latvia and enterprise income tax shall be imposed thereon at the rate of 15 per cent.

(4) In respect of non-residents, the object on which tax shall be imposed is income obtained in Latvia from economic activity or related activity. Tax shall be deducted from payments as are paid by residents and permanent representations to non-residents if personal income tax has not been deducted from such payments. Enterprise income tax shall be deducted from the following:

1) [15 December 2011];

11) income, which is acquired from participation in a partnership – 15 per cent of the taxable income;

12) in conformity with the share of the agricultural services co-operative society and forestry services co-operative societies that conform to the determined compliance criteria, surplus allocated to a member of an agricultural services co-operative society and the distributed profit to a member of an apartment owner’s co-operative society, motor vehicle garage owner’s co-operative society, boat garage owner’s co-operative society or horticultural co-operative society – 15 per cent of such payments;

2) remuneration for management and consultancy services – 10 per cent of the remuneration amount;

3) [15 December 2011];

4) [15 December 2011];

5) remuneration for the use of property located in Latvia – 5 per cent of the remuneration amount;

6) [23 November 2000];

7) remuneration from the alienation of immovable property in Latvia – 2 per cent of the remuneration amount.

(41) [17 May 2007]

(42) [15 December 2011]

(43) [15 December 2011]

(44) [15 December 2011]

(45) Within the meaning of Paragraph four, Clause 7 of this Section, remuneration from the alienation of immovable property in Latvia includes also revenue from the alienation of capital shares, stocks or other types of participation (except alienation of participation within the scope of the reorganisation process referred to in Section 6.2 or 6.3 of this Law) in a commercial company established in Latvia or abroad or another person if in the taxation period in which the alienation occurs, or in the previous taxation period more than 50 per cent of the value of the assets of such person directly or indirectly (through participation in one or more other persons established in Latvia or abroad) forms or has formed an immovable property in Latvia. The proportion of immovable property in the value of a person’s assets shall be determined on the basis of the data of the person’s balance sheet as at the beginning of the relevant taxation period. If the proportion of immovable property in the value of assets in the previous taxation period has changed because alienation of immovable property has occurred, the result of which has been taken into consideration in the persons taxable income, then only the immovable property proportion in the value of assets in the balance sheet in the taxation period in which the alienation of the immovable property occurs shall be taken into account. This Paragraph shall not be applied to revenue from the alienation of European Union or European Economic Area publicly circulated securities.

(46) [15 December 2011]

(47) Paragraph four, Clause 5 of this Section shall not be applied to payments for lease of aircraft used in the international traffic, as well as payments for the right to use manufacturing, commercial or scientific equipment or for the use thereof.

(48) A taxpayer who is a resident of a European Union Member State or a resident of a state with whom Latvia has entered into a convention for the prevention of the imposition of double taxation and tax evasion, which has come into force, and who has earned the income referred to in Paragraph four, Clauses 2, 5 and 7 of this Section, may file a tax calculation statement with the State Revenue Service in accordance with the procedures stipulated by the Cabinet and documents that prove the amount of the expenses related to the earned income, applying the tax rate of 15 per cent to the calculated income taxable with the enterprise income tax.

(5) [23 November 2000]

(6) Within the meaning of this Section, management and consultancy services are the aggregate activities carried out by a non-resident directly or through retained personnel in order to ensure the management of a domestic undertaking (resident) or of a permanent representation of another non-resident or to provide necessary consultations to the domestic undertaking (resident) or the permanent representation.

(7) A taxation period is an accounting year of a taxpayer in accordance with the Law On Accounting and the laws and regulations of the Republic of Latvia which determine the procedures for preparing annual accounts for the relevant subject, unless this Law provides for another length of the taxation period.

(8) Irrespective of any provisions of this Law, enterprise income tax shall be deducted at the rate of 15 per cent from all payments and dividends (except the payments referred to in Paragraph 8.2 of this Section) paid by residents of Latvia or by permanent representations of non-residents to legal, natural or other persons as are located, have been set up or established in low-tax and tax-free countries or territories referred to in Cabinet regulations, including payments made to representatives of such persons or into bank accounts of third parties and payments made by way of mutual accounting entries, except the following payments made to persons as are located, have been set up or established in low-tax or tax-free countries or territories:

1) [15 December 2011];

2) [6 November 2013];

3) payments regarding supply of goods and purchased public circulation securities of the European Union or European Economic Area, provided that such goods and securities have been purchased for the market price.

(81) The obligation to deduct and pay into the State budget the tax on dividends that have been disbursed by stock companies with shares available for public circulation to a non-resident (shareholder or intermediary) who is domiciled, established or founded in the low-tax or tax-free countries or territories indicated in Cabinet regulations, shall lie with the holder of the securities account who settles the payments with the non-resident.

(82) Without prejudice to any other provisions of this Law, the enterprise income tax shall be deducted at the tax rates referred to hereinafter from the following payments to legal persons, natural persons and other persons who are domiciled, established or founded in the low-tax or tax-free countries or territories indicated in Cabinet regulations, including payments to the representatives of such persons or payments made to bank accounts of third parties, and the payments made in the form of mutual settlement of accounts:

1) from interest payment – 5 per cent, provided that they are disbursed by credit institutions registered in the Republic of Latvia, or 15 per cent from all other interest payments;

2) from payments for intellectual property –15 per cent from payments;

3) from extraordinary dividends – 30 per cent from payments.

(9) The State Revenue Service may allow tax not to be deducted from the payments, except dividends, tax is to be deducted from in accordance with Paragraph eight of this Section, if the payer thereof on a well-founded basis establishes that the payments referred to are not being made with intent to decrease the taxable income of such payer and to not pay or to decrease taxes payable in Latvia. The State Revenue Service shall cancel a permit that has been granted if in the process of administering taxes, it has obtained well-founded information that attests to concealment of the true circumstances of the transaction. In the case of cancelling of a permit, the norms of Paragraph eight of this Section shall be applied to the payer, and the amount of tax to which the cancelled permit relates, shall be deemed to be a late tax payment.

(10) The provisions of Paragraph four of this Section are applicable to the payments referred to in Paragraph eight of this Section from which tax is not to be deducted, at the place of payment, pursuant to the rate of 15 per cent, and to the payments from which, in accordance with the provisions of Paragraph nine of this Section, tax may be allowed not to be deducted.

(11) [15 December 2011]

(12) [15 December 2011]

(13) [15 December 2011]

(14) [15 December 2011]

*[29 February 1996; 5 June 1996; 13 March 1997; 10 September 1998; 25 November 1999; 30 March 2000; 23 November 2000; 22 November 2001; 19 June 2003; 20 December 2004; 20 October 2005; 19 December 2006; 17 May 2007; 14 November 2008; 12 June 2009; 9 August 2010; 20 December 2010; 15 December 2011; 6 June 2013; 6 November 2013; 17 December 2014; 4 February 2016]*

**Chapter II**

**Determining Taxable Income**

**Section 4. Taxable Income of a Resident and of a Permanent Representation**

(1) Taxable income of a taxpayer (hereinafter also – payer) – resident and permanent representation – is the amount of profit or loss, prior to the calculation of enterprise income tax, as set out in the profit or loss account of annual accounts of a payer, drawn up in accordance with the laws and regulations of the Republic of Latvia, or in the profit or loss account and other joint income account laid down in accordance with international accounting standards adopted in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards which has been increased or decreased accordingly by such amount of expenses or part of expenses as are not directly related to economic activity of the payer and by that amount of losses as have been caused by the maintenance of social infrastructure facilities belonging to or for the use of the payer. Coefficient 1.5 shall be applied for the increase of taxable income to the amount of expenses or part of expenses that are not directly related to economic activity of the payer and to the amount of losses that have been caused by the maintenance of social infrastructure facilities belonging to or for the use of the payer. Taxable income shall be adjusted (amended) in accordance with this Law.

(11) Other taxpayers to whom the laws and regulations of the Republic of Latvia determining the procedures for drawing up the annual accounts are not binding and also to whom Section 2, Paragraphs two and three of this Law do not apply and who are obtaining income from economic activity, taxable income shall be the difference which consists of the income from economic activity and expenses related to the abovementioned obtaining of income and which is adjusted in accordance with this Law.

(2) Taxable income of a permanent representation shall be determined and payment of tax shall be effected in accordance with the procedures prescribed by the Cabinet.

(3) A reference to an increase or a decrease in the profit of a taxpayer shall henceforth be understood also as a reference to a decrease or an increase in the relevant loss.

(4) Adjustment of taxable income, by increasing or decreasing it in accordance with the procedures laid down in Section 6 of this Law, may only be carried out if, when profit or loss of the payer is determined, the amounts referred to in Paragraph one of this Section have been taken into account. The referred-to condition shall not apply in cases where the adjustment concerns the assets that have been delivered or received as a result of reorganisation or transfer of an undertaking.

(5) An individual undertaking (including farm or fishing holding) – enterprise income taxpayer – must submit annual accounts in conformity with the Law On Annual Accounts and Consolidated Annual Accounts.

(6) [23 November 2000]

(7) [23 November 2000]

(8) In determining the taxable income of payers in accordance with this Law, any income irrespective of the form in which it was acquired (in monetary or in other property, or in the form of services) shall be taken into account.

(9) The norms of this Section shall not be applicable to a limited liability company, an individual undertaking, as well as a farm or fish holding, which has been registered as the micro-enterprise tax payer.

(10) Institutions of higher education founded by the State, to which the conditions of Section 2, Paragraph two of this Law do not apply, in applying Paragraph 1.1 of this Section, shall not include the financing received from the State budget, the financing from the European Union policy instruments and expenses related to the implementation of such financing in the taxable income formed by income from economic activity and expenses related to obtaining of the referred to income.

(11) The coefficient specified in Paragraph one of this Section shall not be applied:

1) to donation amounts that have been donated to the institutions referred to in Section 20.1 of this Law, if the purpose of the donation, which is specified for the recipient of the donation, does not contain a direct or indirect reference to a specific recipient of the donated means, which is an undertaking or a person associated with the donor, or an employee of the donor or a family member of such employee, as well as the recipient of the donation does not perform activities of a compensatory nature, which are directed towards gaining of benefits for the donor, an undertaking, a person associated with the donor or a relative of the donor up to the third degree or a spouse, or ensures the interests of the donor, which are related to charity;

11) to payments made by commercial companies of societies for disabled persons, of medical nature, and also capital companies of other charitable funds to their founders, if enterprise income tax rebate has been applied to these payments in accordance with Section 21 of this Law;

2) to payments to be made in accordance with the decisions of the European Commission on the provision of aid to reorganisation of credit institutions in relation to an active rescue measure.

*[10 September 1998; 25 November 1999; 23 November 2000; 22 November 2001; 20 October 2005; 19 December 2006; 1 December 2009; 9 August 2010; 20 December 2010; 15 December 2011; 6 June 2013; 6 November 2013; 4 December 2014; 4 February 2016]*

**Section 5. Expenses not Directly Related to Economic Activity**

(1) There shall be included in expenses that are not directly related to economic activity, all expenses incurred by an inland undertaking and a permanent representation for relaxation, pleasure trips and recreational events for owners or employees, and travel not associated with economic activity of owners or employees with the motor vehicles of the taxpayer, and benefits, gifts, credits and loans turned into gifts (except loans comparable to income, for which personal income tax has been calculated), extraordinary dividends, as well as other disbursements in cash or other form (in kind) to owners or employees that are not set out as remuneration for work performed or that are not related to the economic activity of the inland undertaking and permanent representation.

(2) The amount of costs relating to the development of social infrastructure facilities belonging to a payer shall not be deducted from taxable income.

(3) Social infrastructure facilities belonging to or for the use of a payer are, within the meaning of this Law, housing and municipal utility facilities, educational, cultural, sports, public catering and medical care institutions, the services of which are provided and rent is determined by prices which are lower than market prices, or free of charge, if they are not directly related to the economic activity of a payer.

(4) Included in expenses that are not related to economic activity shall be donations or gifts to other persons, amounts of guarantees, which a taxpayer as a guarantor is required to pay in accordance with an agreement of guarantee, deductions from profit, from turnover or other base quantity carried out by the taxpayer on his or her own initiative, by order of the owner thereof or in accordance with laws, and such expenses as are economically not related to economic activity of the taxpayer.

(5) Expenses that are not directly related to economic activity shall not include expenses for the transportation of an employee from the place of residence to work and from work to the place of residence if, due to the specific nature of work, it is not possible for the employee to get to work or to get to the place of residence after work with public transport.

(6) Expenses that are not directly related to economic activity shall not include expenses for using a vehicle (except a representational car) in months, during which company car tax is paid for the vehicle, regardless of whether the relevant vehicle is used only in economic activity. In months, during which company car tax is paid, expenses for the purchase of fuel for such a car shall be included in economic activity expenses on the basis of the number of kilometres actually covered in each month in accordance with the fuel consumption norm specified by the taxpayer per 100 kilometres, which does not exceed the fuel consumption norm of the city cycle indicated by the manufacturing plant by more than 20 per cent.

(7) Expenses that are directly related to economic activity shall include expenses for the use of a passenger car (except representational passenger car) by a merchant or a farm that conforms to the requirements of Section 14, Paragraph one, Clauses 5 and 6 of the Law On the Vehicle Operation Tax and Company Car Tax, provided that the passenger car is exempted from the company car tax in accordance with Section 14, Paragraph one, Clauses 5 and 6 of the Law On the Vehicle Operation Tax and Company Car Tax. The referred-to merchant or farm shall include expenses for the purchase of fuel for such car in the expenses related to economic activity on the basis of the number of kilometres actually covered in each month in accordance with the fuel consumption norm determined by the taxpayer per 100 kilometres, which does not exceed the fuel consumption norm of the city cycle indicated by the manufacturing plant by more than 20 per cent.

(71) Expenses that are directly related to economic activity shall include expenses related to the use of a passenger car (except representational passenger car) by a co-operative society of agricultural services or a fishery corresponding to the annual conformity criteria laid down in laws and regulations and necessary for granting the support. The referred-to co-operative society shall include expenses for the purchase of fuel for such car in the expenses related to economic activity on the basis of the number of kilometres actually covered in each month in accordance with the fuel consumption norm specified by it per 100 kilometres, which does not exceed the fuel consumption norm of the city cycle indicated by the manufacturing plant by more than 20 per cent.

(8) Expenses that are not directly related to economic activity shall not include payments made by a credit institution regarding expenses for maintenance of the pledge that have been caused during the debt recovery procedure, regarding expenses for taking over of the subject of the pledge and payments of immovable property tax (including late payments) that a debtor has not made for the relevant immovable property taken over, if the right to reclaim such payments from the debtor are retained or the debt is not reclaimed, because debt recovery is not possible according to legal proceedings due to usefulness considerations in relation to the fact that debt amount is lesser than expenditures related to recovery thereof, however the information shall be sent to the debtor regarding writing off thereof.

(9) Expenses that are not directly related to economic activity shall include material values, financial benefit or benefit of other nature, which are used for committing a criminal offence, including given to a State official as a bribe or to an employee of a State or local government institution who is not a State official, or to the same person authorised by a State or local government institution for committing illegal activities, or to a private individual for the purpose of commercial bribery.

(10) Paragraph eight of this Section shall also apply to capital companies for which a licence (permit) for activity of a credit institution has been revoked, if payments are performed regarding maintenance expenses of such pledge that has been established while the capital company had a licence (permit) for the carrying out of activity of a credit institution.

*[10 September 1998; 23 November 2000; 20 October 2005; 19 December 2006; 14 November 2008; 20 December 2010; 15 December 2011; 7 March 2013; 6 June 2013; 6 November 2013]*

**Section 6. Adjustment of Taxable Income**

(1) Taxable income of a taxpayer shall be increased by:

1) the amount of corrections of decrease in value of the fixed assets and intangible investments referred to in the annual accounts of the undertaking and shall be reduced by the amount of the depreciated fixed assets and the value of the written-off investments in intangible assets calculated in accordance with the requirements of Section 13 of this Law, except the cases referred to in Clauses 10 and 23 of this Paragraph and in Paragraph four, Clause 21 of this Section;

2) amounts applied to fines, contractual penalties and monetary penalties, as well as the amount of late charges and other penal sanctions assessed in accordance with the Law On Taxes and Fees and specific tax legislation;

3) the unrepaid amounts of shortage or misappropriation in capital companies in the share capital of which the share of State or local governments exceeds 50 per cent, as well as in institutions financed from the budget;

4) the disbursements (except dividends) provided for in Section 3, Paragraph four, Clauses 2 and 5 and Paragraph eight and the disbursements (except dividends) provided for in Section 3, Paragraph 8.2 of this Law (except extraordinary dividends), if a taxpayer has not deducted the tax in the amount specified, and also regarding payments made to non-residents which are made using electronic payment systems, if the tax is to be deducted at the time of disbursement in accordance with Section 3, Paragraphs eight, 8.2 and nine of this Law, but it could not be deducted at the time of disbursement;

5) 60 per cent of the amount used for representation expenses. Within the meaning of this Section, representation expenses are expenses of a taxpayer for developing and maintaining its prestige at a level acceptable to society. They include expenses for holding public conferences, receptions and meals, and expenses for producing representational items for the taxpayer;

6) the amount by which during the taxation period, as compared to the previous taxation period, the reserve (except the reserve created in accordance with Sections 7, 7.2 and 9.1 of this Law) for debts of debtors created and shown in the accounting of a payer has been increased and by the amounts of unrecoverable (bad, without any hope to recover such) debts of debtors that have been directly included in losses (costs);

7) [15 December 2011]

8) the losses that have been caused by the alienation of stock;

81) the losses from securities of public circulation of the European Union and European Economic Area other than stock;

82) other expenses related to the purchase, alienation or storage of stock and securities of public circulation of the European Union or European Economic Area during a taxation period;

9) the expenditures, which have occurred to the tonnage tax payer in the acquisition of income from the utilisation of ships in international carriage and activities associated with this;

10) the amount of the depreciation of fixed assets and value of written-off intangible investments referred to in the annual accounts of the undertaking if these fixed assets and intangible investments were utilised for the acquisition of income from the utilisation of ships in international carriage and activities associated with this;

11) interest payments in accordance with Section 6.4 of this Law;

12) payments made by the employer for the benefit of employees into private pension funds in conformity with licensed pension plans and paid in amounts of insurance premiums for employee life insurance (with savings funds) in accordance with Section 8, Paragraph five of the Law On Personal Income Tax if on the last day of the taxpayer’s taxation period the total amount of the tax debt exceeds 150 euros, except the tax payments the payment terms of which have been extended in accordance with the Law On Taxes and Fees;

13) the expenditures, which are associated with the operation and maintenance of representation passenger cars;

14) lease or hire-purchase payments, which are associated with the lease of representation passenger cars;

15) interest payments, which are associated with the acquisition or lease of representation passenger cars;

16) [24 September 2009];

17) the amount of the debt, for which the taxpayer has not performed settlements and regarding which the seller of the goods or the provider of services, in accordance with Section 9.1, Paragraph one, Clause 7 of this Law has not informed the taxpayer – debtor;

18) the amount of the debt, for which a reserve for bad debts has been established in accordance with Section 9.1 of this Law, if one of the following conditions is met:

a) the debt has not been recovered within three pre-taxation periods after the reserve for bad debts was established; or

b) the debt does not conform to the conditions of Section 9 of this Law, but the reserve established has been written off before the time period referred to in Sub-clause “a” of this Clause and has not been included in income;

19) the difference between the value of the transferred (ceded) debt and the amount of money obtained from the transfer (cession) of the right to claim to another person;

20) the expenses for maintenance of the pledged property, as well as immovable property tax payments that have been covered by a credit institution;

21) the surplus part divided by the agricultural services co-operative society and forestry services co-operative society, which conforms to the determined compliance criteria, and taxable with the enterprise income tax;

22) the expenses, which are related to the obtaining of the income referred to in Paragraph four, Clauses 18, 19 and 20 of this Section;

23) the sum of expenses presented in the income statement, which, in determining the sum taxable with the enterprise income tax, has been applied the coefficient laid down in Section 6.6 of this Law;

24) the part of the sum of research and development expenses, by which the income taxable with the enterprise income tax should be increased in accordance with Section 6.6, Paragraph four of this Law.

(2) The provision referred to in Paragraph one, Clause 5 of this Section shall also apply to State and local government capital companies and institutions financed from the budget unless greater restrictions are prescribed in Cabinet regulations or decisions of local government city councils (district or parish councils).

(21) Paragraph one, Clause 19 of this Section shall not be applied if the first two conditions and one of the other conditions referred to in this Paragraph are met:

1) the cessionary is a payer of the enterprise income tax or a payer of a tax equalled to the enterprise income tax;

2) the cessionary is a resident of a Member State of the European Union or a state of the European Economic Area, or a resident of such state, with which Latvia has entered into a convention on the prevention of imposition of double taxation and tax evasion, if such a convention has entered into force;

3) the transaction of cession does not involve an affiliated undertaking or a person affiliated with an undertaking;

4) the value of the transaction of cession, which involves an affiliated undertaking or a person affiliated with an undertaking, conforms to the market value thereof.

(3) When determining taxable income, profits of a taxpayer may not be reduced by the amounts of expenses related to developing long-term investments (except interest payments of such long-term loans that are not included in the long-term investment costs) and of loans to be repaid, by the amount of funds provided for creation of reserves (except in the cases referred to in Sections 7, 8 and 9.1 of this Law), by the amount of one’s (one’s capital company or co-operative society) dividends, by the amount of enterprise income tax (or its corresponding tax) paid in foreign states, as well as regarding the illegal acquisition or use of natural resources.

(4) In determining taxable income, the profit of a taxpayer shall be decreased:

1) by the amounts of immovable property tax (land tax and property tax), lottery and gambling taxes and fees, and States fees for the organisation of goods or services lotteries;

2) by amounts disbursed in the form of subsidies as State aid for agriculture or European Union aid for agriculture and rural development;

3) by the amount of debts of debtors lost during the taxation period determined in accordance with Section 9 of this Law by which during the taxation period, as compared to the previous taxation period, the reserve (except the reserve created in accordance with Sections 7, 7.2 and 9.1 of this Law) for debts of debtors created and shown in the accounting of the payer has been decreased, except the amounts of decrease resulting from a write-off of bad debts from special reserves provided for debts of debtors;

4) by the income from the difference between the acquisition value of privatisation certificates invested in the privatisation of State and local government property or a part thereof and the selling price determined for the property referred to or a part thereof, which has been privatised for certificates, if the relevant difference in the values is shown as income in the financial accounting of the payer;

5) if a State or local government capital company is privatised, by the income from the negative goodwill of the capital company (difference between the purchasing price of the capital company and the value of the assets of such capital company) that may not be extinguished by reducing the accounting value of the assets acquired;

6) by the amount by which, as compared to the previous taxation period, provisions and reserves established during the taxation period have been decreased, if the amounts of setting up (increasing) such provision and reserves during the pre-taxation periods have been included in taxable income in accordance with Paragraph three of this Section;

61) regarding the recovery of bad debts or embezzled amounts, which are directly included in losses and regarding which in previous taxation periods the taxable income of the taxpayer has been increased;

7) by the amount of reduction in late charges (which are related to principal debts of taxes), which have been created by reducing or cancelling the late charges in accordance with the Law On Taxes and Fees;

8) by the residual value in the financial accounting of a taxpayer, of computing devices and related equipment, including printing devices, transferred to educational institutions gratis, as of the time of their exclusion;

9) by income from alienation of stock, except the case when a capital company, the alienation of stock of which has occurred, is a resident of such state or territory which in accordance with the provisions of laws and regulations has been recognised as a low-tax or tax-free state or territory;

10) by tonnage tax payer income from the utilisation of ships in international carriage and activities associated with this;

11) by expenditures for the production of the mandatory copy, which in accordance with the Mandatory Copy Law is supplied to the National Library of Latvia;

12) by expenditures carried out during the taxation period in order to ensure a specialised new work place for an employee with limitation of physical and mental capabilities (with disability group), if the new work place is kept for at least two years for the employee with limitation of physical and mental capabilities;

13) by amounts, for which the taxable income has been increased in accordance with Paragraph one, Clause 17 of this Section, but for which the taxpayer has performed settlements in the taxation period;

14) by amounts, for which in accordance with a decision of the court credit liabilities are deleted or reduced in the process of legal protection or process of extrajudicial legal protection, if they are included in the taxpayer’s taxable income and are not indicated in the taxpayer’s expenses;

15) by income from alienation of securities of public circulation of the European Union or European Economic Area (including interest earned on debentures) other than stock;

16) by the amount of late payment and fine that has been discharged in accordance with the Law On Tax Support Measure;

17) by the surplus part of an agricultural services co-operative society and forestry services co-operative society that conform to the determined compliance criteria, indicated in the taxpayer’s annual income statement;

18) by the income of institutions of higher education and colleges, which has been earned as a payment for the provision of education within the framework of vocational secondary education, professional education and higher education programme, including the funds from the State budget (including State budget transfers) granted for the referred-to purpose, provided that separate accounting records of the expenditure related to such income are ensured;

19) by the income that institutions of higher education gain from publicly performed and exhibited works (for example, exhibitions, concerts) that have been created within the framework of artistic creative activities organised as a part of the study process, provided that separate accounting records of the expenses related to such income are ensured;

20) by the income of institutions of higher education, colleges and scientific institutions earned from independent studies conducted with the aim of increasing the knowledge and understanding, provided that separate accounting records are ensured for such studies and studies conducted in the interests of merchants and provided that the following criteria are conformed to:

a) the results of the studies are distributed by means of teaching, publications or transfer of technologies,

b) the profit from the research is re-invested in independent research work, dissemination of the results thereof or training of students,

c) with regard to private institutions of higher education and colleges, the holders of their capital shares are prohibited from exercising any privilege in relation to the study capacity or the research outcomes created thereby;

21) by the amount of research and development expenses determined in accordance with Section 6.6, Paragraph one of this Law.

(5) When determining taxable income, results of the reassessment of balance sheet and off-balance sheet asset items, including assessment in fair value (hereinafter – reassessment), shall not be taken into account, except for reassessment of assets relating to changes in foreign exchange rates.

(51) [20 October 2005]

(52) [20 October 2005]

(53) In determining taxable income, the results of the revaluation (also in the case when changes of true value are recognised in the calculation of profit or loss) of such assets as are investment properties, organic assets and long-term invests held for sale shall not be taken into account and are valued at the true value thereof. In the taxation period in the referred to assets are alienated, the taxpayer’s taxable income for the alienation of the referred to assets shall be determined as the difference between the income from alienation and the initial accounting value.

(54) In determining taxable income, losses, which are associated with the alienation of representation passenger cars shall not be taken into account if for such cars, which are qualified as fixed assets, for the purposes of calculating tax depreciation has not been calculated.

(6) In determining taxable income, the profit of a taxpayer may be reduced by payments of insurance premiums in accordance with the Law On Insurance Contracts which have been made to insurance companies registered in Latvia, which have been established in accordance with the Insurance and Re-insurance Law, or to insurance companies of other Member States of the European Union, Member States of the European Economic Area which have been established in accordance with the regulatory enactments of the relevant Member State of the European Union, Member State of the European Economic Area, and by the payments made into private pension funds on behalf of one’s employees in accordance with the Law On Private Pension Funds, or private pension funds of similar nature in other Member States of the European Union, Member States of the European Economic Area. These conditions shall also apply to payments of insurance premiums made to the insurance companies of other states (which are not Member States of the European Union, Member States of the European Economic Area) for such insurance services as are not ensured by the insurance companies registered in Latvia, or insurance companies registered in another Member State of the European Union, Member State of the European Economic Area.

(7) [22 November 2001]

(8) [19 June 2003]

(9) [19 June 2003]

(10) [19 June 2003]

(11) [6 November 2013]

(12) [6 November 2013]

(13) [25 November 1999]

(14) In determining the taxable income of a European commercial company or a European co-operative society (in a taxation period in which it has performed transfer of legal address from the Republic of Latvia), stocks and reserves shall not be taken into account, which were formed up to the transfer of the legal address from the Republic of Latvia if they have been transferred to the permanent representation in the Republic of Latvia of the relevant European commercial company or European co-operative society, which has been established by it in performing the transfer of legal address from the Republic of Latvia. However, the provisions of this Paragraph shall not be applied to stocks and reserves, which up to the transfer of the legal address have been formed in relation to the referred to company’s permanent representations outside of the Republic of Latvia.

(15) In the taxation period when the transfer of legal address from the Republic of Latvia is performed, in determining the taxable income for the permanent representation (which has been established in performing the transfer of legal address from the Republic of Latvia), stocks and reserves shall not be taken into account, which were formed up to the transfer of the legal address from the Republic of Latvia by the relevant European commercial company or European co-operative society in the Republic of Latvia (except for stocks and reserves, which have been formed in relation to the referred to company’s permanent representations outside of the Republic of Latvia), if they have been transferred to the permanent representation in the Republic of Latvia of the relevant European commercial company or European co-operative society. If the amounts for the formation of the taken over stocks and reserves referred to in this Paragraph in the reorganised European commercial company or European co-operative society in the Republic of Latvia in the pre-taxation periods have been included with the taxable income in accordance with Paragraph three of this Section, the permanent representation for the written-off amount of stock may reduce its taxable income.

(16) In determining taxable income a taxpayer whose commercial activity is the provision of passenger car leasing services and for whom the revenue from such commercial activities forms not less than 90 per cent of turnover, in relation to the objects of the lease, those fixed assets, which in the taxation year are leased, Paragraph one, Clauses 13 and 14 and Paragraph 5.4 of this Section and Section 13, Paragraph one, Clauses 8.1 and 8.2 shall not be applied. Revenue from the provision of passenger car leasing services within the meaning of this Section shall be understood as the amount of revenue, which is formed of revenue from the provision of passenger car leasing services; revenue, which is acquired from the provision of additional services thereof, which are directly associated with the lease of passenger cars, as well as revenue from the alienation of passenger cars as objects of the lease.

(17) [6 November 2013]

(18) A taxpayer, which employs an employee serving in the National Guard, may reduce the taxable income of the taxation period for the part of the amount of work remuneration of the employee, which is calculated for the relevant employee for substituting a national guard engaged in the fulfilment of the tasks of the National Guard service or training and which, during this period, does not exceed the remuneration specified in the employment contract of the national guard substituted according to the period of substitution. The taxable income may be reduced according to the provisions of this Paragraph, if the employee serving in the National Guard has been in employment legal relationship with the taxpayer for more than three months (prior to the date of commencement of fulfilling the duties of the service of the National Guard or training).

*[29 February 1996; 5 June 1996; 13 March 1997; 13 November 1997; 10 September 1998; 4 February 1999; 25 November 1999; 30 March 2000; 23 November 2000; 22 November 2001; 19 June 2003; 20 December 2004; 20 October 2005; 19 December 2006; 17 May 2007; 1 November 2007; 14 November 2008; 12 June 2009; 16 June 2009; 24 September 2009; 1 December 2009; 9 August 2010; 7 October 2010; 15 December 2011; 6 June 2013; 19 September 2013; 6 November 2013; 17 December 2014; 4 February 2016 /* Amendment regarding deleting Paragraph four, Clause 2 shall be applicable starting from the taxation period which begins in 2019, and included in the wording of the Law as of 1 January 2019. *See Paragraphs 112, 113, 114, 115, 116 and 127 of Transitional Provisions]*

**Section 6.1 Income upon which Tonnage Tax is Imposed**

(1) Income upon which tonnage tax is imposed shall be calculated by summing the calculated income upon which tonnage tax is imposed for each ship that is utilised for international carriage and activities associated with this.

(2) Income upon which tonnage tax is imposed for each ship which is utilised for international carriage and activities associated with this shall be calculated in euro by multiplying the net tonnage of the ship (tonnage which is expressed in tonnage units) with an income co-efficient (each individual tonnage share multiplied by the income co-efficient specified for the relevant share, and the acquired results added and the sum multiplied by the number of days within the taxation period in which the referred to ship was in operation).

(3) The income co-efficient (expressed in euro per tonnage unit) shall be applied in the following amounts:

1) 0.0022 – tonnage from 100 to 1000 tonnage units;

2) 0.0019 – tonnage from 1001 to 10 000 tonnage units for tonnage that exceeds 1000 tonnage units;

3) 0.0016 – tonnage from 10 001 to 25 000 tonnage units for tonnage that exceeds 10 000 tonnage units;

4) 0.0007 – tonnage over 25 000 for tonnage that exceeds 25 000 tonnage units.

*[22 November 2001; 19 September 2013]*

**Section 6.2 Special Provisions for Taxpayers Involved in a Reorganisation**

(1) Taking into account the provisions of Paragraphs three and four of this Section, the specification of taxable income shall not take into account the results of the overvaluing of assets and liabilities items transferred to transferring, merging or dividing companies in relation to the transfer, merger or division of the type or types of economic activity.

(2) Taking into account the provisions of Paragraphs three and four of this Section, in calculating the depreciation of fixed assets in accordance with Section 13 of this Law, the results of the overvaluing of fixed assets shall not be taken into account (expect the exception cases referred to in Section 13, Paragraph three of this Law) in relation the residual value of fixed assets, which the acquiring company has received in relation to the transfer, merger or division of the type of economic activity.

(3) The provisions of Paragraphs one and two of this Section shall be applied:

1) in Latvia or another Member State of the European Union in the transfer of existing type or types of economic activities if both the transferring, merging or dividing company and the acquiring company is a Latvian resident;

2) in Latvia in the transfer of existing type or types of economic activities if the transferring, merging or dividing company is a resident of a Member State of the European Union and the acquiring company is a Latvian resident and if the assets and liabilities after the transfer thereof are not applicable to the permanent representations of the acquiring company outside of Latvia; and

3) if the acquiring company is a resident of a Member State of the European Union and the transferring, merging or dividing company is a resident of Latvia or of a Member State of the European Union and if the asset and liability obligations after the transfer thereof are applicable to the permanent representations of the acquiring company in Latvia.

(4) The provisions of Paragraphs one and two of this Section shall not be applied if the stocks of the acquiring company which have been received by the transferring, merging or dividing company are not located in their ownership at least three years after the transfer thereof, if only the transferring, merging or dividing company justifiably does not prove that the alienation of such stock has not been performed for the purpose of reducing its taxable income and not to pay the taxes payable in Latvia or to reduce the amount thereof.

*[19 June 2003 /* *See Transitional Provisions]*

**Section 6.3 Special Provisions for Shareholders of a Company Involved in a Reorganisation**

(1) Taking into account the provisions of Paragraph three of this Section, the results of the overvaluing of the transferred stock associated with the exchange, merger or division of stock in relation to the acquired company shall not be taken into account. If the shareholder receives recognised cash compensation, the results of the overvaluing of the transferred stock shall be applied to the cash compensation and included in the taxable income of the shareholder.

(2) Stock received as a result of exchange shall be valued by the shareholder on the basis of its acquisition value, which this stock had at the moment of the exchange of stock in accordance with final financial report and the value thereof, shall be increased by the amount of the recognised cash compensation.

(3) The provisions of Paragraphs one and two of this Section shall be applied to shareholders of the acquiring company if they conform to one of the following conditions:

1) they are Latvian residents;

2) they are not Latvian residents, but their permanent representations in Latvia is the holder of both the transferred stock and the stock received as a result of exchange.

*[19 June 2003; 20 October 2005]*

**Section 6.4 Correction of Taxable Income for Interest Payments**

(1) The taxable income shall be increased by the interest payments (also in discount form), which exceed the amount of interest payments that has been calculated by applying to the debt obligation the annual weighted average interest rate of the credits granted to domestic non-financial companies in the taxation period, increased by 1.57 times. The annual weighted average interest rate of the credits granted to domestic non-financial companies that has been calculated using the statistical indicators of monetary financial institutions, shall be published by the Bank of Latvia on its website within one month after the end of the taxation period. The amount of interest included in the expenditures for economic activities may not exceed the actual calculated amount of interest payments.

(2) Taxable income shall be increased by interest payments in proportion to the degree to which the average amount of debt obligations in the taxation period (in respect of which the interest payments are calculated) exceeds the amount, which is equal to four times the amount of own capital reflected in the taxpayer’s annual accounts, which is reduced by the conversion of long-term deposits into reserves and other reserves, which have not been created as a result of the division of profits.

(3) If the taxable income is increased at the same time by interest payments in conformity with Paragraphs one and two of this Section, it shall be increased by the largest of the taxable income amounts, which are specified in accordance with Paragraph one or two of this Section.

(4) Paragraphs one and two of this Section shall not be applied to credit institutions and insurance companies.

(41) Paragraphs one and two of this Section shall not be applied to interest payments for loans which have been received from a credit institution which is a resident of Latvia or another Member State of the European Union or the state of the European Economic Area, or a resident of such state with which Latvia has entered into a convention or agreement regarding the avoidance of double taxation and non-payment of taxes, if the relevant convention or agreement has come into force, as well as from the Treasury of the Republic of Latvia, Development Financial Institution, the Nordic Investment Bank, the European Bank for Reconstruction and Development, the European Investment Bank, the Council of Europe Development Bank and from the World Bank group.

(42) Paragraph two of this Section shall not be applied for interest payments for loans, which have been received from such financial institution, which conforms to the criteria referred to in this Paragraph of Section:

1) it is a resident of Latvia or another Member State of the European Union or the state of the European Economic Area or a resident of such state, with which Latvia has entered into the convention or agreement regarding the avoidance of double taxation and non-payment of taxes, if the relevant convention or agreement has came into force;

2) it provides crediting services or financial leasing services and the supervision thereof is performed by the supervisory authority of credit institutions or finance of the relevant state.

(5) The correction of taxable income specified in this Section regarding the payment of interest shall be applied to all types of interest payments for debt obligations, as well as any other payments, which on the basis of the economic essence of the transaction is an interest payment irrespective of the legal form of the transaction. The correction of taxable income specified in this Section regarding the payment of interest shall not be applied to publicly-traded debts securities of Latvia and other Member States of the European Unions or the states of the European Economic Area.

*[19 June 2004; 20 December 2004; 20 October 2005; 19 December 2006; 15 October 2009; 6 November 2013; 17 December 2014 /* *See Paragraph 114 of Transitional Provisions]*

**Section 6.5 Special Provisions for the Specification of the Value of Representation Passenger Cars**

(1) For specification of the status of a representation passenger car the highest of the following values without value added tax shall be regarded to be the value of the representation passenger car: the value of purchase of the car or its accounting value in the accounting system during entire period of use of the car.

(2) In the case of the specification of the status of representation passenger car, where the passenger car is leased with the right of purchase, the value of the passenger car is the value of the car indicated in the hire-purchase contract.

(3) In the case of the specification of the status of representation passenger car, where the passenger car is leased without the right of purchase, the value of the passenger car if it is not indicated in the leasing contract is the value of the car indicated in the insurance contract of the car.

(4) If the value of the car indicated in the leasing contract has been reduced by more than 10 per cent of the market price or the value thereof in the leasing contract is not indicated for the purpose of reducing the taxable income of the taxpayer, the car irrespective of the other provisions referred to in this Section shall be qualified as a representation passenger car.

*[1 November 2007]*

**Section 6.6 Expenses for Research and Development**

(1) A taxpayer may decrease the income taxable with the enterprise income tax by applying to the amount of expenses an augmentative coefficient 3, by the following expenses:

1) by the costs of an employee who corresponds to the definition of the scientific staff or research technical staff, which are directly attributable to the research and development elaboration works;

2) by the amount of remuneration for research services received from a scientific institution that is registered in the Register of Scientific Institutions of the Ministry of Education and Science, or equivalent scientific institutions that are a resident of a European Union Member State or such state of the European Economic Area with which Latvia has entered into a convention on the prevention of imposition of double taxation and tax evasion, provided that such convention is in force and the research services are directly related to the research and development work performed by the taxpayer;

3) by the amount of remuneration for testing, certification and calibration services necessary for the development of a new product or technology and provided by the certification, testing and calibration institution which is accredited at the national accreditation institution or an equivalent institution that is a resident of a European Union Member State or such state of the European Economic Area with which Latvia has entered into a convention on the prevention of imposition of double taxation and tax evasion, provided such convention is in force.

(2) Paragraph one of this Section shall apply to such research and development works, which have project documentation drawn up by the taxpayer itself. The Cabinet shall determine the procedures for the compliance, assessment, application and recording of research and development activities and the requirements for the project documentation.

(3) If the taxpayer capitalises the development costs laid down in Paragraph one of this Section, the income taxable with the enterprise income tax shall be reduced according to the period determined in the financial accounting.

(4) The taxpayer is not entitled apply the tax relief laid down in Paragraph one of this Section if the intellectual property created as a result of research and development work is alienated within three taxation periods, counting from the taxation period in which the expenses comprise the last expenses related to the creation of such intellectual property.

(5) If the tax relief indicated in Paragraph one of this Section has been applied to the expenses of the creation of the intellectual property referred to in Paragraph four of this Section, the taxpayer shall adjust the enterprise income tax declaration (hereinafter – declaration) in accordance with the procedures laid down in the Law On Taxes and Fees, excluding the taxable income corrections made for the purpose of tax relief. The remaining amount of the value of expenses by which the expenses were increased in accordance with Paragraph one of this Section and by which the taxpayer does not have the right to adjust the declarations of the respective taxation periods shall be included in the taxable income of the taxation period during which the intellectual property has been alienated.

*[6 November 2013; 4 December 2014]*

**Section 7. Inclusion in Taxable Income of Reserves Created by Banks and Savings and Loans Societies and Provided for Debts of Debtors[12 June 2009]**

Taxable income shall not be increased for banks and savings and loans societies by such amount of deductions, by which the expenditures for reserves provided for debts of debtors are recognised in the taxation period, and shall not be reduced by the amount, by which the reserves (reversed expenditures recognised in the previous taxation periods) created for debts of debtors in accordance with the procedures for creation of reserves provided for in laws and regulations of the Finance and Capital Market Commission are reduced in the taxation period.

*[12 June 2009]*

**Section 7.1 Capitalisation of Bank Loans**

(1) A tax payer – lender of funds – shall reduce the taxable income by the income from alienation of bank stock or shall increase it by the loss from alienation of the stock, if the stock has been obtained or alienated, taking into account the conditions referred to in Paragraph four of this Section.

(2) A tax payer – lender of funds – shall not increase the taxable income by the amount of the reduction of the value of loan to be capitalised, which is included in expenditures, if the loan (except deposit) is invested in the equity capital of the bank.

(3) A bank – borrower – shall not reduce the taxable income by the amount of the reduction of the value of loan, which is included in income, if the loan invested in the equity capital has been assessed for a lower value.

(4) Paragraphs one and two of this Section may be applied, if the conditions referred to in Paragraph one of this Section are observed:

1) a bank – borrower – has an action plan for ensuring of stability of the financial position of the bank, which has been submitted to the Finance and Capital Market Commission on the basis of a decision taken by the Finance and Capital Market Commission and the request;

2) the stock has been acquired by investing the loan in the equity capital of the bank as a property contribution;

3) the stock has been alienated within 36 months from the day of acquiring thereof.

(5) The provisions of this Section shall not apply to loans, which are to be considered as guaranteed deposits in accordance with the Deposit Guarantee Law.

*[12 June 2009 /* *See Paragraph 81 of Transitional Provisions]*

**Section 7.2 Inclusion of Reserves Created by the Development Financial Institution in Taxable Income**

The Development Financial Institution shall not increase the taxable income by the amount of deductions by which the expenditures for reserves provided for debts of debtors are recognised in the taxation period, and shall not reduce by the amount by which the reserves (reversed expenditures recognised in the previous taxation periods) created for debts of debtors are reduced. Within the meaning of this Section, reserves for debts of debtors shall also be reserves created by the Development Financial Institution for issued guarantees (also export credit guarantees), reserves for investments in risk capital funds and reserves for issued credits, by implementing support and development programmes.

*[17 December 2014 /* *See Paragraph 127 of Transitional Provisions]*

**Section 8. Funds Provided for Technical Reserves of Insurance and Reinsurance Companies**

Taxable income of insurance and reinsurance companies shall not be increased by such amount of deductions which has been included in technical reserves, and shall not be reduced by the amount withdrawn from such reserves and included in the income in accordance with the Insurance and Re-insurance Law.

*[12 June 2009; 4 February 2016]*

**Section 8.1 Tax Relief on Acquisition of Buses used for Passenger Traffic**

[15 December 2011]

**Section 8.2 Tax Relief for Donors**

[24 September 2009]

**Section 9. Bad Debts**

(1) In determining taxable income, in accordance with Section 6, Paragraph one, Clause 6 and Paragraph four, Clause 3 of this Law, it may be reduced by the amount of bad debts, if the first three and one of the other conditions referred to in this Paragraph are conformed to:

1) the income relating to such debts has previously been included in calculation of taxable income;

2) the amount of such debts has been written off from the amount of special reserves provided for doubtful debts or directly as losses (expenses) in the accounting of the taxpayer during the current taxation period or any previous taxation period;

3) the debtor is a resident of Latvia or another European Union Member State or the state of the European Economic Area, or a resident of a state, with which Latvia has concluded conventions on the prevention of double taxation and tax evasion, if such conventions have come into force;

4) the debtor is a State or local government capital company, which has been liquidated in conformity with the decision of a relevant institution;

5) [20 December 2004];

6) there is a court judgment regarding debt recovery from the debtor and a statement of a bailiff concerning the impossibility of recovery, and the capital company-debtor has been excluded from the Enterprise Register;

7) there is a court judgment regarding the collection of a debt from the debtor – natural person – and a statement of a bailiff concerning the impossibility of recovery or if the collection of the debt from the debtor by court proceedings is not possible due reasons of efficiency in relation to the fact that the amount of the debt of the debtor is less than the expenditures for the recovery thereof and if previously there have been performed measures for the recovery of the debt, taking into account the condition that the relevant amount of the debt from the debtor does not exceed 0.2 per cent of the net turnover of the taxpayer in the taxation year;

8) the amount of debt is not recovered from a debtor – natural person who is not a person related to the undertaking, by deleting the loan granted to him or her and complying with the condition that the relevant deleted amount is not subject to personal income tax in accordance with Section 9 of the Law On Personal Income Tax.

(11) If the conditions specified in Paragraph one, Clauses 1, 2 and 3 of this Section and all the appropriate debt collection and recovery operations are fulfilled, the taxable income in accordance with Section 6, Paragraph one, Clause 6 and Paragraph four, Clause 3 of this Law may be reduced by one half of the amount of debt losses, when bankruptcy proceeding have commenced for the debtor. The taxable income for the remaining amount of debt losses shall be reduced after the end of the relevant debtor’s bankruptcy proceedings.

(12) If the conditions specified in Paragraph one, Clauses 1, 2 and 3 of this Section have been met and all the corresponding debt collection and recovery operations have been carried out, the taxable income in accordance with Section 6, Paragraph one, Clause 6 and Paragraph four, Clause 3 of this Law may be reduced by the amount of the debt lost:

1) which has been recognised in accordance with the creditors claim register when the court has approved completion of the bankruptcy proceedings of a debtor – legal person, partnership or individual merchant;

2) which has been recognised in accordance with the creditors claim register when the court has approved completion of the bankruptcy proceedings of a debtor – natural person;

3) which in accordance with a decision of the court conforms to a proportionate amount of the principal debt, fine or interest discharge or reduction specified in the plan for measures of legal protection procedures in the process of legal protection or extrajudicial legal protection of a debtor.

(13) Paragraph 1.1 of this Section shall be applied to debts of debtors, if insolvency proceedings of a debtor have been commenced until 31 December 2007 and the norms of the Law On the Insolvency of Undertakings and Companies are applied to insolvency proceedings. If insolvency proceedings of a debtor have been commenced during a time period from 1 January 2008 until 31 October 2010 and the previous norms of the Insolvency Law which were in force during the referred to time period are applied, the debts lost shall be written off in accordance with Paragraph 1.1 of this Section.

(14) If the debtor is a non-resident who complies with the condition referred to in Paragraph one, Clause 3 of this Section, then Paragraph 1.2 of this Section shall be applied to the debt of the debtor.

(2) The taxable income of a taxpayer for a taxation year may be decreased:

1) by the amounts of money that were in the current account of the taxpayer at the time when a court took a decision on commencement of the bankruptcy proceedings of a credit institution and which were not recovered;

2) by the value of goods and services marketed to a credit institution for which, by the time when a court took a decision on commencement of the bankruptcy proceedings of a credit institution, compensation was not received.

(3) The taxable income of a taxpayer for a taxation year shall be increased by the amount of money or the value of property obtained from a debtor or bank in the relevant taxation year as part of the procedure of liquidation of such debtor or bank, if the taxable income of previous taxation periods was decreased by the relevant amount of money in the current account of the taxpayer at the time of bankruptcy of the bank or by the bad debt.

(4) [7 October 2010]

(5) Paragraph one, Clause 1 of this Section shall not apply with regard to:

1) the unrecovered amount of the value added tax on a bad debt by which the amount of the value added tax payable into the State budget has not been reduced in accordance with the laws and regulations governing the application of the value added tax;

2) the unrecovered loan amount on which interest payments were calculated.

*[5 June 1996; 13 March 1997; 23 November 2000; 20 December 2004; 20 October 2005; 19 December 2006; 12 June 2009; 7 October 2010; 15 December 2011; 6 June 2013; 6 November 2013; 19 February 2015]*

**Section 9.1 Reserves for Bad Debts**

(1) A taxpayer shall not increase the taxable income for such amount of deductions, for which reserves provided for bad debts have been increased in the taxation period in comparison with the previous taxation period, if the following conditions are met:

1) the day for settlement of liabilities for the debt has set in before more than six months, but not sooner than on 1 January 2009;

2) the income relating to such debts has been included in the calculation of the taxable income;

3) the debtor is a legal person that is a resident of a Member State of the European Union or a State of the European Economic Area, or a resident of such state, with which Latvia has entered into a convention regarding prevention of double taxation and tax evasion, if such a convention has entered into force;

4) the taxpayer and the debtor are not an affiliated undertaking or any of them is not a person affiliated with an undertaking;

5) transactions with the debtor have been discontinued at least before six months and have not been renewed;

6) the taxpayer can prove that it has taken measures for the recovery of the bad debt;

7) by 31 December of the taxation year the taxpayer has informed the recipient of goods or services – debtor in writing that a reserve for bad debts is being established for the relevant amount of debt (specifying the requisites of the transaction document) in accordance with this Section.

(2) The amount of increase of reserves provided for bad debts, which has been specified in accordance with Paragraph one of this Section, shall not exceed 20 per cent from the taxable income of the taxation period (after adjustment of the taxable income).

*[7 October 2010 /* *See Paragraph 97 of Transitional Provisions]*

**Section 10. Losses Sustained as a Result of *Force Majeure* and Other Forced Losses**

(1) Losses of fixed assets sustained as a result of *force majeure* or other forced losses of fixed assets shall be considered to be the exchange of these fixed assets for the amount of money equivalent to compensation for the relevant fixed assets unless otherwise provided for by this Section.

(2) [5 June 1996]

(3) In determining taxable income, income from compensation for land, buildings, parts thereof and structures lost as a result of force majeure or other forced loss shall not be taken into account if, within a 12-month period from the date of receipt of the compensation, the amount of the compensation received has been reinvested in the same or similar fixed assets. Similarly, income from each part of the compensation reinvested in the same or similar fixed assets within the 12-month period shall not be taken into account, if the compensation referred to is paid in parts.

(4) If the condition set out in Paragraph three of this Section is fulfilled, the accounting value of a fixed asset shall be equivalent to the accounting value of the fixed asset lost to which the amount, by which the value of the newly acquired fixed asset exceeds compensation for the lost fixed asset, is added.

*[5 June 1996; 25 November 1999]*

**Section 10.1 Income Obtained in Case of Replacement of Fixed Assets**

(1) The taxable income may be reduced by income from alienation of fixed assets, if a functionally similarly applicable fixed asset is acquired within 12 months prior to or after the date of the alienation.

(2) Within the meaning of this Section functionally similarly applicable fixed assets shall be fixed assets of one category that ensure usefulness of similar type. If usefulness of the acquired fixed asset is of a similar type but it ensures a result of a better quality than the exchanged fixed asset, within the meaning of this Section fixed assets shall be considered as functionally similarly applicable.

(3) If the condition referred to in Paragraph one of this Section is fulfilled, the purchase price of the newly acquired fixed asset for the calculation of tax shall be determined by deducting the income obtained from the alienation of the replaced fixed asset from the purchase price of the newly acquired fixed asset.

(4) Provisions of this Section shall not be applicable to the following:

1) works of art, antique objects, jewellery;

2) investment properties, long-term investments kept for selling;

3) motor cycles, transport vehicles of sea and river, air transport vehicles and motor vehicles.

*[14 November 2008 /* Section shall be applied from the taxation period which starts in 2009. *See Transitional Provisions]*

**Section 11. Taxation of Dividends**

(1) A taxpayer’s taxable income shall be reduced by the amount of dividend receivable shown in the profit or loss account of the annual accounts of the undertaking.

(2) A taxpayer’s taxable income shall be increased by the amount of dividends receivable from the dividends of such payer who is a resident of such state or territory which in accordance with the provisions of laws and regulations has been recognised as a low-tax or tax-free state or territory.

(3) [15 December 2011]

(4) [15 December 2011]

(5) [15 December 2011]

*[25 November 1999; 23 November 2000; 20 December 2004; 20 October 2005; 19 December 2006; 15 December 2011 /* *See Paragraph 104 of Transitional Provisions]*

**Section 12. Special Provisions Regarding Affiliated Undertakings**

(1) [4 February 2016]

(2) When determining taxable income, profit shall be increased by amounts formed by:

1) the difference in the value of fixed assets as arises, if the fixed assets are sold for prices, which are lower than market prices to persons affiliated with an undertaking, affiliated foreign undertakings or commercial companies, which are exempt from enterprise income tax or which are utilising enterprise income tax rebates or relief prescribed in other laws of the Republic of Latvia, or associated undertakings, which with the taxpayer form one group of undertakings;

11) the difference in the value of fixed assets as arises, if the fixed assets are purchased for prices, which are higher than market prices from persons affiliated with an undertaking, affiliated foreign undertakings or commercial companies, which are exempt from enterprise income tax or which are utilising enterprise income tax rebates or relief prescribed in other laws of the Republic of Latvia, or from associated undertakings, which with the taxpayer form one group of undertakings;

2) the difference (part of the difference) in the value of goods (products, services) as arises, if such goods (products, services) are sold at prices that are lower than market prices to affiliated foreign undertakings, associated undertakings, which with the taxpayer form one group of undertakings and commercial companies or co-operative societies, which are exempt from enterprise income tax or which are utilising enterprise income tax rebates prescribed in other laws of the Republic of Latvia, or if such goods (products, services) are sold at prices that are lower than market price to persons affiliated with the undertaking;

3) the difference (part of the difference) in the values of goods (products, services) as arises, if such goods (products, services) are purchased at prices that are higher than market prices from affiliated foreign undertakings associated undertakings, which with the taxpayer form one group of undertakings and commercial companies or co-operative societies, which are exempt from enterprise income tax or are utilising enterprise income tax rebates prescribed in other laws of the Republic of Latvia, or if such goods (products, services) are purchased at prices that are higher than market prices from persons affiliated with the undertaking;

4) the difference between the transaction value and market value, if the commercial companies or persons referred to in Paragraphs two and three of this Section carry out other kinds of mutual transactions.

(3) Tax according to the rate of 10 per cent shall be imposed on interest payments for loans from affiliated undertakings, which are exempt from enterprise income tax or which are utilising relief provisions or other enterprise income tax rebates in accordance with other laws of the Republic of Latvia, or from persons affiliated with the undertaking. If payments similar to those referred to in Section 3, Paragraph four, Clauses 2-7, are made to such affiliated undertakings or persons affiliated with the undertaking, tax shall be deducted (if from the referred to payments personal income tax is not deducted) by applying the rates prescribed in the Clauses referred to and in accordance with the provisions of Sections 3 and 24.

(4) A transaction of a resident or a permanent representation with another commercial company or person, if they are located, have been established or founded in low-tax and tax-free countries or territories, shall be considered to be a transaction with an affiliated undertaking or a person affiliated with the undertaking. The list of the referred to countries or territories shall be prescribed by the Cabinet.

(5) If a person affiliated with an undertaking, an affiliated foreign undertaking or a commercial company, which is exempt from enterprise income tax or uses enterprise income tax rebates or reliefs laid down in other laws and regulations of the Republic of Latvia, or a related undertaking, which forms one group of undertakings with the taxpayer, in determining the taxable amount, increases it in accordance with Paragraph two of this Section, the undertaking (taxpayer) shall decrease it by the relevant amount upon determining the taxable income.

(6) In applying Paragraph five of this Section, the taxable income may be reduced if the participant of a transaction is a resident of Latvia or another Member State of the European Union, or a resident of such state of the European Economic Area, with which Latvia has entered into a convention on the prevention of imposition of double taxation and tax evasion, if such a convention has entered into force, and the taxpayer together with the annual report has submitted to the State Revenue Service a certification of the tax administration of the relevant state that the taxable income has been increased.

(7) The group of undertakings shall consist of the parent undertaking and all subsidiary undertakings of the parent undertaking.

(8) The parent undertaking – a member of the group of undertakings – shall be a legal person or natural person who is a resident of the Republic of Latvia or of such state with which Latvia has entered into a convention or an agreement on the prevention of imposition of double taxation and tax evasion, or a resident of another state of the European Economic Area, which is not recognised also as a resident of another state (that is not a state of the European Economic Area) subject to the effective convention on the prevention of imposition of double taxation.

(9) The subsidiary undertaking of the parent undertaking – a member of the group of undertakings – shall be a domestic undertaking or an undertaking that is a resident of such state with which Latvia has entered into a convention or an agreement on the prevention of imposition of double taxation and tax evasion, or a resident of another state of the European Economic Area, which is not recognised also as a resident of another state (that is not a state of the European Economic Area) subject to the effective convention on the prevention of imposition of double taxation, of which at least 90 per cent are held by:

1) the parent undertaking;

2) one subsidiary undertaking of the parent undertaking or several such undertakings;

3) the parent undertaking and one of its subsidiary undertakings or jointly by several subsidiary undertakings in any combination.

(10) In applying Paragraph nine of this Section it is assumed that 90 per cent of the undertaking are held by one member of the group of undertakings or several such members provided that the provisions of Clause 1 or 2 of this Paragraph are conformed to:

1) in cases when all stock or capital shares of the undertaking grant to their owners equal rights and privileges, provided that one member of the group of undertakings or several such members hold at least 90 per cent of the stock or capital shares of that undertaking;

2) in cases in which all stock or capital shares of the undertaking do not grant equal rights and privileges to their owners, provided that both of the following conditions are met:

a) one member of the group of undertakings or several such members hold at least 90 per cent of the market value of the issued stock or capital shares of that undertaking,

b) one member of the group of undertakings or several such members hold at least 90 per cent of all votes of the shareholders (owners of shares) of that undertaking, which may be counted upon each case of voting.

*[29 February 1996; 14 October 1998; 4 February 1999; 20 October 2005; 19 December 2006; 20 December 2010; 6 November 2013; 4 February 2016]*

**Section 13. Write-off of Value of Depreciated Fixed Assets and Intangible Investments**

(1) When assessing taxable income, depreciation of fixed assets to be used in economic activity shall be determined according to the following procedure:

1) the fixed assets shall be divided into five categories and the rate of depreciation of the taxation period shall be determined as a percentage:

|  |  |  |
| --- | --- | --- |
| Category | Rate of Depreciation | Type of Fixed Assets |
| 1 | 5 % | Buildings, structures, perennial plants |
| 2 | 10 % | Railway rolling stock and technological equipment, sea and river fleet vessels, fleet and port technological equipment, power equipment |
| 3 | 35 % | Computing devices and related equipment, including printing devices, information systems, software products and data storage equipment, means of communication, copiers and related equipment |
| 4 | 20 % | Other fixed assets, except the fixed assets referred to in the 5th category |
| 5 | 7.5 % | Oil exploration and extraction platforms together with the equipment necessary for their functioning located on such platforms, oil exploration and extraction ships |

2) the accounting of the fixed assets for calculation of depreciation in accordance with this Section shall be conducted:

a) in respect of buildings and parts thereof, constructions, perennial plants, oil exploration and extraction platforms, oil exploration and extraction ships, new – acquired after 31 December 2005 – production technology equipment, passenger cars, motorcycles, sea and river means of transport and air means of transport and in respect of fixed assets that are not used or are only partly used in economic activity – for each fixed asset separately;

b) [6 November 2013];

c) in respect of other fixed assets – regarding the entire category in aggregate;

3) the amount of depreciation regarding fixed assets of the taxpayer in the taxation period shall be calculated from the residual value of each category of fixed assets prior to deduction of depreciation in the taxation period, applying double the rate of depreciation prescribed for the relevant category of fixed assets;

31) for passenger cars, motorcycles, sea and river means of transport and air means of transport (except operational means of transport or a special passenger car (ambulance, caravan or hearse), or a passenger car, which is specially equipped in order to transport disabled persons in wheelchairs, or a new passenger car, which is utilised as a demonstration car for an authorised car dealer) Clause 3 of this Section shall not be applied, but depreciation for the taxation period shall be calculated from the residual value of each fixed asset prior to deduction of depreciation in the taxation period applying the specified depreciation rate for fixed assets multiplied by a coefficient of 1.5;

4) the residual value of a relevant category of fixed assets, from which the taxation period depreciation is calculated, shall be determined by increasing the residual value of the category of fixed assets of the pre-taxation period by the value of fixed assets acquired or set up during the taxation period and by the capital expenditure on the relevant category of fixed assets, and by reducing it by the residual value, as set out in the financial accounting of the payer at the time of its exclusion, of the fixed assets excluded or lost in the taxation period as a result of *force majeure* or other forced losses;

5) if the calculations referred to in the previous Clause result in a negative balance, the relevant amount shall be added to taxable income of the taxpayer and the balance of the category shall be reduced to zero;

6) if the residual value of fixed assets of the relevant category after deduction of depreciation at the end of the taxation period does not exceed 71.14 euros or the relevant category does not include any fixed asset, the residual value of the category shall be written off as expenses of economic activity in the taxation year;

7) the total amount of depreciated fixed assets of the taxpayer in the taxation period, including the value referred to in the previous Clause, shall be determined by summing up the depreciation calculated according to categories of fixed assets. If the taxation period of the taxpayer is shorter or longer than 12 months, the total amount of depreciated fixed assets of the taxpayer in the taxation period calculated in accordance with this Section shall be multiplied by a coefficient which, in turn, shall be calculated by dividing the number of months of the taxation period by twelve. In determining the residual value of the fixed assets for purposes of calculation of tax, the total adjusted amount of depreciation of the taxation period shall be applied;

71) taxpayers shall multiply the total amount of the depreciation in a taxation period on the fixed assets delivered and accepted within the scope of the process of reorganisation performed in accordance with Section 6.2 of this Law, which has been calculated in accordance with this Section, by a coefficient that is calculated by dividing the number of months in the taxation period by twelve;

8) Section 13, Paragraph one of this Law does not apply to land, works of art and antiques, jewellery and other fixed assets that are not subject to physical or economic depreciation, as well as investment properties, organic assets and long-term investments held for sale, which the taxpayer has chosen to value in the true value thereof;

81) Section 13, Paragraph one of this Law does not apply to representation passenger cars;

82) if the residual value of a passenger car has increased as a result of fixed asset improvement, restoration or reconstruction activities and exceeds 50 000 euros (without value added tax), then Section 13, Paragraph one of this Law shall not apply to the referred-to fixed asset in the taxation period in which its book value exceeds 50 000 euros (without value added tax), and in future taxation periods, but the provisions of this Law regarding representation passenger cars shall apply;

9) [6 November 2013];

10) [6 November 2013];

(11) New production technology equipment, which the taxpayer has acquired or established in the taxation period commencing in 2006, and following taxation periods and which are utilised for economic activities, the depreciation in a taxation period shall be calculated taking into account the conditions of Paragraph 1.2 of this Section.

(12) Prior to the calculation of the amount of depreciation in a taxation period, the acquired value or establishment value of each new production technology equipment in such taxation period, which the relevant equipment was acquired or established, shall be multiplied by the following coefficients:

1) fixed assets, which are acquired or established in the taxation period commencing in 2006 – 1.5;

2) fixed assets, which are acquired or established in the taxation period commencing in 2007 – 1.4;

3) fixed assets, which are acquired or established in the taxation period commencing in 2008 – 1.3;

4) fixed assets, which are acquired or established in the taxation period commencing in 2009 – 1.5;

5) fixed assets, which are acquired or established in the taxation period commencing in 2010 – 1.5;

6) fixed assets, which are acquired or established in the taxation period commencing in 2011 – 1.5;

7) fixed assets, which are acquired or established in the taxation period commencing in 2012 – 1.5;

8) fixed assets, which are acquired or established in the taxation period commencing in 2013 – 1.5;

9) fixed assets, which are acquired or established in the taxation period commencing in 2014 un in future taxation periods, until the taxation period commencing in 2020 – 1.5.

(13) [20 December 2010]

(14) If the fixed asset referred to in Paragraph 1.1 of this Section (for which is performed the writing-off of fixed asset depreciation for tax purposes) is alienated with a period of five taxation periods from the acquisition or establishment of such fixed assets, the taxable income shall be increased by the amount of the fixed asset depreciation value calculated in accordance with the requirements of this Section, regarding which in the previous five taxation periods taxable income was reduced, and reduced by the amount of such fixed asset depreciation value referred to in the annual accounts of the undertaking. This norm shall not be applied if the referred fixed asset is lost as a result of a natural disaster or by other forced execution and is replaced in conformity with that specified in Section 10 of this Law.

(15) [6 November 2013]

(2) The residual value of fixed assets shall be increased by the costs of the improvement, renewal and reconstruction of fixed assets, which have occurred by the addition or replacement of parts or details and which significantly increase the production potential or extend the time of operation of the fixed assets. The residual value of fixed assets shall be decreased by excluded fixed asset parts or the residual value of details. If the residual value of replaced parts or details has not been calculated separately, the value of fixed assets shall be decreased by the amortised replacement costs.

(21) The costs estimated for destruction and liquidation of fixed asset, and also for renovation of the location, shall not be taken into account in the residual value of fixed assets.

(3) If a taxpayer carries out revaluation of fixed assets, the results thereof, except the results of revaluation made in connection with privatisation of the taxpayer and in conformity with Cabinet regulations, shall not be taken into account when determining the residual value of fixed assets.

(31) A permanent representation, which is established in the Republic of Latvia, in transferring the legal address of a European commercial company or European co-operative society from Latvia, the initial value of the fixed assets indicated in the balance sheet and utilised in economic activities taken over from the referred to European commercial company or European co-operative society for the specification of the depreciation of such fixed assets for the purpose of calculating tax shall be the residual value of the fixed assets taken over for the purpose of calculating tax.

(4) Intangible investment set up costs regarding concessions, patents, licences and trademarks shall systematically be written off, according to the linear (equable) method. Depreciation of other intangible investments shall not be written off for tax calculation purposes.

(41) [6 November 2013 / *See Paragraph 118 of Transitional Provisions]*

(5) The value of intangible investments shall be written off as follows: for concessions – over 10 years; for patents, licences and trademarks – over five years. Costs of research and development (also, those pertaining to technical documentation of unrealised projects, if the value of such projects is not included in fixed assets) as relate to economic activity of a taxpayer, except costs of determining the location, quantity and quality of minerals, shall be written off in the year when such costs are incurred.

(51) The depreciation of computer programme products and programmes acquired for payment or self-created calculated for tax purposes shall be accounted for in the 3rd fixed asset category and Paragraphs four and five of this Section shall not be applied thereto.

(6) Costs of determining the location, quantity and quality of minerals shall be written off systematically over ten years after the costs are incurred.

(7) If fixed assets are leased with pre-emptive rights, the costs of their depreciation and reconstruction, improvement and renewal shall be written off as if the fixed assets were the property of the lessee.

(8) If fixed assets are leased without pre-emptive rights and they are to be returned to the owner after the lease term has expired, or if an agreement of lease provides for reconstruction, improvement or renewal of fixed assets, a lessee shall write off the amount of such costs in equal parts over the remaining period of the lease. If the lessor, in accordance with the agreement, compensates the lessee for such expenses of reconstruction, improvement or renewal, the amount of such expenses shall be included in taxable income of the lessee. If the lessee leases an immovable property without pre-emptive rights and has performed reconstruction, improvement or renewal works in this property, however, the contract is terminated before the term of lease has expired due to reduction in the turnover or the amount of profit of commercial activity of the lessee (in leased premises) by more than 30 per cent (upon comparing indicators from the beginning of the taxation period until the expiry date of the contract with the relevant time period of pre-taxation period) or due to circumstances, which do not depend on the lessee, except the case when the contract is terminated upon the initiative of the lessor, the taxable income of the lessee shall be reduced by the remaining amount of reconstruction, improvement or renewal costs of fixed assets in the taxation period when the contract is terminated.

(81) If a taxpayer performs long-term investments during the term of public or private partnership agreement in the assets of the public partner transferred to him by such agreement, the taxpayer shall write off the amount of such costs in equal parts over the period provided for in the public and private partnership agreement.

(82) The provisions of Paragraph 8.1 of this Section shall also be applicable for:

1) the processes of public and private partnership which in accordance with the provisions of the Public Procurement Law have been commenced prior to the day of coming into force of the Public and Private Partnership Law and are continued pursuant to the provisions of the Public Procurement Law; and

2) for concession agreements, if the Cabinet or the relevant local government in accordance with the procedures specified in the Concessions Law has taken a decision regarding the transfer of concession resources for concession and approved the conditions for granting of concession, and further actions are performed pursuant to the provisions of the Concessions Law.

(9) If a lessee performs work in regard to reconstruction, improvement or renewal of leased fixed assets not provided for by an agreement of lease, or if an agreement of lease has not been concluded, taxable income of the lessee shall be increased by the amount of the cost of such work of reconstruction, improvement or renewal.

(10) If the taxpayer has chosen to value at true value investment property, organic assets and long-term investments held for sale, which were classified as fixed assets, they shall be excluded from the relevant fixed asset categories.

(11) If the taxpayer has reclassified investment property, organic assets and long-term investments held for sale as fixed assets, they shall be included in the relevant fixed asset categories at a value in conformity with their initial value, taking into account the revaluation of the referred to assets to true value.

(12) If the taxpayer continues to value investment properties or permanent plantations classified as biological assets, which are utilised for economic activities and are subject to depreciation, on the basis of their initial accounting costs, utilising the acquisition costs method, then the investment properties or the referred to biological assets for the purposes of the calculation of the depreciation shall be comparable to fixed assets and such investment properties or biological assets as fixed assets in conformity with the provision of this Section shall have depreciation calculated for tax purposes.

(13) A limited liability company, an individual undertaking, as well as a farm or fish holding, which paid the micro-enterprise tax in one or several pre-taxation periods, upon commencing to pay the enterprise income tax in accordance with the norms of this Law, shall determine the remaining value of the fixed assets at the beginning of the taxation period from the purchase value or establishment value of the fixed assets, to which the improvement, restoration and renewal costs of the fixed assets have been added, deducting the depreciation value, which has been calculated for the pre-taxation periods in accordance with the norms of this Section. If the limited liability company, the individual undertaking, as well as the farm or fish holding, prior to the acquisition of the status of the micro-enterprise tax payer, paid the enterprise income tax in accordance with general procedures, then, upon resuming payment of the enterprise income tax in accordance with the norms of this Law, the remaining value of the category of fixed assets at the beginning of the taxation period shall be determined by correcting the remaining value of the category of fixed assets on the last date of the taxation period, during which a decision was taken to pay the micro-enterprise tax in post-taxation year, in accordance with the norms of this Section regarding the periods, in which the taxpayer paid the micro-enterprise tax.

*[5 June 1996; 13 March 1997; 13 November 1997; 25 November 1999; 23 November 2000; 19 June 2003; 20 October 2005; 19 December 2006; 17 May 2007; 14 November 2008; 15 October 2009; 1 December 2009; 9 August 2010; 20 December 2010; 19 September 2013; 6 November 2013; 4 February 2016 /* *See Paragraphs 117 and 123 of Transitional Provisions]*

**Section 14. Covering Losses of Previous Years**

(1) If the adjustment of profit or losses of a taxation period of a taxpayer, made in accordance with this Law, has resulted losses that have been caused until 2007, they may be covered in chronological order from taxable income of the next eight taxation periods. If the adjustment of profit or losses of a taxation period of a taxpayer, made in accordance with this Law, has resulted losses that have been caused in a taxation period commencing in 2008 or thereafter, they may be covered in chronological order from taxable income of the subsequent taxation periods.

(11) An individual (family) undertaking (including farms or fishing holdings) whose owner has paid personal income tax on its income in the pre-taxation period is entitled to cover losses resulting from economic activity in the previous taxation period, calculated in accordance with the Law On Personal Income Tax, in chronological order, from the taxable income of the undertaking assessed in accordance with the procedures set out in this Law, during the period of transfer of losses prescribed by the Law On Personal Income Tax, i.e. from the taxable income of three consecutive taxation periods, beginning with that taxation period when in accordance with the Law On Personal Income Tax, the right to cover losses arises for the payer.

(12) If a permanent representation of a European commercial company or European co-operative society has been established in the Republic of Latvia after the transfer of the legal address of the referred to companies from Latvia and in the Republic of Latvia for such company in accordance with this Law the results of corrections made to the undertaking’s taxation period profit or loss for previous taxation periods has been losses, then the losses of the referred to permanent representation, which have been caused to the relevant European commercial company or European co-operative society in the Republic of Latvia may be covered in chronological order from the taxable income for the subsequent taxation period of the permanent representation. The referred to losses may be covered in accordance with the procedures specified in Paragraph one of this Section, counting from the taxation period when the losses to the relevant European commercial company or European co-operative society were calculated in accordance with this Law.

(13) A capital company, which is established as a result of the transformation of an individual undertaking (also farms or fishery farms) may take over the losses not covered during the last eight years of operation of the individual undertaking if the following conditions have been fulfilled:

1) the individual undertaking (also farm or fishery farm) in the taxation period prior to the transformation thereof into a capital company was registered with the State Revenue Service as an enterprise income tax payer;

2) the capital company, which takes over the losses of the individual undertaking during the last five years of operation preserves the previous type of basic operations;

3) the owner of the individual undertaking becomes the only owner of the capital company capital shares.

(14) In calculating the taxable income, the taxpayer shall not take into account the taxation period or pre-taxation period losses, which are covered by carrying them over to a taxpayer of another state – non-resident. Taxable income shall not be reduced by the covered losses. The amount of covered losses and the information regarding the person taking over the losses shall be indicated in the declaration.

(2) If in a taxation period control of a commercial company or co-operative society is acquired by a person or a group of persons that previously did not control such commercial company or co-operative society, losses of pre-taxation periods of such commercial company or co-operative society shall not be covered in the taxation period or in subsequent taxation periods, if it is not specified otherwise in this Section.

(3) The provisions of Paragraph two of this Section are not applicable in cases where the commercial company or co-operative society in which a change of control has taken place maintains its previous type of ordinary activity, as conform to the ordinary activity of the commercial company or co-operative society for two taxation periods before the change in control, for five taxation periods after the change in control.

(4) When applying the provisions of Paragraph two of this Section in cases where the control of the commercial company or co-operative society has been acquired as a result of privatisation, it shall be considered that the control has not been acquired during the time period up to such taxation period as during which the commercial company or co-operative society has not conformed to any of the provisions on the basis of which its privatisation has been carried out.

(5) Within the meaning of this Section it shall be considered that a person controls another person, if the first referred to person directly or by way of participation in one company or in several companies owns more than 50 per cent of all the shares or capital shares issued by the other person and they have more than 50 per cent of all the votes of shareholders (owners of shares), as may be counted in any voting.

(6) [6 November 2013]

(7) [6 November 2013]

(8) [15 December 2011]

(81) [15 December 2011]

(9) If in adjusting taxable income in accordance with Section 6, Paragraph four, Clause 2 of this Law the adjustment result is losses or increase in losses, losses or increase in losses may not be covered from the taxable income of the next taxation periods in accordance with the provisions of Paragraph one of this Section.

(10) If a taxpayer carries out oil exploration and extraction activities and the amount of the oil exploration and extraction activities in its total turnover (volume of activities) exceeds 80 per cent, the losses of the taxation period referred to in Paragraph one of this Section may be covered in chronological order from taxable income of the 10 subsequent taxation periods.

(11) If a commercial company is reorganised by merging with another commercial company, and the first and second commercial company prior to reorganisation, but the second commercial company after reorganisation is controlled by one and the same person or group of persons, the second commercial company after reorganisation is entitled to assume the pre-taxation period losses of the first commercial company or co-operative society and to cover them in the taxation period and in following taxation periods according to the procedures specified in Paragraph one of this Section.

(111) The acquiring company is entitled in accordance with the provisions of Section 6.2 of this Law to take over the losses in the previous taxation period of the transferring company, which are related to the type or types of economic activity transferred thereof, and to cover such losses in accordance with the provisions of Paragraph one of this Section in the taxation period in which the transfer took place and in the subsequent taxation periods.

(12) If in the course of reorganisation a commercial company is divided or divested and the commercial company to be divided at the time of reorganisation has losses which it is entitled to cover in accordance with this Section, the right to cover the losses of this commercial company to be divided in the case of division, observing Paragraph thirteen of this Section, shall be assumed by the newly-founded commercial companies, but in the case of divestment – the commercial company to be divided after reorganisation and the newly-founded divested commercial company.

(13) The division of the losses of the commercial company to be divided between the commercial company to be divided and the newly-founded divested commercial company in the case of divestment and between the newly-founded commercial companies in the case of division after reorganisation, shall be proportional in relation to – the value of the assets part of the divested (dividing) commercial company after reorganisation against the value of the assets of the commercial company to be divided prior to reorganisation.

(14) [19 June 2003]

(15) In covering losses, in commercial companies in which reorganisation has been carried by way of commercial company merger, division or divestment, Paragraph ten of this Section is not applicable.

(16) The losses, which a limited liability company, an individual undertaking, as well as farm or fish holding, which has been registered as the micro-enterprise tax payer, has suffered before the acquisition of the status of the micro-enterprise tax payer, shall not be covered in subsequent taxation periods.

*[13 March 1997; 13 November 1997; 10 September 1998; 25 November 1999; 23 November 2000; 22 November 2001; 19 June 2003; 20 December 2004; 20 October 2005; 19 December 2006; 14 November 2008; 1 December 2009; 9 August 2010; 15 December 2011; 6 November 2013 /* Amendment regarding deletion of Paragraph nine shall be applicable starting from the taxation period which begins in 2017, and included in the wording of the Law as of 1 January 2017. *See Paragraph 116 of Transitional Provisions]*

**Section 14.1 Transfer of Losses to a Group of Undertakings**

[6 November 2013 / *See Paragraph 114 of Transitional Provisions]*

**Chapter III**

**Tax Rebates**

**Section 15. Application of Rebates**

(1) Any tax rebates provided by this Law shall be applied to taxes assessed in accordance with the requirements of Chapters I and II of this Law.

(2) If a taxpayer utilises enterprise income tax rebates in accordance with other laws of the Republic of Latvia, the tax rebates set out in this Chapter shall not be applied, except the rebate regarding taxes paid in foreign countries in accordance with Section 16 of this Law and the rebate for donors in accordance with Section 20.1 of this Law. Tax rebates in accordance with other Republic of Latvia laws shall be applied to the tax amount after the application of the rebates specified in Sections 16 and 20.1 of this Law.

(3) The enterprise income tax rebates in this Chapter, as well as those provided for in other laws shall not be applied to tonnage taxpayers.

(4) For a taxpayer who is entitled to apply one of the enterprise income tax rebates specified in this Law or other laws and has commenced to apply them, they shall be applicable in all taxation periods in sequence up to the taxation period when the taxpayer loses the right to apply rebates

*[25 November 1999; 23 November 2000; 22 November 2001; 19 June 2003; 20 October 2005; 4 February 2016]*

**Section 16. Tax Rebate Regarding Tax Paid in Foreign Countries**

(1) In accordance with the provisions of this Law an assessed tax may be reduced by an amount equivalent to the tax paid in foreign countries, if the payment of such tax in foreign countries has been certified by documents setting out the taxable income and amount of tax paid in foreign countries, confirmed by a foreign tax collection institution.

(2) The reduction referred to in Paragraph one of this Section may not exceed such amount as would be equivalent to the tax assessed in Latvia on income obtained in foreign countries.

(3) If, during a taxation period, a resident or a permanent representation obtains income in several foreign countries, the provisions of Paragraphs one and two of this Section shall be applied on an individual basis to the income obtained in each foreign state.

(4) If the income referred to in Paragraph one of this Section has been gained with the intermediation of one or several financial intermediaries, the payment of tax abroad may be certified by documents that confirm the payment of taxes from the public circulation income and that have been issued to the relevant financial intermediary by the tax collection authority of the European Union Member State or a state with which Latvia has entered into a convention on the prevention of imposition of double taxation and tax evasion or an agreement on the exchange of information regarding taxes, provided that the referred-to documents include identification of the respective securities the beneficial owner of which is a Latvian taxpayer. In such case the Latvian taxpayer shall submit to the State Revenue Service, together with the documents issued to the financial intermediary by the foreign tax collection authority, a written application in which the taxpayer confirms the payment of the tax abroad and agrees to pay the fines and late charges provided for in laws, if it is ascertained by exchange of information that the tax has not been paid in the foreign state.

(5) Paragraph one of this Section may be applied with regard to income gained with the intermediation of one or several financial intermediaries also on the basis of documents issued by a foreign financial intermediary of the European Union Member State or a state with which Latvia has entered into a convention on the prevention of imposition of double taxation and tax evasion or an agreement on the exchange of information regarding taxes, provided that such convention or agreement is in force, and which confirm the payment of the tax in the foreign state on the income from public circulation securities, provided that the referred-to documents include identification of the respective securities the beneficial owner of which is a Latvian taxpayer. In such case the Latvian taxpayer shall submit to the State Revenue Service, together with the documents issued by the financial intermediary, a written application in which the taxpayer confirms the payment of the tax in the foreign state and agrees to pay the fines and late charges provided for in laws, if it is ascertained by exchange of information that the tax has not been paid in the foreign state.

*[6 November 2013]*

**Section 17. Tax Rebate for Small Undertakings**

[1 January 2004 / *See Transitional Provisions]*

**Section 17.1 Tax Rebate for Investments Made Within the Scope of Supported Investment Projects**

[20 October 2005]

**Section 17.2 Tax Rebate for Initial Long-term Investments Made Within the Scope of Supported Investment Projects**

(1) A taxpayer has the right to apply a tax rebate to initial long-term investments made within the scope of a supported investment project:

1) in the amount of 25 per cent from the total initial amount of long-term investments up of 50 million euros;

2) in the amount of 15 per cent from the total initial amount of long-term investments for the part, from 50 million EUR up to 100 million EUR.

(11) The tax rebate specified in this Section shall not be applied for the part of the initial amount of long-term investments which exceeds 100 million EUR. A taxpayer may apply the tax rebate specified in this Section for the part of the initial amount of long-term investments which exceeds 100 million EUR, not more than in the amount of 11.9 per cent, if the Cabinet has taken a decision to support a project of investments to be supported and the European Commission has taken a decision on compatibility of the project of investments to be supported with the internal market of the European Union.

(12) If a taxpayer receives other State support in relation investments that are applied in the project of investments to be supported in addition to the support specified in this Section, the Cabinet shall determine maximum permissible per cent that may be reached by the tax rebate amount in respect of the initial long-term investment amount.

(13) A taxpayer may join the tax rebate for the project of investments to be supported with total initial long-term investments up to 50 million EUR in respect of the same initial long-term investments with other State aid, if it is received as a State or local government security, loan or direct payment from the State or local government budget (subsidies) or as *de minimis* aid, in conformity with the following conditions:

1) the Ministry of Economics is notified regarding the aid of other countries in accordance with the procedures stipulated by the Cabinet;

2) the tax rebate together with the aid of other countries does not exceed the maximum permissible intensity of the regional aid in the following amount:

a) 35 per cent of the total initial amount of long-term investments, if the taxpayer fails to comply with the criteria laid down in Annex I to Commission Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty (Text with EEA relevance) (hereinafter – Commission Regulation No 651/2014),

b) 45 per cent of the total initial amount of long-term investments, if the taxpayer complies with the medium-sized enterprise category laid down in Annex I to Commission Regulation No 651/2014,

c) 55 per cent of the total initial amount of long-term investments, if the taxpayer complies with the small enterprise category and micro enterprise category laid down in Annex I to Commission Regulation No 651/2014.

(14) A taxpayer may join the tax rebate for the project of investments to be supported with total initial long-term investments from 50 million EUR up to 100 million EUR in respect of the same initial long-term investments with other State aid, if it is received as a State or local government security, loan or direct payment from the State or local government budget (subsidies) or as *de minimis* aid, in conformity with the following conditions:

1) the Ministry of Economics is notified regarding the aid of other countries in accordance with the procedures stipulated by the Cabinet;

2) the tax rebate together with aid of other countries does not exceed 17.5 per cent of the total initial amount of long-term investments.

(15) A taxpayer may not join the tax rebate for a project of investments to be supported with total initial long-term investments which exceed 100 million EUR with the aid of other countries (regardless whether the aid is received from the State, local government or European Union funds) in respect of the same initial long-term investments.

(16) In determining the maximum permissible intensity of regional aid of the planned project of investments to be supported in respect of application of the tax rebate, all those initial long-term investments of the taxpayer (on the level of the linked enterprise group defined in Article 3(3) of Annex I to Commission Regulation 651/2014) shall be taken into account which are carried out during three taxation periods in the same level III region (unified investment project) of the Nomenclature of territorial units for statistics (NUTS) and for the performance of which the taxpayer has received or plans to receive the aid. Level III regions of NUTS shall be determined in conformity with Regulation (EC) No 1059/2003 of the European Parliament and of the Council of 26 May 2003 on the establishment of a common classification of territorial units for statistics (NUTS).

(2) Tax rebate shall be applied in the taxation period when the supported investment project has been completed.

(3) If tax calculated by the taxpayer in the taxation period is less than the calculated tax rebate, the taxpayer may reduce the tax calculated in the following taxation periods by the unused part of the tax rebate until the tax rebate is used fully, however, not more than in 16 subsequent taxation periods in chronological order.

(4) A taxpayer, which conforms to all the conditions referred to in this Paragraph, has the right to apply the tax rebate specified in this Section:

1) the taxpayer has made such initial long-term investments within the scope of the supported investment project, the total amount of which exceeds 10 million euros;

11) the taxpayer makes at least 25 per cent of initial long-term investments within the framework of a project of investments to be supported by using his or her own resources or external funding regarding which no State aid is received, including support as State or local government security or loan with preferential conditions;

2) the total amount of initial long-term investments is invested within five years counting from the day when the Ministry of Economics has received an application of the project of investments to be supported; If a taxpayer wishes to join the State aid – tax rebate – specified in this Law with other State aid for the performance of initial investments, the taxpayer shall commence a project of investments to be supported which is planned to be joined with other State aid only after all involved institutions have taken a decision on provision of aid to a project of investments to be supported;

3) the taxpayer has made initial long-term investments in any priority sector to be supported, referred to in Paragraph eight of this Section;

31) investments in buildings and structures do not exceed 40 per cent of the total amount of initial long-term investments;

4) initial long-term investments have been made in order to establish a new place of entrepreneurship, increase production or service capacity, commence production of such new produce which a taxpayer has not produced previously, or significantly change the production process;

41) assets which are related to significant change of production process conform to the requirements laid down in Article 14(7) of Commission Regulation No 651/2014;

5) the immovable property, in which long-term initial investments are made and used, is the property of the taxpayer or the taxpayer has long-term lease rights to the property (for at least 13 years after commencement of the project), and they have been registered in the Land Register. If the immovable property is leased from the State or a local government, long-term lease rights should exist for at least 12 years after commencement of the project;

6) a project of investments to be supported has been prepared. The Ministry of Economics has assessed the influence of the project of investments to be supported on national economy and the Cabinet has taken a decision to support the project of investments to be be supported on the basis of such evaluation. The Cabinet shall take a decision to support or to refuse a project of investments to be supported within three months from the day when the project of investments to be supported was received at the Ministry of Economics.

(41) The tax rebate laid down in this Section shall not be applied by the taxpayer, if implementation of a project of investments to be supported has been commenced before submission thereof to the Ministry of Economics. The day when construction works or when a project applicant undertakes the first equipment order obligations specified or other obligations which make the investment irreversible, except for purchase of land and such preparatory works as obtaining of permits and feasibility study, shall be regarded the day of commencement of implementation of the project of investments to be supported.

(5) The taxpayer who applies the tax rebate laid down in Paragraph one of this Section or reduces the tax amount in accordance with the procedures laid down in Paragraph three of this Section, shall not apply the reliefs laid down in Section 13, Paragraph one, Clause 9 and Paragraph 1.2 of this Law in relation to initial long-term investments made within the framework of the project of investments to be supported, and the tax rebates laid down in Sections 18 and 21, as well as the direct tax rebates laid down in the Law On the Application of Tax in Free Ports and Special Economic Zones.

(6) The tax rebate laid down in this Section shall not be applied if:

1) if the conditions of Article 1(2)(c) and (d) and (4)(a) and (c) of Commission Regulation No 651/2014 are fulfilled;

2) within two taxation periods before the taxation period in which the Cabinet has taken a decision to support a project of investments to be supported, a taxpayer has terminated the same or similar activities in the European Economic Area as defined in Article 2(50) of Commission Regulation No 651/2014, or the taxpayer has certain plans to terminate such activities within two taxation periods after the taxation period in which the long-term project of investments to be supported has been terminated;

3) in a taxation period for which the tax rebate is applied, the total amount of the tax debt on the last day of the taxation period exceeds 150 EUR, except tax payments, the due dates for payment of which have been extended in accordance with the Law On Taxes and Fees.

(61) In applying Paragraph six, Clause 1 of this Section, the undertaking in difficulties is such undertaking which conforms to the conditions of Article 2(18) of Commission Regulation 651/2014.

(7) Only such part of the value of purchase or establishment of fixed assets shall be included in the value of initial long-term investments, which conforms to the market price thereof, if transactions take place with the affiliated undertakings or persons affiliated with the undertaking.

(8) Within the meaning of this Section priority sectors to be supported are the types of economic activity, which have been specified in Regulation (EC) No 1893/2006 of the European Parliament and of the Council 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):

1) manufacture of food products (NACE C10);

2) manufacture of beverages (NACE C11);

3) manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials (NACE C16);

4) manufacture of chemicals and chemical products (NACE C20), except manufacture of man-made fibres (NACE C20.6);

5) manufacture of basic pharmaceutical products and pharmaceutical preparations (NACE C21);

6) manufacture of rubber and plastic products (NACE C22);

7) manufacture of basic metals (NACE C24), except manufacture of steel industrial products laid down in Article 2(43) of Commission Regulation 651/2014;

8) manufacture of fabricated metal products (NACE C25), except machinery and equipment, as well as manufacture of weapons and ammunition (NACE 25.4);

9) manufacture of computer, electronic and optical products (NACE C26);

10) manufacture of electrical equipment (NACE C27);

11) manufacture of machinery and equipment n.e.c. (NACE C28);

12) manufacture of motor vehicles, trailers and semi-trailers (NACE C29);

13) manufacture of other transport equipment (NACE C30), except building of ships and floating structures (NACE C30.11);

131) manufacture of furniture (NACE C31);

14) telecommunications (NACE J61);

15) computer programming, consultancy and related activities (NACE J62), except computer consultancy activities (NACE J62.02);

151) information service activities (NACE J63);

16) warehousing and support activities for transportation (NACE H52);

17) manufacture of textiles (NACE C13);

18) manufacture of wearing apparel (NACE C14);

19) manufacture of leather and related products (NACE C15);

20) manufacture of paper and paper products (NACE C17);

21) printing and reproduction of recorded media (NACE C18);

22) manufacture of coke and refined petroleum products (NACE C19);

23) manufacture of other non-metallic mineral products (NACE C23);

24) other manufacturing (NACE C32);

25) repair and installation of machinery and equipment (NACE C33).

(9) Buildings and structures, which have been purchased or established within the framework of a project of investments to be supported, as well as buildings and structures reconstructed or renovated within the framework of a project of investments to be supported, shall remain in the ownership of the taxpayer and shall not be transferred to another state, as well as shall be used in economic activity thereof for less than 10 taxation periods, technological equipment and machinery – for five taxation period, starting from the taxation period, in which the project of investments to be supported was completed.

(91) Vehicles which in accordance with the laws and regulations in the field of traffic are intended for the registration in the Road Traffic Safety Directorate or in the Register of Tractor-type Machinery of the State Technical Supervision Agency shall not be included in initial long-term investments.

(10) If any of the fixed assets included in initial long-term investments is alienated, transferred for use to another person or is not used for the provision of economic activity in the priority sector to be supported, or is transferred to another state before the expiry of the referred to time period, the taxpayer shall clarify the value of initial long-term investments and tax for the previous taxation periods. The taxpayer shall lose the right to apply the tax rebate specified in Paragraph one of this Section in the taxation period and subsequent taxation periods, as well as to reduce the tax calculated in the taxation period in accordance with Paragraph three of this Section for the tax rebate not used in the previous taxation periods, if the conditions referred to in Paragraph four, Clause 5 of this Section are violated or long-term investments, which were invested within the scope of the supported investment project and the total purchase or establishment value of which is 50 per cent or more from the amount of initial long-term investments specified in the investment project, are alienated, transferred for use to another person or are not used for the provision of economic activity in the priority sector to be supported before the expiry of the time period referred to in Paragraph nine of this Section.

(11) A tax rebate shall be applied in accordance with Section 1 "Regional aid" of Chapter III of Commission Regulation No 651/2014.

(12) The taxpayer is entitled to receive tax rebate not more than once in 10 taxation periods.

*[20 December 2010; 15 December 2011; 6 June 2013; 19 September 2013; 6 November 2013; 4 December 2014; 4 February 2016]*

**Section 18. Tax Rebate for Undertakings Carrying out Agricultural Activities**

(1) The tax rebate for a taxpayer carrying out agricultural activities shall be determined in a taxation year in the amount of 14.23 euros for each hectare of usable agricultural land.

(2) A taxpayer may apply the tax rebate laid down in this Section if the area of land used for agriculture has been declared and confirmed for the allocation of the single area payment in accordance with the laws and regulations regarding allocation of the State and European Union aid for agriculture within direct support scheme or if the taxpayer has, concurrently with a declaration, submitted a statement issued by the local government regarding the area of land, which is actually utilised for the production of agricultural produce, to the State Revenue Service.

(3) The tax rebate provided for by this Section does not apply to taxpayers submit false information concerning land utilisation to the State Revenue Service.

(4) Within the meaning of this Section agricultural activities are cultivation of plants, stock farming, inland water fish raising and horticulture.

*[20 October 2005; 1 November 2007; 19 September 2013; 6 November 2013]*

**Section 18.1 Tax Rebate for Undertakings Producing High Technology Products and Software Products**

[1 January 2004 / See Transitional Provisions]

**Section 19. The Cabinet shall determine the procedures for the issuance of Good Manufacturing Practice certificates for drug manufacturing undertakings.**

[20 October 2005]

**Section 20. Tax Rebate for Donors**

[16 June 2009]

**Section 20.1 Tax Rebate for Donors**

*[24 September 2009]*

(1) Tax shall be reduced for residents and permanent representations by 85 per cent of amounts donated to budget institutions, the State capital companies, which perform the State culture functions delegated by the Ministry of Culture, as well as societies and foundations registered in the Republic of Latvia, and religious organisations or the institutions thereof, to which the public benefit organisation status has been granted, or a non-governmental organisation registered in another Member State of the European Union or a State of the European Economic Area, with which Latvia has entered into a convention on the prevention of imposition of double taxation and tax evasion, if such a convention has entered into force, and which operates in the status comparable to the conditions of a public benefit organisation of Latvia in accordance with laws and regulations of the relevant Member State of the European Union or the State of the European Economic Area.

(2) The total tax rebate in accordance with the provisions of this Section may not exceed 20 per cent of the total amount of tax.

(3) The budget institutions, the State capital companies, which perform the State culture functions delegated by the Ministry of Culture, societies and foundations registered in the Republic of Latvia, and religious organisations or the institutions thereof referred to in Paragraph one of this Section, to which the public benefit organisation status has been granted in accordance with the Public Benefit Organisations Law, shall, by not later than 31 March of the post-taxation period, submit a public report regarding donors, the amounts donated by them and the use of donations received in the taxation year. If for a State capital company, which performs the State culture functions delegated by the Ministry of Culture, the annual report period does not coincide with the calendar year, the referred to capital company shall, within three months after the last day of the taxation period, provide a report regarding donors, the amounts donated by them and the use of donations received in the taxation year.

(4) The tax rebate shall not be applicable to payers whose total tax debt as of the first date of the second month of a taxation period exceeds 150 euros, except tax payments the payment terms of which have been extended in accordance with the Law On Taxes and Fees.

(5) If a taxpayer has violated the provisions of this Section or has concealed taxable income, the amount of tax shall be increased by the amount of such tax rebate.

(6) The property or financial means, which the payer, on the basis of a contract, transfers free of charge to a budget institution, the State capital company, which performs the State culture functions delegated by the Ministry of Culture, or a public benefit organisation (to which such status has been granted in accordance with the Public Benefit Organisations Law) to achieve the purposes specified in the articles of association, constitution or by-law thereof, shall be deemed to be a donation within the meaning of this Section if the recipient is not specified with a reciprocal duty to perform activities, which are deemed a consideration.

(7) A tax rebate in conformity with Paragraph one of this Section shall not be applied if at least one of the following conditions exists:

1) the purpose of the donation, which is specified by the recipient of the donation includes a direct or indirect indication to a concrete recipient of the donated means, which is an undertaking or a related party associated with the donor, or an employee of the donor or a family member of such employee, or

2) the recipient of the donation performs activities of a compensatory nature, which are directed directly or indirectly for the gaining of benefits for the donor, an undertaking associated with the donor, a related party or a relative of the donor up to the third degree or a spouse, or ensures the interests of the donor, which are not associated with philanthropy;

3) the resident and the permanent representation, which donates to a non-governmental organisation registered in a Member State of the European Union or a State of the European Economic Area, together with the declaration have not submitted such documents to the State Revenue Service, which confirm that:

a) the recipient of the donation is a resident of any Member State of the European Union or the State of the European Economic Area;

b) the recipient of the donation has a status comparable to the public benefit organisation in the state of residence;

c) the recipient of the donation is engaged in the field of public benefit, which provides a significant benefit to the society or any part thereof, particularly if it is directed towards charity, the protection of human rights and individual rights, the development of the civic society, the promotion of education, science, culture and health and the prevention of diseases, the support to sport, the environmental protection, the provision of aid in cases of catastrophes and emergency situations, the social welfare improvement of the society, particularly groups of poor and socially vulnerable persons;

d) at least 75 per cent of the amount donated by the payer are used for the purposes of public benefit.

*[24 September 2009; 20 December 2010; 6 November 2013 /* *See Paragraph 112 of Transitional Provisions]*

**Section 21. Special Tax Rebates**

Commercial companies comprising societies for the disabled or as are medical in nature, as well as other charitable fund capital companies shall, pursuant to a list submitted by the Cabinet and approved by the *Saeima*, be exempt from payment of tax if they transfer to the referred to funds (programmes, organisations) amounts exceeding the amounts of such tax assessed.

*[20 October 2005]*

**Chapter IV**

**Tax Estimate and Payment Procedures**

**Section 22. Drawing up a Declaration and Tax Payment**

(1) Taxpayers shall independently draw up a declaration, the form of which and completion procedures, in accordance with this Law, shall be approved by the Cabinet. The taxpayer shall submit such to the State Revenue Service. The declaration shall be submitted concurrently with the annual account within the time period laid down in the laws and regulations of the Republic of Latvia determining the procedures for drawing up annual accounts for the relevant subject.

(2) A taxpayer shall independently transfer to the State budget taxes assessed in accordance with a declaration, reduced in conformity with the tax rebates set out in Chapter III of this Law and as specified in other Republic of Latvia laws, and by advance payments made during the taxation year, within 15 days following the day annual accounts and the declaration are submitted.

(21) If the amount of the enterprise income tax calculated according to the declaration prior to covering of the loss of the pre-taxation period does not form or it is less than 50 euros, the taxpayer shall indicate in the declaration the tax payable into the budget in the amount of 50 euros, which shall be transferred into the budget within the time period laid down in Paragraph two of this Section. The amount of tax additionally payable into the budget according to this Paragraph shall not be considered overpaid tax.

(22) Paragraph 2.1 of this Section shall not apply provided that one of the following conditions is met:

1) the company is registered in the Register of Enterprises in the taxation period;

2) the process of liquidation of the company has been finished in the taxation period;

3) the taxpayer has made personal income tax or State compulsory social insurance contributions for an employee during the taxation period.

(3) [5 June 1996]

(4) The State Revenue Service shall apply overpayments of tax of the relevant taxation period to subsequent tax payments in discharge of tax debts of the taxpayer or repay to the taxpayer pursuant to its request within 30 days if Paragraphs 4.1 and 4.2 of this Section do not specify otherwise.

(41) The State Revenue Service has the right to delay the repayment of amounts of overpaid tax, informing the taxpayer in writing regarding this if in the period specified in Paragraph four of this Section a decision has been taken regarding the commencement of control (inspection audit) of the taxes to be paid by the taxpayer – up to the day when the tax administration has taken a decision regarding the validity of the overpayment.

(42) If the taxpayer has a State Revenue Service administered tax or other State specified payment debt, the State Revenue Service shall direct the amount of overpaid tax to cover the relevant tax or other State specified payment.

(43) Paragraph 4.2 of this Section shall not be applied if the payment time period of the tax debt has been extended by the Ministry of Finance or the State Revenue Service according to the procedures specified in the Law On Taxes and Fees and the obligations are fulfilled.

(5) [5 June 1996]

(6) A tonnage taxpayer shall independently compile the declaration referred to in Paragraph one of this Section and a tonnage declaration the form of which shall be approved by the Cabinet. The taxpayer shall, within the time period specified in Paragraph one of this Section submit both of the referred to declarations to the State Revenue Service and within the time period referred to in Paragraph two of this Section pay into the State budget the enterprise income tax including tonnage tax.

(7) The difference between the tonnage tax calculated for the taxation period and the tonnage tax amount paid in as advance payments on the basis of estimates, which exceeds 20 per cent of the calculated tonnage tax amount shall be increased by the late fees which are calculated in accordance with the Law On Taxes and Fees. The part, which exceeds the difference between the calculated tonnage tax and the advance payment made, shall be divided respectively between the time periods for performance of the advance payments.

(8) Agricultural services co-operative societies and forestry services co-operative societies that conform to the determined compliance criteria, apartment owner’s co-operative societies, motor vehicle garage owner’s co-operative societies, boat garage owner’s co-operative societies and horticultural co-operative societies shall submit a declaration regarding the division of the surplus to members and the amount of the divided surplus for each member.

(81) Members of an agricultural services co-operative society and forestry services co-operative society that conform to the criteria laid down in laws and regulations, on the basis of the declaration of the referred-to societies regarding the taxable surplus distributed to the members of the society, shall include in their declaration the part of the income taxable with the enterprise income tax, which is attributable to them, by respectively adjusting the taxable income.

(9) A partnership shall prepare and submit to the State Revenue Service a declaration in respect of the relevant taxation period, indicating also information therein regarding the size of the investment part of the partnership owned by each member, regarding the part of taxable income or attributable losses due to each member and regarding the part of taxable income due to a member of the partnership – a natural person – which is determined in Section 2, Paragraph 3.3 of this Law.

(10) The members of a partnership – residents and permanent representations, on the basis of the partnership declaration, shall include the part of income taxable with enterprise income tax or losses of the partnership attributed to him or her in his or her declaration, adjusting the taxable income accordingly. If the taxation period of the partnership does not coincide with the taxation period of its member, the member of the partnership shall include the part of the income or loss taxable with the enterprise income tax, which is attributable to him or her, in the declaration for the taxation period in which the taxation period of the partnership ends.

(11) The norms of this Section shall not be applicable to a limited liability company, an individual undertaking, as well as a farm or fish holding, which has been registered as the micro-enterprise tax payer.

(12) A taxpayer – non-resident – may submit the tax calculation statement to the State Revenue Service in accordance with Section 3, Paragraph 4.8 of this Law not later than within 12 months after the date of the transaction.

(13) The Cabinet shall determine the procedures by which the State Revenue Service shall receive and review the tax calculation statement and refund the tax, as well as determine the documents to be submitted together with the statement.

*[5 June 1996; 10 September 1998; 22 November 2001; 19 June 2003; 20 December 2004; 20 October 2005; 19 December 2006; 1 December 2009; 9 August 2010; 6 November 2013; 17 December 2014; 4 February 2016 /* *See Paragraphs 113, 114 and 125 of Transitional Provisions]*

**Section 23. Advance Payments of Tax**

(1) During a taxation year taxpayers shall, by (including) the 15th date of each month, make the following advance payments of tax into the State budget:

1) for each month from the first month of the taxation period until (including) the month when the annual account of the undertaking is submitted, however, not later than by the month when the annual account of the undertaking must be submitted in accordance with the laws and regulations of the Republic of Latvia determining the procedures for drawing up annual accounts for the relevant subject – an amount corresponding to one-twelfth of the calculated tax which, without applying the rebate specified in Section 20.1 of this Law, is calculated for the taxation period before pre-taxation period and is adjusted by the general consumer price index of the pre-taxation year determined by the Central Statistical Bureau or the general consumer price index in the pre-taxation period that has been calculated by multiplying monthly consumer price indices of the pre-taxation period determined by the Central Statistical Bureau, if the taxation period does not coincide with the calendar year;

2) for each month in the remainder of the taxation period: an amount, which has been determined by dividing the difference between the tax amount of the pre-taxation period (which has been adjusted by the general consumer price index of the pre-taxation year determined by the Central Statistics Bureau or the general consumer price index in the pre-taxation period that has been calculated by multiplying monthly consumer price indices of the pre-taxation period determined by the Central Statistics Bureau, if the taxation period does not coincide with the calendar year) and the tax amount paid in accordance with Clause one of this Paragraph by the remaining number of months from the month annual accounts are submitted until the end of the taxation period. In determining the tax amount of the pre-taxation period, the rebate specified in Section 20.1 of this Law shall not be taken into account.

(11) The State Revenue Service, pursuant to an application submitted by the taxpayer and wherein grounds are set out, may, beginning with the month when the State Revenue Service has received the application of the payer, determine another amount for advance payments of tax in the following cases:

1) if the net turnover of the payer has substantially decreased in comparison with the relevant time period of the pre-taxation period, as well as when its further decrease is foreseen – advance payments of tax for the remaining months of the taxation period shall be determined by multiplying the net turnover of the previous month by the product obtained by dividing the calculated tax (which has been calculated without applying the tax rebates provided for by Sections 17, 18.1, 19 and 20.1 of this Law) by the net turnover of the pre-taxation period;

2) if the type of activity or the structure of income or expenses of the payer have substantially changed or the amount of profit has decreased – advance payments of tax for the remaining months of the taxation period shall be determined in equal amounts, taking into account the justified calculation submitted by the payer. The difference between the tax calculated in the taxation period and the amount of the advance payment of tax made by the taxpayer on the basis of estimates, which exceeds 20 per cent of the calculated tax amount, shall be increased by the late fees which are calculated in accordance with the Law On Taxes and Fees. The part, which exceeds the difference between the calculated tax and the advance payment made, shall be divided respectively between the time periods for performance of the advance payments;

3) if for the payer in the pre-taxation period has been specified smaller advance payments in conformity with Clause 1 or 2 of this Paragraph and in the taxation period also no increase in future turnover is forecast, then up to the month in which the annual accounts of the undertaking is submitted, reduced advance payments may be specified in accordance with method specified in the pre-taxation period or in conformity with another method specified in this Section.

(12) Advance payments of enterprise income tax need not be made in months in which economic activity has been suspended, if the submission regarding suspension of economic activity has been submitted to the State Revenue Service.

(2) Taxpayers that have operated only for an incomplete pre-taxation period shall adjust the tax amount calculated in accordance with the first sentence of Paragraph one, Clause 2 of this Section, dividing it by the number of months of operation and multiplying by 12. Taxpayers that have operated for an incomplete period before the pre-taxation period shall carry out such adjustment in respect of the tax amount calculated in accordance with Paragraph one, Clause 1 of this Section.

(3) [4 February 2016]

(31) In determining enterprise income tax payments, the tax rebates provided for the taxation period in accordance with the Law On the Application of Taxes in Free Ports and Special Economic Zones shall be taken into account. If the payer, during the taxation period, loses the right to tax rebates in accordance with the referred to law, the amount of reductions in advance payments that has been calculated as the difference between the amount of advance payments pursuant to the provisions of Paragraph one or Paragraph 1.1 of this Section and the amount of advance payments that has been determined by taking into account the tax rebates pursuant to the referred to laws shall be considered to be a late tax payment pursuant to the Law On Taxes and Fees.

(4) [20 October 2005]

(5) Taxpayers whose monthly advance payments in accordance with Paragraph one of this Section have not exceeded 711 euros in the pre-taxation periods may make advance payments once every quarter – by the 15th date of the successive month of the current quarter.

(6) Taxpayers that carry out agricultural activities and derive 90 per cent of the income of the period from sales of farming production and agricultural services, shall make advance payments of tax voluntarily.

(7) Late charges for failure to, in good time, transfer the payments referred to in Sections 22 and 23 of this Law to the State budget, taxpayers shall be calculated in accordance with the Law On Taxes and Fees.

(8) A newly formed taxpayer and a taxpayer, which was registered as the micro-enterprise tax payer in the pre-taxation period, may make advance payments for the first taxation period and the time period until the submission of the annual account voluntarily.

(9) In regard to taxpayers that are expressly seasonal regarding operations, the State Revenue Service shall determine, if there is an application and grounds provided therefore by the payer, other procedures for advance payments of taxes in accordance with the division of income of such taxpayer by advance payment periods.

(10) [6 November 2013]

(11) A tonnage tax payer shall, by the 15th date of every month, make tonnage tax advance payments to the amount of one twelfth of the amount of tonnage tax provided for in the taxation period in conformity with the tonnage tax estimates of the taxpayer.

(12) A limited liability company, an individual undertaking, as well as a farm or fish holding, which has been registered as the micro-enterprise tax payer, shall not make advance payments.

(13) Agricultural services co-operative societies that have applied for the status of the compliant agricultural services co-operative society, as well as forestry services co-operative societies that have applied for the status of the compliant forestry services co-operative society may make advance payments of the enterprise income tax on a voluntary basis.

*[5 June 1996; 13 March 1997; 25 November 1999; 22 November 2001; 19 June 2003; 20 October 2005; 19 December 2006; 1 November 2007; 16 June 2009; 24 September 2009; 1 December 2009; 9 August 2010; 15 December 2011; 19 September 2013; 6 November 2013; 4 February 2016]*

**Section 24. Deduction of Tax and Provision of Information**

(1) A taxpayer paying the amounts referred to in Section 3, Paragraphs four, eight or 8,2 and Section 12, Paragraph three of this Law, shall deduct tax at the time of payment and pay such into the State budget no later than by the 15th date of the next month. The tax to be deducted shall be calculated by multiplying the tax rate by the amount to be paid if it is not specified otherwise in Paragraphs 1.1 and 1.2 of this Section.

(11) A partnership shall deduct income tax from the partnership income share, to which members – non-residents of the partnership are entitled and taxable with the tax, applying to the enterprise income tax payer the rate specified in this Law or to a personal income tax payer the rate specified in the Law On Personal Income Tax, and paying such tax into the budget within 15 days after the submission of the partnership declaration.

(12) [15 December 2011]

A taxpayer has a duty to provide information to the State Revenue Service regarding the amounts disbursed to non-residents, and also the tax deducted from the amounts disbursed to non-residents, complying with the laws and regulations laying down the procedures for providing information regarding payments made to non-residents, and also the tax deducted from the amounts disbursed to non-residents.

*[29 February 1996; 25 November 1999; 20 December 2004; 12 June 2009; 15 December 2011; 6 November 2013; 4 February 2016 /* *See Paragraph 128 of Transitional Provisions]*

**Section 25. Commencement and Termination of Tax Payments**

(1) If during a taxation year a taxpayer – irrespective of whether the payer is a resident or not – must commence payment of tax for the first time in accordance with the requirements of this Law, such is applicable only to the period from the time the relevant payer is to commence payment of tax until the end of the year.

(2) If during a taxation year a taxpayer – irrespective of whether the payer is a resident or not – terminates payment of tax in accordance with the requirements of this Law, such is applicable only to the period from the beginning of the year until the time the relevant payer terminates payment of such tax, and the liability of the payer remains in effect in respect of all the provisions of this Law in regard to such period.

(3) In the case of transfer of legal address, a European commercial company or European co-operative society shall commence to pay taxes from the day when it is registered in Latvia, and shall terminate on the day when it has finished the transfer of legal address, and registers this fact in a new, appropriate to its legal address, register in another Member State of the European Union.

(4) A micro-enterprise taxpayer, which by December 15 of pre-taxation year has submitted a submission to the State Revenue Service regarding termination of the status of the micro-enterprise taxpayer, shall start paying the enterprise income tax in the taxation year in accordance with the requirements of this Law.

*[20 October 2005; 20 December 2010]*

**Section 26. Liability**

(1) The liability provided for in the Law On Taxes and Fees and other laws and regulations of the Republic of Latvia determining administrative and criminal liability is applicable to infringements of this Law, and also to infringements in regard to conducting of accounting as laid down in the Law On Accounting and the laws and regulations of the Republic of Latvia determining the procedures for drawing up annual accounts for the relevant subject, if it results in reduction of taxable income.

(2) If a payer of an amount has not deducted and paid tax into the budget within the time period prescribed by Section 24, Paragraphs one and 1.1 of this Law, the payer is liable therefor in accordance with the Law On Taxes and Fees and other laws and regulations, which determine administrative and criminal liability.

*[25 November 1999; 20 December 2004; 20 October 2005; 19 December 2006; 4 February 2016]*

**Section 26.1 Prevention of Tax Avoidance**

(1) Section 6, Paragraphs fourteen and fifteen; Section 13, Paragraph 3.1 and Section 14, Paragraph 1.2 of this Law shall not be applicable if it is determined that the main aim of the transfer of legal address or one of the main aims is to not pay taxes or to avoid the payment of taxes.

(2) If the transfer of legal address is not performed due to a justifiable commercial reason, this may lead to an assumption that the main aim of the relevant activity or one of the main aims is to not pay taxes or to avoid the payment of taxes.

*[20 October 2005]*

**Section 27. Procedures for the Application of Individual Provisions of this Law**

For the application of specific norms of this Law the Cabinet shall determine:

1) the application of the terms used in this Law for the calculation of enterprise income tax;

2) the procedures for the specification of taxable income, taking into account various situations and the restrictions referred to in the Law and other conditions, which in a concrete situation impact upon the amount of taxable income;

3) the procedures for providing information regarding payments made to non-residents, and also regarding the tax deducted from the amounts to be disbursed to non-residents;

4) special conditions for the correcting of taxable income for inland undertakings, non-resident permanent representations if they perform transactions with persons who are located, are established or founded in low tax or no-tax states or territories;

5) procedures for the exemption from the withholding taxes for payments, which a Latvian inland undertaking or non-resident permanent representation pays out to a person who is located, are established or founded in low tax or no-tax states or territories;

6) the methods to be used for the specification of the true value of transactions and procedures if the transaction has occurred between affiliated undertakings;

7) the methodology for the specification of tax advance payments;

8) the illustration of the practical application of the norms of the Law in required situations and examples of calculations;

9) the procedures by which the State capital companies, which perform the State culture functions delegated by the Ministry of Culture, shall register the received donations, provide public report regarding donors, the amounts donated by them and utilisation of the received donations and the information to be included in such report, as well as the measures to be taken if the donation has not been used for the public, especially for satisfying the need for culture of needy and socially vulnerable groups of persons, or for creation of a concert or opera performance;

10) the procedures for submitting and assessing an application for investments project for obtaining the status of a project of investments to be supported, for applying the conditions for application and joining of tax rebate with other aid, as well as for providing information regarding implementation of a project to the Ministry of Economics;

11) the form of the statement referred to in Section 3, Paragraph 4.8 of this Law and the procedures for the submission thereof;

12) the requirements of the conformity and assessment of research and development activities, the requirements for the project documentation, the procedures for the recording of research and development expenses, as well as the conformity and assessment requirements.

*[20 October 2005; 15 October 2009; 20 December 2010; 15 December 2011, 6 November 2013; 4 December 2014; 4 February 2016 /* *See Paragraph 128 of Transitional Provisions]*

**Transitional Provisions**

1. This Law is applicable to calculation of enterprise income tax commencing as of 1 January 1995.

2. Tax that must be deducted in accordance with Section 3, Paragraph four and Section 12, Paragraph three of this Law from payments to non-residents and affiliated undertakings, shall be deducted, from payments made, commencing as of 1 April 1995. In determining the taxable income of the taxation year in respect of payments to non-residents and affiliated undertakings made within the time period from 1 January to 31 March 1995, the provisions of Section 6, Paragraph one, Clause 4 need not be taken into account.

3. Tax shall not be imposed on dividends paid to non-residents and affiliated undertakings in regard to income obtained in the period up to 31 December 1994.

4. Depreciation of fixed assets acquired or set up by 31 December of 1994 shall be calculated, for the purpose of determining taxable income, according to their remaining balance sheet value as of 1 January 1995, taking into account the requirements of Section 13, Paragraph three of this Law.

5. Intangible investments that have been set up by 31 December 1994 shall be written off within a five-year period from the date when they were set up, except investments as, in accordance with the provisions of Section 13, Paragraph four of this Law, are not to be written off. Taxable income of 1995 and subsequent years shall be increased by the value of such investments as has not been written off – in each year by the amount corresponding to the value of such investments to be written off.

6. In 1995 – 1996, taxable income may be reduced by losses caused to an undertaking up to 31 December 1994 and calculated in accordance with Section 22 of the Law On Profit Tax, if such losses have been recorded in a calculation (account) of profits tax for 1994. Losses for 1993 may be covered not later than in 1995.

7. Profit tax debts or, if there are no such debts, enterprise income tax shall be reduced by the amount of the losses that have resulted from the fulfilment of State procurement and introduction of the Latvian rouble in 1992, as have been proven by documentary evidence and have not been compensated from the State budget of 1994 or prior years. These losses shall be calculated in accordance with the procedures prescribed by the Cabinet. The provisions of this Clause do not apply to amounts calculated as an increase in principal debt and late charges as may be reduced only in accordance with the procedures prescribed in the Law On Taxes and Fees.

8. Payers shall, in regard 1995 and January to April of 1996, make advance payments in the amount of 0.75 per cent of the net turnover (credit institutions and insurance companies – of the income from ordinary activity) and other income in the preceding calendar month unless otherwise provided by these Transitional Provisions.

Undertakings (companies), which have paid lottery and gambling taxes and fees in 1995, shall not make advance payments from January to July (inclusive).

9. Undertakings which have submitted an account regarding payments of profit tax within the first nine months of 1994 and have presented losses in such account, need not make advance payments regarding January – April of 1995.

If losses are presented in the account of an undertaking for 1994, advance payments for 1995 need not be made, except the cases referred to in Clause 10 of these Transitional Provisions.

10. State and local government undertakings and companies in which the share of the State (local government) in participatory capital exceeds 50 per cent and other payers whose balance sheet assets total, as of 31 December 1994, comprises 1 million lats or more or the net turnover in 1994 comprises 2.5 million lats or more, shall submit accounts and a declaration regarding the first half of 1995 no later than by 31 July 1995 and shall make advance payments from August to December of 1995 for the remaining months, as well as from January to April of 1996 in the following way:

1) if the undertaking has obtained taxable income in the first half of 1995, the advance payments for each remaining month and for January to April of 1996 shall be equivalent to one fifth of two times the declared tax amount for the first half of 1995, from which the actual advance payments made within the seven months of 1995 shall be deducted, including advance payments of profit tax for 1995;

2) if the undertaking has not obtained taxable income in the first half of 1995, advance payments need not made in August, September, October, November, December of 1995 and in January of 1996. The annual account for 1995 and an enterprise income tax declaration must be drawn up by such taxpayers and submitted to the State Revenue Service by February 1996 and the advance payments for February to April 1996 must be made in the amount of one twelfth of the tax amount for 1995. Such taxpayers shall retain the right within the time periods provided for in Section 22 of this Law to submit an adjusted annual account and an adjusted declaration, however, if the advance payments from February to April of 1996 have been reduced in conformity with the adjusted declaration, the taxpayer shall pay the late charges laid down in the Law On Taxes and Fees for the part of the amount reduced;

3) the advance payments of tax may also be made in accordance with such procedures by other taxpayers not referred to in this Clause, if they submit half-yearly accounts and a half-yearly declaration.

11. [6 November 2013]Advance payments of profits tax made in 1995 shall be taken into account in calculating enterprise income tax for 1995, but for the taxpayers referred to in Clause 12 of these Transitional Provisions – with regard to personal income tax for 1995.

12. With respect to payers of profits tax, who in conformity with the provisions of Section 2, Paragraph four of this Law from the date of coming into force of this Law become personal income tax payers:

a) they shall register by 1 May 1995 with local governments according to their location (legal address) as personal income tax payers;

b) they shall make advance payments of personal income tax in accordance with the Law On Personal Income Tax commencing as of the second quarter of 1995;

c) advance payments of profits tax made for 1995 shall be taken into account in calculating total personal income tax for 1995.

13. Norms of this Law, the execution of which is regulated by Cabinet regulations, may not be applied until the relevant Cabinet regulations have come into force.

14. Paragraphs eight, nine and ten of Section 6 of this Law are not applicable to loans made before the coming into force of this Law unless they are extended after the coming into force of this Law.

15. Upon this Law entering into force the following shall be repealed:

1) the Law On Profits Tax (*Latvijas Republikas Augstākās Padomes un Valdības Ziņotājs*, 1991, No. 3/4, 37/38; 1992, No. 18/19, 27/28; 29/31; 1993, No. 16/17; *Latvijas Republikas Saeimas un Ministru Kabineta Ziņotājs*, 1994, No. 2, 12), however, the liability of payers of this tax pursuant to all norms of such Law shall remain in effect for the period up to the day the Law On Enterprise Income Tax comes into force;

2) the 20 December 1990 decision of the Supreme Council of the Republic of Latvia On the Procedures for the Coming into Force of the Republic of Latvia Law On Profits Tax (*Latvijas Republikas Augstākās Padomes un Valdības Ziņotājs*, 1991, No. 3/4);

3) the 23 January 1991 decision of the Supreme Council of the Republic of Latvia On the Exemption of Some Undertakings of the Production Association LITTA from Profits Tax Payments (*Latvijas Republikas Augstākās Padomes un Valdības Ziņotājs*, 1991, No. 9/10);

4) the 4 September 1991 decision of the Supreme Council of the Republic of Latvia On the Procedures for Coming into Force of the Law of the Republic of Latvia On Amendments and Supplements to the Law of the Republic of Latvia On Profits Tax (*Latvijas Republikas Augstākās Padomes un Valdības Ziņotājs*, 1991; No. 37/38);

5) the 12 November 1991 decision of the Supreme Council of the Republic of Latvia On Profits Tax Relief for Undertakings (*Latvijas Republikas Augstākās Padomes un Valdības Ziņotājs*, 1991, No. 47/48);

6) the 15 April 1992 decision of the Supreme Council of the Republic of Latvia On the Procedures for Coming into Force of the Law of the Republic of Latvia On Additions to the 20 December 1990 Law of the Republic of Latvia On Profits Tax (*Latvijas Republikas Augstākās Padomes un Valdības Ziņotājs*, 1992; No. 18/19);

7) the 16 June 1992 decision of the Supreme Council of the Republic of Latvia On the Procedures for Coming into Force of the Law of the Republic of Latvia On Amendments and Additions to the 20 December 1990 Law of the Republic of Latvia On Profits Tax (*Latvijas Republikas Augstākās Padomes un Valdības Ziņotājs*, 1992; No. 27/28);

8) the 11 July 1992 decision of the Supreme Council of the Republic of Latvia On the Procedures for Coming into Force of the Law of the Republic of Latvia On Amendments to the 20 December 1990 Law of the Republic of Latvia On Profits Tax (*Latvijas Republikas Augstākās Padomes un Valdības Ziņotājs*, 1992; No. 29/31);

9) the 2 December 1992 decision of the Supreme Council of the Republic of Latvia On Additions to the 15 April 1992 Decision of the Supreme Council of the Republic of Latvia On the Procedures for Coming into Force of the Law of the Republic of Latvia On Additions to the 20 December 1990 Law of the Republic of Latvia On Profits Tax (*Latvijas Republikas Augstākās Padomes un Valdības Ziņotājs*, 1992; No. 51/52);

10) the 31 October 1991 decision of the Presidium of the Supreme Council of the Republic of Latvia On the Application of Section 8 of the 4 September 1991 Law of the Republic of Latvia On Amendments and Additions to the 20 December 1990 Law of the Republic of Latvia On Profits Tax and Clause 2 of the 4 September 1991 decision of the Supreme Council of the Republic of Latvia On the Procedures for Coming into Force of the Law of the Republic of Latvia On Profits Tax.

16. The norms of Section 8.1 shall apply to special reserves established in the years from 1999 to 2007.

*[4 February 1999; 1 November 2007]*

17. Section 6, Paragraph 5.1, the amendments to Section 11, Section 13, Paragraph one, Clause 1, Section 14, Paragraph three and Section 23, Paragraph 3.1 shall apply commencing as of the taxation period of 1999.

*[25 November 1999]*

18. The taxation period in which securities which are in public circulation in accordance with the Law On Securities are sold and which the tax payer – a domestic undertaking or permanent representation – has acquired up to 1 January 2001, its taxable income shall be increased by the expenditures in all the previous taxation periods which are related to the acquisition of the referred to securities.

*[23 November 2000]*

19. The amendments to Section 14 of this Law are applicable to losses that have occurred after 1 January 2001.

*[23 November 2000]*

20. Cabinet Regulation No. 367 of 24 September 1996, Procedures for the Granting or Cancelling of Permits to Receive Donations, Donors Receiving Enterprise Income Tax Relief to Public Organisations (Funds), Religious Organisations and Budget Institutions, issued pursuant to Section 20 of this Law shall be in force up to the date of the coming into force of the relevant Cabinet regulations, but not longer than until 1 July 2001, insofar as they are not in contradiction with this Law.

*[23 November 2000]*

21. The amendments to Section 18.1, Clause 2 of this Law shall be applied to the calculation of enterprise income tax commencing with 1 January 2001.

*[08 February 2001]*

22. The Cabinet shall by 1 May 2001 determine the procedures as to how Good Manufacturing Practices certificates shall be issued to drug manufacturing undertakings.

*[8 February 2001]*

23. The amendments to Section 3, Paragraphs one, two, three, eight and ten of this Law shall come into force on 1 January 2004. In the time period from 1 January 2002 up to 31 December 2003, the taxpayers to whom the tax relief specified in Section 17.1 or 18.1 of this Law or in other laws is not applied, the rate of tax shall be determined in the following order:

1) from 1 January 2002 the rate of tax is 22 per cent and this rate shall be applied by calculating the tax for the taxation period which begins in the year 2002;

2) from 1 January 2003 the rate of tax is 19 per cent and this rate shall be applied by calculating the tax for the taxation period commencing in the year 2003.

*[22 November 2001]*

24. In calculating the advance payments according to the procedures laid down in this Law, the advance payments referred to in Paragraph 23 of these Transitional Provisions, which are calculated in respect of the taxation period that commences:

1) in 2002, shall have a co-efficient of 0.9 applied;

2) in 2003, shall have a co-efficient of 0.9 applied;

3) in 2004, shall have a co-efficient of 0.8 applied.

*[22 November 2001]*

25. Sections 17 and 18.1 of this Law are in force until 31 December 2003.

*[22 November 2001]*

26. Undertakings that utilise the tax relief specified in Section 17.1 or 18.1 of this Law shall, during the time of utilisation of this relief, calculate and pay tax applying a 25 per cent rate.

*[22 November 2001; 15 December 2011]*

27. The Cabinet shall by 1 July 2002 issue regulations for the application of Section 2.1, Paragraph two and Section 22, Paragraph six of this Law

*[22 November 2001]*

28. The amendments to Section 6, Paragraph one, Clause 7 and Section 14, Paragraph eight of this Law shall be applied to losses from such sale of securities as are in public circulation in accordance with the Law On Securities or the Financial Instrument Market Law and which were caused after 1 January 2001.

*[22 November 2001; 20 December 2004]*

29. The coefficients laid down in Section 6.1, Paragraph three shall be applied starting from the taxation period commencing in 2004. Until 2004 the abovementioned coefficients shall be applied in the amount laid down hereinafter:

1) in the taxation period that commences in 2002, the following income coefficients shall be applied:

a) 0.0016 – tonnage from 100 to 1000 tonnage units;

b) 0.0013 – tonnage from 1001 to 10 000 tonnage units for tonnage that exceeds 1000 tonnage units;

c) 0.0010 – tonnage from 10 001 to 25 000 tonnage units for tonnage that exceeds 10 000 tonnage units;

d) 0.0007 – tonnage over 25 000 for tonnage that exceeds 25 000 tonnage units;

2) in the taxation period that commences in 2003, the following income coefficients shall be applied:

a) 0.0018 – tonnage from 100 to 1000 tonnage units;

b) 0.0015 – tonnage from 1001 to 10 000 tonnage units for tonnage that exceeds 1000 tonnage units;

c) 0.0012 – tonnage from 10 001 to 25 000 tonnage units for tonnage that exceeds 10 000 tonnage units;

d) 0.0007 – tonnage over 25 000 for tonnage that exceeds 25 000 tonnage units.

*[22 November 2001]*

30. A domestic undertaking (company), which in 2002 has submitted to the State Revenue Service an application for the granting of tonnage taxpayer status for the taxation period that commences in 2002, is entitled from the day of submission of the application not to make any enterprise income tax advance payments in respect of the taxation period for which an application has been submitted, as well as advance payments in the post-taxation period from the first month up to the month in which the undertaking's annual accounts are submitted.

*[22 November 2001]*

31. A domestic undertaking (company) for which, on the basis of an application submitted in 2002 for the granting of tonnage taxpayer status, the State Revenue Service has granted in 2002 tonnage taxpayer status, shall, in the next month which follows the day of the taking of the relevant decision, commence the payment of tonnage tax advance payments, dividing the amount of tonnage tax anticipated for the taxation period by the payment time periods that are left to the end of the taxation period.

*[22 November 2001]*

32. If the domestic undertaking (company) has submitted in 2002 an application for the granting of tonnage taxpayer status, but this status is not granted, then the enterprise income tax advance payments not made by this undertaking (company) shall, from the day of the submission of the application up to the day the decision was taken shall be deemed to be late tax payments in accordance with the Law On Taxes and Fees.

*[22 November 2001]*

33. Paragraph 30 of these Transitional Provisions shall not be applied to taxpayers that have late tax payments for the previous taxation period.

*[22 November 2001]*

34. A special law shall specify the coming into force of Section 1, Paragraph nineteen, Clauses 1 and 3 of this Law.

*[19 June 2003]*

35. A special law shall lay down the coming into force of Section 3, Paragraph four, Clause 1 and Paragraph 4.1 of this Law.

*[19 June 2003]*

36. A special law shall specify the coming into force of Sections 6.2 and 6.3 of this Law in relation to shareholders and companies, which are residents of other Member States of the European Union.

*[19 June 2003]*

37. In respect of interest payments which have occurred up to 31 December 2002 and which the undertaking is entitled to carry over in conformity with the text of Section 6, Paragraph eight of this Law, which was in force up to the moment when the amendments to this Paragraph of this Section in relation to the deletion of this Paragraph (hereinafter – accumulated interest payment amount), an undertaking is entitled to reduce taxable income during the next five taxation periods, in each taxation period reducing the taxable income by 20 per cent of the accumulated interest payment amount.

*[19 June 2003]*

38. A taxpayer shall, together with the declaration for the 2003 taxation period, submit information regarding the accumulated interest payment amount.

*[19 June 2003]*

39. [1 December 2009]

40. Amendments to Section 2, Paragraph three; Section 6, Paragraph one, Clause 11, amendments to Section 6, Paragraphs eight, nine and ten (in relation to the deletion of this paragraph); Section 6.4, and amendments to Section 15, Paragraph two; Section 22 and Section 23, Paragraph 3.1 of this Law shall be applied with the taxation period commencing 2003.

*[19 June 2003]*

41. Section 1, Paragraphs fourteen, fifteen, sixteen, seventeen, eighteen, nineteen (except for the case stipulated in Paragraph 34 of these Transitional Provisions), twenty and twenty-one; Sections 6.2 and 6.3 (except for the case stipulated in Paragraph 36 of these Transitional Provisions); Section 8.1, Paragraph 5.1; Section 14, Paragraphs 8.1 and 11.1, and amendments to Section 14, Paragraph fourteen (in relation to the deletion of this Paragraph) and Paragraph fifteen of this Law shall be applied from the taxation period commencing in 2004.

*[19 June 2003]*

42. The Cabinet shall, by 31 December 2003, issue the regulations provided for in Section 13, Paragraph one, Clause 9 and Section 14, Paragraph six of this law.

*[19 June 2003]*

43. Amendments to Section 6, Paragraph four, Clause 1, which are associated with a State fee for the organisation of lotteries, shall come into force at the same time as the coming into force of the Goods and Services Lotteries Law.

*[19 June 2003]*

44. The norms of this Law, which regulate the specification of partnership taxable income and payment of tax applies also to business partnerships, but the norms, which regulate the application of tax to capital companies – also to incorporated companies.

*[20 December 2004]*

45. [17 May 2007]

46. Amendments to Section 3, Paragraph four, Clause 3 of this Law shall come into force on 1 July 2013. Up to 30 June 2009, interest payments for companies associated with a Member State of the European Union or the permanent representations thereof shall apply the tax rates specified in Section 3, Paragraph four, Clause 3 of this Law, but from 1 July 2009 to 30 June 2013 – 5 per cent interest rate for all the interest payments specified in Section 3, Paragraph four, Clause 3 of this Law for companies associated with a Member State of the European Union or the permanent representations thereof.

*[20 December 2004]*

47. Amendments to Section 3, Paragraph four, Clause 4 of this Law shall come into force on 1 July 2013. Up to 30 June 2013 the tax rate to be paid by a company associated with Member States of the European Union or its permanent representation shall be:

1) for the intellectual property referred to in Section 3, Paragraph four, Clause 4, Sub-clause “a” of this Law:

a) up to 30 June 2005 – 15 per cent,

b) from 1 July 2005 to 30 June 2009 – 10 per cent,

c) from 1 July 2009 to 30 June 2013 – 5 per cent;

2) for the intellectual property referred to in Section 3, Paragraph four, Clause 4, Sub-clause “b” of this Law – 5 per cent.

*[20 December 2004]*

47.1 Until 1 July 2013, the provision of Section 3, Paragraph twelve of this Law for the withholding of tax from interest payments and payments for intellectual property shall be applied in conformity with the conditions prescribed in accordance with Paragraphs 46 and 47 of these Transitional Provisions.

*[14 November 2008]*

48. Section 3, Paragraphs 4.3 and 4.4 of this Law shall come into force on 1 July 2005.

*[20 December 2004]*

49. Section 6, Paragraph one, Clause 12 of this Law shall be applied in the taxation period commencing in 2005.

*[20 December 2004]*

50. Amendments to Section 6, Paragraph six of this Law shall be applied in the taxation period commencing in 2004.

*[20 December 2004]*

51. Amendments to Section 9, Paragraph one and Section 9, Paragraph 1.1 of this Law shall be applied in relation to debt losses the obligations of which were created after 1 January 2004.

*[20 December 2004]*

52. [19 December 2006]

53. [19 December 2006]

54. If a capital company registered in the commercial register, in re-registering a not-for-profit undertaking or a not-for-profit company as a capital company, the taxation period for such capital company (for the calculation of enterprise income tax) shall begin on the day when it is registered in the commercial register. The first taxation period after the re-registration of such capital company may include a shorter or a longer period than 12 months, but not longer than 18 months.

*[20 December 2004]*

54.1 If a co-operative society, which is recorded in the Enterprise Register makes amendments to its articles of association regarding the revocation of its not-for-profit organisation status, the taxation period of such co-operative (for the calculation of enterprise income tax) shall begin on the day when its amendments to its articles of association regarding the revocation of its not-for-profit organisation status have been registered in the Enterprise register.

*[20 October 2005]*

55. If the value of shareholder capital shares or stock (hereinafter – capital shares) of a capital company are increased, in re-registering or reorganising a not-for-profit organisation (a not-for-profit undertaking or a not-for-profit company) as a capital company in accordance with Sections 25 and 25.4 of the Law On Procedures for the Coming into Force of the Commercial Law, the taxable income of the shareholders of the capital company shall be increased by the increased value of the capital shares increased as a result of the referred to re-registration or reorganisation in the taxation period in which the value of the capital shares of the capital company were reduced or the capital shares of the capital company were alienated.

*[20 December 2004]*

56. The taxable income of a shareholder in a capital company shall be reduced by the value of the increase in capital shares in respect of which increase the existing value of the capital shares in re-registering or reorganising a not-for-profit organisation (a not-for-profit undertaking or a not-for-profit company) as a capital company in accordance with Section 25 and 25.4 of the Law On Procedures for the Coming into Force of the Commercial Law is increased. Corrections shall be performed in the taxation period in which the referred to increase in the value of the capital shares of the capital company was performed.

*[20 December 2004]*

57. A shareholder in a capital company – non-resident, whose capital share value has increased in re-registering or reorganising a not-for-profit organisation (a not-for-profit undertaking or a not-for-profit company) as a capital company in accordance with Section 25 and 25.4 of the Law On Procedures for the Coming into Force of the Commercial Law, the increased value of the capital shares increased as a result of the referred to re-registration or reorganisation shall be taxed with the enterprise income tax at the rate of 15 per cent in the taxation period in which the value of the capital shares of the capital company were reduced or the capital shares of the capital company were alienated. The payer of the income shall deduct the enterprise income tax at the moment of payment and pay it into the budget according to the procedures specified in Section 24 of this Law.

*[20 December 2004]*

58. In paying a capital company shareholder – non-resident from the special reserves amounts which are paid into therein, in re-registering or reorganising a not-for-profit organisation (a not-for-profit undertaking or a not-for-profit company) as a capital company in accordance with Section 25 and 25.4 of the Law On Procedures for the Coming into Force of the Commercial Law, from the not-for-profit undertaking (company) accumulated reserve fund (income exceeding expenditure) and which are not considered as capital company economic activity expenditures, the referred to amounts shall be taxed with the enterprise income tax at the rate of 15 per cent. The payer of the income shall deduct the enterprise income tax at the moment of payment and pay it into the budget according to the procedures specified in Section 24 of this Law.

*[20 December 2004]*

58.1 In paying a member of a co-operative society – non-resident – or a capital company shareholder or stockholder – non-resident – amounts from the special reserves formed in the accumulated reserve fund of a not-for-profit co-operative society (the excess of income over expenditure), which are paid into therein, in re-registering a not-for-profit co-operative society as a co-operative society or reorganising as a capital company, and which are not considered as co-operative society or capital company economic activity expenditures, the referred to amounts shall be taxed with the enterprise income tax at the rate of 15 per cent. The payer of the income shall deduct the enterprise income tax at the moment of payment and pay it into the budget according to the procedures specified in Section 24 of this Law.

*[20 October 2005]*

59. Paragraph 55 of the Transitional Provisions shall be applied if the increase in the value of capital shares has been excluded from the taxable income, but Paragraph 56 shall be applied if the increase in the value of capital shares has been included from the taxable income.

*[20 December 2004]*

60. The increase in the value of the capital shares of a capital company is the difference between the nominal value of the capital shares of the capital company after the increase in the value of capital shares in accordance with Section 25.4 of the Law On Procedures for the Coming into Force of the Commercial Law and the nominal value of the capital shares before the referred to increase in the value of capital shares.

*[20 December 2004]*

61. A not-for-profit organisation up to the reorganisation day thereof or the day of termination of activities is not an enterprise income taxpayer. The not-for-profit organisation in the taxation period in which it is re-registered in the commercial register in the status of commercial company, for the time period from the beginning of the taxation period up to the day of re-registration is not an enterprise income taxpayer. The referred to not-for-profit organisation shall compile a balance sheet and a profit or loss account on the basis of the situation on the day of re-registration.

*[20 December 2004; 20 October 2005]*

61.1 A not-for-profit co-operative society up to the day when the Enterprise Register when its amendments to its articles of association regarding the revocation of not-for-profit co-operative society status are registered in the Enterprise Register, or the day of termination of activities is not an enterprise income taxpayer. The not-for-profit co-operative society in the taxation period in which it makes amendments to its articles of association regarding the revocation of not-for-profit co-operative society status, for the time period from the commencement of the taxation period to the day when its amendments to its articles of association regarding the revocation of not-for-profit co-operative society status are registered in the Enterprise Register, shall not pay enterprise income tax. The referred to not-for-profit co-operative society shall compile a balance sheet and a profit or loss account on the basis of the situation on the day when the amendments to the articles of association regarding the revocation of not-for-profit co-operative society status are registered in the Enterprise Register.

*[20 October 2005]*

62. In determining the taxable income of the State stock company “Privatizācijas aģentūra”, the income thereof shall be reduced by the amount of such deductions as are paid into reserves, which are established as a reserve fund in accordance with Section 5, Paragraph two of the Law On State and Local Government Privatisation Funds and regarding which payments into State and local government privatisation funds are reduced, if such deductions are utilised in accordance with laws and regulations governing the establishment of reserve funds and the utilisation of funds thereof; on the other hand, the taxable income shall be increased by the amount which is taken from such reserves in the taxation period.

*[20 December 2004]*

63. Enterprise income tax payers who in 2005 up to 31 March donate to the Latvian Cultural Fund, the Latvian Olympic Committee, the Latvian Children Fund, societies or foundations, or religious organisations are entitled to reduce their calculated taxes in the taxation period commencing in 2005 by the following amount (the total tax rebate in the taxation period for donated amounts in accordance with Section 20 of this Law and this Paragraph may not exceed 20 per cent of the total amount of tax):

1) if donated to the Latvian Cultural Fund, the Latvian Olympic Committee or the Latvian Children Fund – in the amount of 90 per cent of the donated amount;

2) if donated to societies and foundations, which are registered in the Republic of Latvia as public, cultural, educational, scientific, sport, charitable, health and environmental protection organisations and funds, and religious organisations which have been granted or extended permits in 2004 to receive donations, the donors shall receive a rebate - in the amount of 85 per cent of the donated amount.

*[20 December 2004]*

64. Public, cultural, educational, scientific, sport, charitable, health and environmental protection organisations and funds which are registered in the Republic of Latvia, and religious organisations which have been granted or extended permits in 2004 to receive donations, the donors to which being able to receive a rebate, and the Latvian Cultural Fund, the Latvian Olympic Committee and the Latvian Children Fund shall, not later than 1 March 2005, submit a public report regarding donors, the amounts donated by them and the use of sums regarding donations received in 2004.

*[20 December 2004]*

65. The organisation referred to in Paragraph 63 of the Transitional Provisions in applying for the status of public benefit organisations shall submit to the Public Benefit Commission a report regarding donors, the amounts donated by them and the use of sums regarding donations received in 2005 up to 31 March.

*[20 December 2004]*

66. Amendments to Section 2, Paragraph three and Section 3, Paragraph four, Clause 1.1; Section 6, Paragraph 5.2; Section 22, Paragraphs nine and ten, as well as Section 24, Paragraph 11 of this Law shall be applied with the taxation period commencing in 2005. Amendments to Section 22, Paragraph eight of this Law shall be applied in submitting a declaration for the taxation period commencing in 2005.

*[20 December 2004]*

66.1 Amendments to Section 20 of this Law in relation to the expression of Paragraph 2.1 in a new text shall replace those amendments to Section 20 of this Law, which were made in accordance with the Law On Amendments to the Law On Enterprise Income Tax adopted by the *Saeima* on 20 October 2005 and which provide for the addition of Paragraph 2.1 to Section 20.

*[8 December 2005]*

67. If a not-for-profit co-operative society is registered in the commercial register as a capital company or the amendments to the articles of association regarding the revocation of not-for-profit co-operative society status thereof are registered in the Enterprise Register, then special reserves shall be formed from the reserve fund of the not-for-profit co-operative society accumulated during its period of activities. It is prohibited to pay out to capital company shareholders (stockholders) or members of the co-operative society during the period of activities of the capital company or co-operative society, the reserve fund of the not-for-profit co-operative society accumulated during its period of activities (the excess of income over expenditure), which is paid into the special reserve. The amounts paid out from the special reserves, which are paid into therein as the accumulated reserve fund of a not-for-profit co-operative society (the excess of income over expenditure) to members of the co-operative society or capital company shareholders in the case of liquidation or reorganisation, shall be taxed with the enterprise income tax according to procedures laid down in law.

*[20 October 2005]*

68. In applying Section 2, Paragraph two of this Law as enterprise income tax taxpayers up to the excluding thereof from the Enterprise Register in accordance with the Law On Procedures for the Coming into Force of The Commercial Law shall not be considered:

1) State undertakings the income from economic activities of which are intended for the State budget;

2) non-profit organisations.

*[20 October 2005]*

69. Taxpayers regarding whom up to 31 December 2005 a Cabinet decision has been taken regarding support for investment projects according to the procedures specified in Section 17.1 of this Law (in the text, which was in force until 31 December 2005), have the right to commence the investment project, applying the rebate specified in Section 17.1 at the moment when the decision of the European Commission has been received regarding support for the investment project also then if the decision of the European Commission has been taken after 31 December 2005.

*[20 October 2005]*

70. The tax rebate laid down in Section 19 of this Law shall be in force until 31 December 2005. Taxpayers are entitled to apply the abovementioned tax rebate for the whole of the taxation period commencing in 2005.

*[20 October 2005]*

71. Amendments to Section 2, Paragraph three; amendments to Section 6 in relation to the deletion of Paragraphs 5.1 and 5.2; Section 6, Paragraph 5.3; amendments to Section 13, Paragraph one, Clause 8; Section 13, Paragraphs ten and eleven; amendments to Section 22, Paragraph eight and Paragraph 61 of the Transitional Provisions, as well as Paragraphs 54.1, 58.1, 61.1 and 68 of the Transitional Provisions of this Law shall be applied in the taxation period commencing in 2005.

*[20 October 2005]*

72. Up to the day of the coming into force the relevant Cabinet regulations, but not later than by 1 July 2006, Cabinet Regulation No. 319 of 19 September 2000, Regulations on the Application of the Norms of the Law On Enterprise Income Tax, issued in accordance with Section 27 of this Law, insofar as they are not in contradiction to this Law.

*[20 October 2005]*

73. Payers of enterprise income tax are individual undertakings (also farms and fishery farms), which up to 31 December 2006 were registered with the State Revenue Service as payers of enterprise income tax and in accordance with the norms of the Transitional Provisions of the Annual Accounts Law chose until the transformation thereof to prepare annual accounts in conformity with the norms of the referred to law. Individual undertakings (also farms and fishery farms), which were registered with the State Revenue Service as payers of enterprise income tax and in accordance with the norms of the Transitional Provisions of the Annual Accounts Law did not chose until the transformation thereof to prepare annual accounts in conformity with the norms of the referred to law are not payers of enterprise income tax, and they become payers of personal income tax.

*[19 December 2006]*

74. Section 2, Paragraph two, Clause 8 of this Law shall be applied commencing with the taxation period commencing in 2006.

*[19 December 2006]*

75. Amendments to Section 11, Paragraphs four and five of this Law shall be applied regarding dividends, which are calculated commencing with the taxation period commencing in 2006.

*[19 December 2006]*

76. Amendments to Section 14.1, Paragraphs two, three, six, Paragraph 6.1, amendments to Paragraph seven, Paragraph 7.1, amendments to Paragraphs eight, nine, ten, eleven, twelve and Paragraph twenty shall be applied commencing with the taxation period commencing in 2006.

*[19 December 2006]*

77. Section 1, Paragraph twenty-six; Section 6, Paragraph one, Clauses 13 and 14 and Section 13, Paragraph one, Clauses 3.1, 8.1 and 8.2 shall be applied to passenger cars, motorcycles, sea and river means of transport and air means of transport, which were acquired after the coming into force of such norms of the law, which determine the status of representation passenger cars.

*[17 May 2007]*

78. Section 3, Paragraph 4.6, Section 6, Paragraph four, Clause 12 and Paragraph seventeen, Section 10.1 and Section 13, Paragraph 4.1 of this Law shall be applied from the taxation period commencing in 2009.

*[14 November 2008]*

79. The amendment to Section 14, Paragraphs one, 1.2 , 1.3, eight and 8.1 of this Law in relation to replacement of the word “five” with the word “eight” shall be applied from the taxation period starting in 2010. Until the day the amendments to Section 14 of this Law referred to in this Paragraph are applied, the taxpayer is entitled to cover the losses of the previous taxation periods in accordance with the following procedures:

1) in the taxation period starting in 2008, the taxpayer has the right to cover those losses of the previous taxation periods which he or she had the right to cover in the taxation period of 2007 but which he or she was not able to cover due to the amount of taxable income;

2) in the taxation period starting in 2009, the taxpayer has the right to cover those losses of the previous taxation periods which he or she had the right to cover in the taxation periods of 2007 or 2008 but which he or she was not able to cover due to the amount of taxable income.

*[14 November 2008]*

80. A State-founded institution of higher education, State scientific institute and State higher education institution’s scientific institute, which until 2013 receives the financing of the European Union Structural Funds, in applying Section 2, Paragraph two of this Law shall not pay enterprise income tax on the income of economic activity until the end of the taxation period in which the relevant project financed from the European Union Structural Funds is ceased to be implemented, but not later than until 31 December 2015.

*[14 November 2008]*

81. Section 7.1 of this Law shall be applied to income or loss from the alienation of the stock, if the stock has been acquired pursuant to the Paragraph one of the referred to Section starting from 1 June 2009 until 31 December 2011. Section 7.1, Paragraphs one and three of this Law shall be applied from 1 June 2009 until 31 December 2011.

*[12 June 2009]*

82. [24 September 2009]

83. [24 September 2009]

84. [24 September 2009]

85. Payers of the enterprise income tax shall apply tax rebate in accordance with the provisions of Section 20.1 of these Regulation for donations performed during the validity of Section 8.2 of this Law. The total tax rebate in accordance with the provisions of Sections 20 and 20.1 of these Regulations may not exceed 20 per cent of the total amount of tax in a taxation period commencing in 2009.

*[24 September 2009]*

86. In calculating the advance payment in accordance with Section 23, Paragraph one, Clause 1 or 2 or Paragraph 1.1, Clause 1 of this Law, a taxpayer, who has applied the tax rebate specified in Section 20 of this Law which was in force until 30 June 2009 in the taxation period commencing in 2009, shall, in addition to the provisions specified in Section 23 of this Law, not take into account the tax rebate calculated in accordance with Section 20 of this Law in the calculation of the advance payments for the taxation period commencing in 2010.

*[24 September 2009]*

87. [20 December 2010]

88. Amendments to Section 6.4, Paragraph four, Section 6.4, Paragraphs 4.1 and 4.2, as well as the amendments to Section 6.4, Paragraph five of this Law shall be applied starting from the taxation period commencing in 2010.

*[15 October 2009]*

89. Amendments to Section 2, Paragraph two, Clause two of this Law shall be applied starting from the taxation period commencing in 2010, if the taxpayer has ensured the accounting in accordance with the Annual Accounts Law from 1 January 2010.

*[10 June 2010]*

90. An individual undertaking or a farm or fishing holding, which has performed the re-registration from the status of the payer of personal income tax to the status of the payer of enterprise income tax in 2010, may make advance payments for the time period from the month of re-registration until the date of submitting the annual account for 2010 voluntarily.

*[10 June 2010]*

91. If an individual undertaking or a farm or fish holding performs the re-registration from the status of the payer of personal income tax to the status of the payer of enterprise income tax in 2010, then the advance payments of personal income tax made by the relevant individual undertaking or the farm or fish holding in 2010 shall be directed to advance payments of enterprise income tax for 2010.

*[10 June 2010]*

92. Section 6, Paragraph eighteen of this Law shall be applied from the taxation period commencing in 2011.

*[9 August 2010]*

93. Amendments to Section 13, Paragraph eight of this Law in relation to the supplementation thereof with the third sentence shall be applied from the taxation period commencing in 2009.

*[9 August 2010]*

94. Amendments to Section 6, Paragraph one, Clause 6 of this Law, Section 6, Paragraph one in relation to the supplementation thereof with Clause 17, Section 6, Paragraph four, Clause 3 shall be applied from the taxation period starting in 2011 until the taxation period commencing in 2013.

*[7 October 2010]*

95. Amendments to Section 6, Paragraph one of this Law in relation to the supplementation thereof with Clause 18 and to Section 6, Paragraph four in relation to the supplementation thereof with Clause 13 shall be applied from the taxation period commencing in 2011.

*[7 October 2010]*

96. Amendments to Section 6, Paragraph one of this Law in relation to the supplementation thereof with Clause 19, to Section 6 in relation to the supplementation thereof with Paragraph 2.1 and amendment to Section 9 in relation to the deletion of Paragraph four shall be applied from the taxation period commencing in 2011.

*[7 October 2010]*

97. Section 9.1 of this Law shall be applied to reserves for bad debts, which have been established starting from the taxation period starting in 2011 until the taxation period commencing in 2013.

*[7 October 2010]*

98. The tax rebate specified in Section 17.2 of this Law shall not be applied by taxpayers, which continue applying the rebate specified in Section 17.1 of this Law (in the version, which was in force until 31 December 2005) in the taxation period.

*[20 December 2010]*

99. The provisions of Section 17.2 of this Law shall be applied to supported investment projects, regarding which the Cabinet has taken a decision by 30 June 2014 and which have been completed by 30 June 2019, in accordance with Commission Regulation (EC) No 800/2008 of 6 August 2008 declaring certain categories of aid compatible with the common market in application of Articles 87 and 88 of the Treaty (General Block Exemption Regulation). The provisions of Section 17.2 of this Law shall be applied to supported investment projects, regarding which the Cabinet has taken a decision within the time period from 1 July 2014 to 31 December 2020 and which have been completed by 31 December 2025, in accordance with the provisions of the State aid which substitute Commission Regulation (EC) No 800/2008 of 6 August 2008 declaring certain categories of aid compatible with the common market in application of Articles 87 and 88 of the Treaty (General Block Exemption Regulation).

*[6 November 2013]*

100. Amendments in relation to deletion of Section 3, Paragraph four, Clause 1, Paragraph 4.2 and Paragraph eight, Clause 1 of this Law shall come into force on 1 January 2013.

*[15 December 2011]*

101. Amendments in relation to deletion of Section 3, Paragraph four, Clauses 3 and 4, Paragraphs 4.3, 4.4 and 4.6 and Section 24, Paragraph 1.2 of this Law shall come into force on 1 July 2013 and shall be applicable to those payments of interest and payment for intellectual property that are performed to the related company of the European Union Member States or a capital company of the Member State of the European Economic Area, with which Latvia has entered into a convention on the prevention of imposition of double taxation and tax evasion and such convention has entered into force, or permanent representation thereof after 30 June 2013, but starting from 1 January 2014 these amendments shall be applicable to all payments of interest and payment for intellectual property that are performed after 31 December 2013.

*[15 December 2011; 6 June 2013]*

102. Amendments in respect of deleting Section 3, Paragraphs eleven, twelve, thirteen and fourteen of the Law shall come into force from 1 January 2014. The following regulation shall be applied in respect of that referred to in Section 3, Paragraphs thirteen and fourteen of this Law from 1 January 2013 until 31 December 2013:

1) if at the time of disbursing interest or payment for intellectual property the disburser had not had at the disposal thereof a statement issued by the tax administration of the state of residence of the relevant recipient of income or the documents referred to in Section 3, Paragraph fourteen of this Law substituting it and the exemption specified in Section 3, Paragraph four, Clause 3 or 4 had not been applied at the time of disbursing the income, however, the recipient of income is of the opinion that it is entitled to use it, then for the recovery of the overpaid tax amount the recipient of income shall, within three years from the day when payments were disbursed, submit to the State Revenue Service a statement issued by the tax administration of the state of residence of the recipient of income or the documents referred to in Section, Paragraph fourteen of this Law substituting it, which confirm that at the time when income was disbursed the company – recipient of income conformed to all the requirements of Section 1, Paragraph 19.1 of this Law. After a decision on repayment of the overpaid tax has been taken, the State Revenue Service shall repay the additionally collected amount in accordance with the procedures and within the time periods specified in the Law On Taxes and Fees. For the application of this Sub-paragraph a statement issued by the tax administration of the state of residence of the recipient of income or the documents substituting it shall be valid only for repayment of the overpaid tax, which has been withheld from income, at the time of disbursement of which they confirm that the company – recipient of income conformed to all the requirements of Section 1, Paragraph 19.1 of this Law;

2) if the tax administration of the state of residence of the company – recipient of interest or payment for intellectual property does not issue a separate statement confirming that the company conforms to all the requirements of Section 1, Paragraph 19.1 of this Law, then the exemption specified in Section 3, Paragraph four, Clause 3 or 4 of this Law for withholding tax shall be applicable on the basis of a residence certificate issued by the tax administration of the relevant state for the application of an agreement between this state and the Republic of Latvia on the prevention of imposition of double taxation, and a written certification of an authorised representative of the company – recipient of interest or payment for intellectual property to the State Revenue Service that the company – recipient of income conforms to the other requirements of Section 1, Paragraph 19.1 of this Law.

*[15 December 2011]*

103. Amendment to Section 4, Paragraph one of this Law shall be applied to donations which have been made starting from the taxation period commencing in 2011.

*[15 December 2011]*

104. Amendments in relation to deletion of Section 6, Paragraph one, Clause 7, rewording of Clause 8 and Paragraph four, Clause 9 of this Law, amendment to Section 11, Paragraph one of this Law, amendments in relation to rewording of Section 11, Paragraph two of this Law and deletion of Paragraphs three, four and five, as well as deletion of Section 14, Paragraphs eight and 8.1 of this Law shall be applied starting from the taxation period commencing in 2013.

*[15 December 2011]*

105. Section 9, Paragraph 1.2 of the Law shall be applied to the lost debt amounts if a court adjudication regarding completion of insolvency proceedings or completion of bankruptcy proceedings has been taken in accordance with the norms of the Insolvency Law adopted on 26 July 2010, as well as when calculating the taxable income for a taxation period which has started prior to the coming into force of this Law.

*[15 December 2011]*

106. Amendment to Section 17.2, Paragraph five of the Law shall be applied starting from the taxation period commencing in 2011.

*[15 December 2011]*

107. A micro-enterprise taxpayer, which starting from 1 January 2012 does not want to keep the status of the micro-enterprise taxpayer, shall submit the submission referred to in Section 25, Paragraph four of the Law until 15 January 2012.

*[15 December 2011]*

108. Section 3, Paragraph 4.7 of this Law shall be applied starting from 1 July 2013.

*[6 June 2013]*

109. Amendments to Section 4, Paragraph one, and Section 4, Paragraph eleven, Section 5, Paragraph ten, Section 6, Paragraph four, Clause 16 of this Law and amendment to Section 9, Paragraph two shall be applicable starting from the taxation period commencing in 2012.

*[6 June 2013]*

110. Section 6, Paragraph one, Clauses 8.1 and 8.2, Paragraph four, Clause 15 of this Law shall be applicable starting from the taxation period commencing in 2013.

*[6 June 2013]*

111. Losses which have been caused due to the sale of securities until 31 December 2012, except losses from the sale of securities of public circulation of the European Union and European Economic Area other than stock, and which were not covered, may be covered in chronological order from taxable income of the subsequent taxation periods, but for not more than the amount of the referred to losses.

*[6 June 2013]*

112. Amendments to Section 6, Paragraph one, Clause 12 and Section 20.1, Paragraph four of this Law shall apply to the taxation period which commenced in 2013 and to future taxation periods. Amendments to Section 20.1, Paragraph four of this Law may be applied to the taxation period which commenced in 2013, provided that it is favourable for the taxpayer. In applying the referred-to amendments to the period in which the currency lat is used as the means of payment, the total amount of tax debt may not exceed 100 lats.

*[6 November 2013]*

113. Section 6, Paragraph one, Clause 21, Paragraph four, Clause 17 and Section 22, Paragraph 8.1 of this Law shall be applicable to the part of surplus of the respective co-operative society, which has been divided for the taxation period that commenced in 2013 and for future taxation periods.

*[6 November 2013]*

114. Section 6, Paragraph one, Clause 22 and Paragraph four, Clauses 18, 19 and 20, amendment to Section 6, Paragraph seventeen regarding deletion thereof, amendments to Section 6.4, Paragraph one, amendment to Section 14.1 regarding deletion thereof, Section 22, Paragraphs 2.1 and 2.2 and amendment to Section 22, Paragraph ten of this Law shall apply as of the taxation period that commences in 2014 and in future taxation periods.

*[6 November 2013]*

115. Section 6, Paragraph one, Clauses 23 and 24, Paragraph four, Clause 21 and Section 6.6 of this Law shall apply with regard to the costs of the labour force which have been calculated for July 2014 and subsequent periods, as well as research and development agreements that are entered into with scientific institutions or an accredited certification, testing and calibration institution after 1 July 2014 and in future periods.

*[6 November 2013]*

116. Amendment to Section 6, Paragraph four, Clause 2 regarding deletion thereof and to Section 14, Paragraph nine of this Law regarding deletion thereof shall apply as of the taxation period that commences in 2019 and in future taxation periods.

*[4 February 2016]*

117. Amendments that provide for the deletion of Section 13, Paragraph one, Clause 2, Sub-clause “b”, Clauses 9 and 10 and Section 14, Paragraphs six and seven of this Law shall apply as of 1 January 2013.

*[6 November 2013]*

118. Amendment to Section 13, Paragraph 4.1 of this Law regarding deletion thereof shall come into force on 1 January 2015.

*[6 November 2013]*

119. In a specially supported territory that was valid until 31 December 2012, a taxpayer who has used the coefficient laid down in Section 13, Paragraph one, Clause 9 of this Law (in the wording that was in force on 31 December 2012) for the calculation of the depreciation of fixed assets shall continue the calculation of the depreciation without reducing the residual value of a fixed asset by the amount that results from the application of the coefficient that increases the residual value of a fixed asset, provided that such fixed asset continues to be used for the performance of economic activities within the respective territory.

*[6 November 2013]*

120. A taxpayer who is registered and operates within a specially supported territory that was valid until 31 December 2012 may cover the losses of the taxation period referred to in Section 14, Paragraph one of this Law, which the taxpayer had incurred before 2004, in a chronological sequence from the taxable income of the subsequent ten taxation periods. If the result of the adjustment of the taxpayer’s profit or loss of the taxation period made according to this Law is loss that was incurred in the taxation period that commenced in 2005 or later, such loss may be covered in a chronological sequence from the taxable income of the subsequent taxation periods.

*[6 November 2013]*

121. A taxpayer who is registered and operates within a specially supported territory that was valid until 31 December 2012 may cover the losses of the taxation periods referred to in Section 14, Paragraph 1.1 of this Law in a chronological sequence from the taxable income of the subsequent six taxation periods.

*[6 November 2013]*

122. The provisions of Clauses 120 and 121 of the Transitional Provisions shall apply only to the losses of the taxation periods during which the respective territory enjoyed the status of a specially supported territory.

*[6 November 2013]*

123. Amendments to Section 1, Paragraph twenty-six and Section 13, Paragraph one, Clause 8.2 of this Law shall apply as of the taxation period that commences in 2014.

*[6 November 2013]*

124. As of the taxation period that commences in 2014, the passenger cars that were recognised as representation passenger cars in the taxation period that commenced in 2007 and future taxation periods, but the acquisition value of which (without the value added tax) did not exceed 50 000 euros, shall not be recognised as representation passenger cars.

*[6 November 2013]*

125. Section 2, Paragraph 3.3 and amendment to Section 22, Paragraphs nine and ten of this Law in respect of the information included in the declaration shall not be applied starting from the taxation period which starts on 1 January 2015.

*[17 December 2014]*

126. Amendment to Section 3, Paragraph 4.8 of this Law shall be applied to transactions carried out starting from 1 January 2015.

*[17 December 2014]*

127. Amendments in respect of supplementing Section 6, Paragraph one and Paragraph four, Clause 3 with the number "7.2", supplementing Section 6.4, Paragraph 4.1 with indication to the Development Financial Institution, and also Section 7.2 of this Law shall be applied to reserves and interest payments of the Development and Financial Institution which are created or made from 1 March 2015 accordingly.

*[17 December 2014]*

128. Amendments to Section 24, Paragraph two and Section 27, Clause 3 of this Law in respect of the procedures for providing information regarding payments made to non-residents, and also regarding the tax deducted from the amounts to be disbursed to non-residents, shall be applicable to transactions which are carried out starting from 1 January 2017.

*[4 February 2016]*

**Informative Reference to Directives of the European Union**

*[20 December 2004; 20 October 2005; 17 May 2007; 6 November 2013]*

This Law contains norms arising from:

1) Council Directive 90/434/EEC of 23 July 1990 on the common system of taxation applicable to mergers, divisions, transfers of assets and exchanges of shares concerning companies of different Member States;

2) [6 November 2013];

3) Council Directive 2003/49/EC of 3 June 2003 on a common system of taxation applicable to interest and royalty payments made between associated companies of different Member States;

4) [6 November 2013];

5) 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;

6) Council Directive 2004/76/EC of 29.4.2004 amending directive 2003/49/EC as regards the possibility for certain member states to apply transitional periods for the application of a common system of taxation applicable to interest and royalty payments made between associated companies of different member states;

7) Council Directive 2005/19/EC of 17 February 2005 amending Directive 90/434/EEC 1990 on the common system of taxation applicable to mergers, divisions, transfers of assets and exchanges of shares concerning companies of different Member States;

8) 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;

9) Council Directive 2011/96/EU of 30 November 2011 on the common system of taxation applicable in the case of parent companies and subsidiaries of different Member States (recast).

This Law shall come into force on 1 April 1995.

This Law has been adopted by the *Saeima* on 9 February 1995.

President G. Ulmanis

Rīga, 1 March 1995

Law On Enterprise Income Tax

**Annex 1**

**Companies of the Member States of the European Union to which Section 1, Paragraph nineteen of this Law applies, and the types of such companies in conformity with original form of the terms in the legislation of the Member States**

*[17 May 2007]*

1. Companies incorporated under the law of the United Kingdom.

2. Companies under Austrian law known as *“Aktiengesellschaft”, “Kommanditgesellschaft auf Aktien”, “Gesellschaft mit beschränkter Haftung”, “Versicherungsverein auf Gegenseitigkeit”, “Erwerbsund Wirtschafts­genossenschaft”*, *“Betriebe gewerblicher Art von juristischen Personen des öffentlichen Rechts”*, and other companies constituted under Austrian law and to which the tax referred to in Paragraph 2 of Annex 2 to this Law applies.

3. Companies under Belgian law known as *“société anonyme”/“naamloze vennootschap”, “société en commandite par actions”/“commanditaire vennootschap op aandelen”, “société privée à responsabilité limitée”/“besloten vennootschap met beperkte aansprakelijkheid”, “société coopérative à responsabilité limitée”/“coöperatieve vennootschap met beperkte aansprakelijkheid”, “société coopérative à responsabilité illimitée”/“coöperatieve vennootschap met onbeperkte aansprakelijkheid”, “société en nom collectif”/“vennootschap onder firma”, “société en commandite simple”/“gewone commanditaire vennootschap”*, public undertakings which have adopted one of the abovementioned legal forms, and other companies constituted under Belgian law and to which the tax referred to in Paragraph 3 of Annex 2 to this Law applies.

4. Companies under Bulgarian law known as: *“събирателното дружество”, “командитното дружество”, “дружеството с ограничена отговорност”, “акционерното дружество”, “командитното дружество с акции”, “неперсонифицирано дружество”, “кооперации”, “кооперативни съюзи” “държавни предприятия”* constituted under Bulgarian law and carrying on commercial activities.

5. Companies under Czech law known as: *“akciová společnost”, “společnost s ručením omezeným”*.

6. Companies under Danish law known as *‘aktieselskab’* and *‘anpartsselskab’* or other companies subject to tax under the Corporation Tax Act, insofar as their taxable income is calculated and taxed in accordance with the general tax legislation rules applicable to *‘aktieselskaber’*.

7. Companies under French law known as *“société anonyme”, “société en commandite par actions”, “société à responsabilité limitée”, “sociétés par actions simplifiées”, “sociétés d’assurances mutuelles”, “caisses d*’*épargne et de prévoyance”, “sociétés civiles”,* which are automatically subject to corporation tax, ‘coopératives’, ‘unions de coopératives’, industrial and commercial public establishments and undertakings, and other companies constituted under French law and to which the tax referred to in Paragraph 6 of Annex 2 to this Law applies.

8. Companies under Greek law known as *‘αvώvυµη εταιρεία’, ‘εταιρεία περιωρισµέvης ευθύvης (Ε.Π.Ε.)’* and other companies constituted under Greek law and to which the tax referred to in Paragraph 7 of Annex 2 to this Law applies.

9. Companies under Estonian law known as: *“täisühing”, “usaldusühing”, “osaühing”, “aktsiaselts”, “tulundusühistu”*.

10. Companies under Italian law known as *“società per azioni”, “società in accomandita per azioni”, “società a responsibilità limitata”, “società cooperative”, “società di mutua assicurazione”*, and private and public entities whose activity is wholly or principally commercial.

11. Companies incorporated or existing under Irish law, bodies registered under the *Industrial and Provident Societies Act,* building societies incorporated under the *Building Societies Acts* and trustee savings banks within the meaning of the *Trustee Savings Banks Act*, 1989.

12. Under Cypriot law: *“εταιρείες”* as defined in the Income Tax laws.

13. Companies incorporated under the law of Lithuania.

14. Companies under Luxembourg law known as *“société anonyme”, “société en commandite par actions”, “société à responsabilité limitée”, “société coopérative”, “société coopérative organisée comme une société anonyme”, “association d’assurances mutuelles”, “association d’épargne-pension”, “entreprise de nature commerciale, industrielle ou minière de l’Etat, des communes, des syndicats de communes, des établissements publics et des autres personnes morales de droit public”*, and other companies constituted under Luxembourg law and to which the tax referred to in Paragraph 14 of Annex 2 to this Law applies.

15. Companies under Maltese law known as: *“Kumpaniji ta' Responsabilita' Limitata”, “Soċjetajiet in akkomandita li l-kapital tagħhom maqsum f'azzjonijiet”*.

16. Companies under Dutch law known as *“naamloze vennnootschap”, “besloten vennootschap met beperkte aansprakelijkheid”, “Open commanditaire vennootschap”, “Coöperatie”, “onderlinge waarborgmaatschappij”, “Fonds voor gemene rekening”, “vereniging op coöperatieve grondslag”, “vereniging welke op onderlinge grondslag als verzekeraar of kredietinstelling optreedt”*, and other companies constituted under Dutch law and to which the tax referred to in Paragraph 16 of Annex 2 to this Law applies.

17. Companies under Polish law known as: *“spółka akcyjna”, “spółka z ograniczoną odpowiedzialnością”*.

18. Commercial companies or civil law companies having a commercial form and co-operatives and public undertakings incorporated in accordance with Portuguese law.

19. Companies under Romanian law known as: *“societăţi pe acţiuni”, “societăţi .n comandită pe acţiuni”, “societăţi cu răspundere limitată”*.

20. Companies under Slovenian law known as: *“akciová společnost”, “společnost s ručením omezeným”*, *“komanditná spoločnosť”*.

21. Companies under Slovenian law known as: *“delniška družba”, “komanditna družba”, “družba z omejeno odgovornostjo”*.

22. Companies under Finnish law known as ‘*osakeyhtiö/aktiebolag*’, *‘osuuskunta/ andelslag’,‘säästöpankki/sparbank’and ‘vakuutusyhtiö/ försäkringsbolag’*.

23. Companies under Spanish law known as: ‘*sociedad anónima*’, *‘sociedad comanditaria por acciones’, ‘sociedad de responsabilidad limitada’*, public law bodies which operate under private law. Other entities constituted under Spanish law and to which the tax referred to in Paragraph 22 of Annex 2 to this Law applies.

24. Companies under Hungarian law known as: *“közkereseti társaság”, “betéti társaság”, “közös vállalat”, “korlátolt felelősségű társaság”, “részvénytársaság”, “egyesülés”, “szövetkezet”*.

25. Companies under German law known as “*Aktiengesellschaft*”, *“Kommanditgesellschaft auf Aktien”, “Gesellschaft mit beschränkter Haftung”, “Versicherungsverein auf Gegenseitigkeit”, “Erwerbs- und Wirtschaftsgenossenschaft”, “Betriebe gewerblicher Art von juristischen Personen des öffentlichen Rechts”*, and other companies constituted under German law and to which the tax referred to in Paragraph 24 of Annex 2 to this Law applies.

26. Companies under Swedish law known as *“aktiebolag”, “försäkringsaktiebolag”, “ekonomiska föreningar”, “sparbanker”, “ömsesidiga försäkringsbolag”*.

27. Companies incorporated under Council Regulation (EC) No 2157/2001 of 8 October 2001 on the Statute for a European company (SE) and Council Directive 2001/86/EC of 8 October 2001 supplementing the Statute for a European company with regard to the involvement of employees and co-operative societies incorporated under Council Regulation (EC) No 1435/2003 of 22 July 2003 on the Statute for a European Co-operative Society and Council Directive 2003/72/EC of 22 July 2003 supplementing the Statute for a European Cooperative Society with regard to the involvement of employees.

Law On Enterprise Income Tax

**Annex 2**

**Company income tax of the Member States of the European Union to the payers of which Section 1, Paragraphs nineteen and 191 of this Law applies, and the types of such taxes in conformity with original form of the terms in the legislation of the Member States**

*[20 December 2004; 17 May 2007]*

1. Corporation tax in the United Kingdom.

2. *Körperschaftsteuer* in Austria.

3. *Impōt des sociétés/vennootschapsbelasting* in Belgium.

3.1 *Kорпоративен данък* in Bulgaria.

4. *Daň z přķjmů prįvnickżch osob* in the Czech Republic.

5. *Selskabsskat* in Denmark.

6. *Impōt sur les sociétés* in France.

7. *Φόρος εισοδήμιτος νομκών προσώπων* in Greece.

8. *Tulumaks* in Estonia.

9. *9. Imposta sul reddito della societa* in Italy.

10. Corporation tax in Ireland.

11. *Φόρος Εισοδήµατος* in Cyprus.

12. *Uzņēmumu ienākuma nodoklis* in Latvia.

13. *Pelno mokestis* in Lithuania.

14. *Impōt sur le revenu des collectivités* in Luxembourg.

15. *Taxxa fuq l-income* in Malta.

16. *Vennootschapsbelasting* in the Netherlands.

17. *Podatek dochodowy od osób prawnych* in Poland.

18. *Imposto sobre o rendimento das pessoas colectivas* in Portugal.

18.1 *Impozit pe profit, impozitul pe veniturile obţinute din România de nerezidenţi* in Rumania.

19. *Daň z prķjmov prįvnickżch osōb* in Slovakia.

20. *Davek od dobička pravnih oseb* in Slovenia.

21. *Yhteisöjen tulovero/inkomstskatten för samfund* in Finland.

22. *Impuesto sobre sociedades* in Spain.

23. *Társasági adó* in Hungary.

24. *Körperschaftsteuer* in the Federal Republic of Germany.

25. *Statlig inkomstskatt* in Sweden.

Law On Enterprise Income Tax

**Annex 3**

**Companies of the Member States of the European Union to which Section 1, Paragraph 191 of this Law applies, and the types of such companies in conformity with original form of the terms in the legislation of the Member States**

*[20 December 2004; 17 May 2007]*

1. Companies which are registered under the law of the United Kingdom.

2. Companies under Austrian law known as *"Aktiengesellschaft"* and *"Gesellschaft mit beschränkter Haftung".*

3. Companies under Belgian law known as *"naamloze vennootschap/société anonyme, commanditaire vennootschap op aandelen/société en commandite par actions, besloten vennootschap met beperkte aansprakelijkheid/société privée à respons".*

3.1 Companies under Bulgarian law known as *"събирателното дружество", "командитното дружество", "дружеството с ограничена отговорност", "акционерното дружество", "командитното дружество с акции", "кооперации", "кооперативни съюзи", "държавни предприятия",* constituted under Bulgarian law and carrying on commercial activities.

4. Companies under law of the Czech Republic known as *"akciová společnost", "společnost s ručením omezeným", "veřejná obchodní společnost", "komanditní společnost", "družstvo".*

5. Companies under Danish law known as *"aktieselskab"* and *"anpartsselskab".*

6. Companies under French law known as *"société anonyme, société en commandite par actions, société à responsabilité limitée",* and industrial and commercial public establishments and undertakings.

7. Companies under Greek law known as *"ανώνυμη εταιρ ία".*

8. Companies under Estonian law known as: *“täisühing”, “usaldusühing”, “osaühing”, “aktsiaselts”, “tulundusühistu”*.

9. Companies under Italian law known as *"società per azioni, società in accomandita per azioni, società a responsabilità limitata",* and public and private entities carrying out industrial and commercial activities.

10. Companies in Irish law known as public companies limited by shares or by guarantee, private companies limited by shares or by guarantee, bodies registered under the Industrial and Provident Societies Acts or building societies registered under the Building Societies Acts.

11. Companies under Cypriot law known as *"company in accordance with the Companýs Law, Public Corporate Body as well as any other Body which is considered as a company in accordance with the Income tax Laws".*

12. Companies under Latvian law known as: *“akciju sabiedrība”, “sabiedrība ar ierobežotu atbildību”.*

13. Companies which are registered under the law of Lithuania.

14. Companies under Luxembourg law known as *"société anonyme", "société en commandite par actions", "société à responsabilité limitée".*

15. Companies under Maltese law known as *"Kumpaniji ta' Responsabilita' Limitata", "Soċjetajiet en akkomandita li l-kapital tagħhom maqsum f'azzjonijiet".*

16. Companies under Dutch law known as *"naamloze vennootschap", "besloten vennootschap met beperkte aansprakelijkheid".*

17. Companies under Polish law known as: *“spółka akcyjna”, “spółka z ograniczoną odpowiedzialnością”*.

18. Commercial companies or civil law companies having a commercial form and co-operatives and public undertakings incorporated in accordance with Portuguese law.

18.1 Companies under Romanian law known as *"societăţi pe acţiuni", "societăţi în comandită pe acţiuni", "societăţi cu răspundere limitată".*

19. Companies under Slovak law known as: *"akciová spoločnos", "spoločnosť s ručením obmedzeným", "komanditná spoločnos", "verejná obchodná spoločnos", "družstvo".*

20. Companies under Slovenian law known as: “delniška družba”, “komanditna delniška družba”, “komanditna družba”, “družba z omejeno odgovornostjo”, “družba z neomejeno odgovornostjo”.

21. Companies under Finnish law known as *"osakeyhtiö/aktiebolag, osuuskunta/andelslag, säästöpankki/sparbank", "vakuutusyhtiö/försäkringsbolag".*

22. Companies under Spanish law known as *"sociedad anónima, sociedad comanditaria por acciones, sociedad de responsabilidad limitada",* and public law bodies which operate under private law.

23. Companies under Hungarian law known as *"közkereseti társaság", "betéti társaság", "közös vállalat", "korlátolt felelősségű társaság", "részvénytársaság", "egyesülés", "közhasznú társaság", "szövetkezet".*

24. Companies under German law known as *"Aktiengesellschaft, Kommanditgesellschaft auf Aktien, Gesellschaft mit beschraenkter Haftung", "bergrechtliche Gewerkschaft".*

25. Companies under Swedish law known as *"aktiebolag", "försäkringsaktiebolag".*

Law On Enterprise Income Tax

**Annex 4**

**Steel Industrial Products, to the Manufacture of Which Tax Rebate for Initial Long-term Investments Made within the Scope of a Supported Investment Project May Not Be Applied**

[4 December 2014]