

Operating Environment

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Forms of business

There are several types of legal entities stipulated in Latvia's Commercial Law:

- Limited Liability Company (SIA)
- Individual Merchant (Sole Trader)
- Joint-stock Company
- Partnership
- Branch or Representative Office

Representative offices, similar to branches, are not independent legal entities. Representative offices cannot perform economic activities and their functions are limited to market research, promotion of the parent company, and other limited marketing activities.

The most popular form of business by far is LLC (SIA).

Setting up a company, reorganisation and liquidation

All companies must be registered in the [Commercial Register](#). For companies to achieve legal status, their founders shall prepare and submit to the Register of Enterprises: a foundation agreement or decision of foundation (in case of a single founder), articles of association, and confirmation of legal address, together with receipts that confirm payment of registration duty and payment for the publication of an announcement in the official newspaper, *Latvijas Vēstnesis*.

Registration duty depends on the chosen form of business. The Register of Enterprises undertakes to review applications and register companies within three days or within one working day (if a three times larger fee is paid).

Companies can be registered in just one working day!

Entry, work and residence permits

According to the Immigration Law, foreign nationals are entitled to enter and reside in Latvia if they have valid travel documents. If foreign nationals wish to reside in Latvia for more than 90 days within a six-month period, they must obtain a visa or a residence permit. Since Latvia's accession in the EU, citizens of other EU member states do not require visas or residence permits, but must obtain a registration card from the Office of Citizenship and Migration Affairs if their stay in Latvia exceeds 90 days.

Visas

Latvia has been a member of the Schengen Agreement for nearly ten, therefore member-state citizens traveling to Latvia do not require a visa, and foreigners who have a valid Schengen visa can travel to Latvia with an existing one. Other foreign nationals who are citizens of countries that are entitled to request visas for entering Latvia must submit an application.

An invitation is mandatory if a natural or legal person in Latvia is considered to be an employer in accordance with the Law on State Social Insurance, and they intend to employ a foreign national by entering into an employment contract or a work-performance contract. However, foreign nationals who wish to establish employment relationships or become self-employed must have a work permit.

Work permits

Work permits are issued by the Office of Citizenship and Migration Affairs on the basis of visas or residence permits. If employers intend to employ a foreign national, they must register a job vacancy with the State Employment Agency (SEA) at least one month before applying to the SEA for approval of invitations for visas or sponsorship for residence permits. Foreign nationals must receive separate work permits if they will be working for more than one employer or in several positions. If the employment of foreign nationals relates to short-term stays in Latvia that do not exceed 90 days in a six-month period, work permits can be issued in accordance with the validity of visas.

Residence permit

Residence permits allow foreign nationals to stay in Latvia temporarily or permanently for periods exceeding 90 days in a six-month period. Residence permits may be requested by self-employed persons, members of the boards of directors or supervisory councils of companies registered in the Commercial Register, persons authorized to represent foreign companies in branch activities, and in other situations prescribed in the Immigration Law.

Additionally, temporary residence permits may be requested by foreign nationals who have done one of the following:

- Invested in the equity (increased equity capital for an existing company or established a new company) of a company in Latvia:
 - at least € 50 000 in companies with turnover or annual balance sheet not exceeding € 10 million, with no more than 50 employees and annual tax payments of at least € 40 000
 - invested at least € 100 000 in companies with turnover or annual balance sheet exceeding € 10 million, with more than 50 employees
- Acquired real estate
 - residency permits may be acquired by purchasing real estate with a minimum value of € 250 000 anywhere in Latvia.
- Made subordinated capital investments at least of € 280 000 in a Latvian credit institution

Real estate acquisition procedures and restrictions



Latvian legislation provides no restrictions on the acquisition or transfer of ownership rights to real estate in cities for citizens of Latvia, citizens of EU member states, and companies in which more than 50% of equity is owned by citizens of Latvia, citizens of EU member states, or natural or legal persons from countries with which Latvia has entered into international agreements on the promotion and protection of investments. Foreign nationals from third countries are subject to restrictions on the acquisition of land in state border zones, specially protected areas, natural-resource extraction areas, and agricultural or forest land.

transfer of rights to real estate



Each real estate transaction involving changes in ownership rights must be registered in the Land Register, which stores information regarding the legal status of real estate. Registration of the transfer of real-estate ownership rights is done by submitting registration applications signed by both seller and purchaser. Before registration with the Land Register, the owner must settle any real-estate tax debt on the property and pay stamp and state duties (see the section Real Estate Tax). Applications for transfer of real-estate rights are reviewed in ten days.

Protection of intellectual property



Latvian legislation provides four main instruments for protecting intellectual property: patents, trademarks, designs, and copyrights. All laws regarding the protection of intellectual property are harmonized with EU legislation and international conventions.

The Patent Office is the institution that implements state policy on the ensuring of industrial property rights and makes decisions on the granting of patents or the registration of trademarks, designs, or additional protection certificates. It maintains official state registers of patents, trademarks, and registered designs and certifies individuals to act as intermediaries in the registration of intellectual property.

The rights to use intellectual property can be acquired in the form of licenses or license agreements. The owner of intellectual property is entitled to transfer ownership rights to another person together with a company or separately from it.

Regulation of competition, mergers and acquisitions



Foreign and local companies commencing business or involved in reorganization (merger or acquisition) must comply with the corresponding provisions of the Competition Law, the Commercial Law, and the Law on Corporate Income Tax. Since Latvia acceded to the EU in 2004, the Competition Law and the national competition authority – the Competition Council – have operated in accordance with EU regulations on mergers and acquisitions.

The protection and development of competition in Latvia is the responsibility of the Competition Council, whose main tasks are to:

- Monitor observance of the prohibition against the abuse of dominant positions and prohibited agreements by market participants
- Monitor observance of the Advertising Law
- Examine submitted notifications regarding agreements between market participants and take decisions in respect of them
- Restrict market concentration

The Competition Council has the right to:

- Carry out market supervision
- Conduct investigations of competition violations
- Provide opinions regarding the conformity of market participants' activities
- Submit pleadings, applications, and complaints to courts

Latvian court system



The Law on Judicial Power prescribes that all court judgments have the force of law after the expiration of their appeal or protest deadlines. The Latvian court system is structured in three levels: (1) district (city) courts operate as first-level courts for civil, criminal, and administrative matters; (2) six regional courts operate as first-instance courts for more complicated cases and appeal courts for cases adjudicated by district courts; and (3) the Supreme Court, composed of the Senate, the Civil Matters Panel, and the Criminal Matters Panel, is the cassation instance for all matters previously adjudicated by district (city) courts and regional courts, and the appeal court for cases adjudicated by regional courts.

Protection of investors



Rights regarding investment made by foreign investors in Latvia are covered by bilateral agreements on the promotion and protection of investments. The agreements state that all disputes between investors and the contracting state must be resolved through negotiation. Where disputes are not resolved by negotiation, investors can hand over the dispute to a competent court in the country where the investment was made or to any *ad hoc* arbitration tribunal established under the Secretariat of the United Nations Commission on International Trade Law (UNCITRAL) or the International Centre for Settlement of Investment Disputes (ICSID).

Foreign Investors' Council in Latvia



The Foreign Investors' Council in Latvia (FICIL) is a non-government organization that unites the largest companies from various countries and sectors which have made significant investments in Latvia, as well as ten national chambers of commerce operating in Latvia. The companies represented in FICIL contribute to about 11% of total tax revenue, 17% of total profit and 5% of total workforce as compared to all companies in Latvia.

FICIL's activities are based on a dialogue with the Latvian government, with the aim of improving the business environment and investment climate in the country. FICIL members identify issues that affect business operations and cooperate with various government agencies on a day-to-day basis to solve problems through changes in legislation or administrative procedures. The main activities of FICIL address four key issues for improving Latvia's investment climate:

- Transparency
- Elimination of protectionism for a well-functioning market and reduced inflation
- Stability and predictability in the investment climate
- More effective attraction of foreign direct investment

FICIL meets with the government in annual High Council meetings, jointly chaired by the sitting Prime Minister and FICIL's Honorary Chairman, to discuss Latvia's economic development, exchange views and ideas in order to improve the business environment, and facilitate further investment in the country.

Trade and customs procedures



Since accession to the EU in 2004, customs policy has been regulated by EU legislation. Latvian customs legislation only regulates specific areas not covered by EU legislation.

According to the EU Community Customs Code, community goods are:

- Goods fully produced in the EU, without any raw materials from third countries
- Goods imported from third countries which have been released for free circulation in the EU customs zone
- Goods produced in the EU customs zone from the above-mentioned goods
- Goods are subject to internal transit procedures (preparation of respective customs declaration), if they are transported from one member state to another, crossing the territory of a third country

Customs duty is applied to goods imported from or exported to third countries. Upon the release of goods for free circulation in the EU customs area, Common External Tariffs are applied, meaning that the same duty is applied for import into any EU member state. The amount of import duty applied depends on the classification and origin of the goods and is stipulated in EU legislation. VAT and other taxes, if applicable, are applied to imported goods only in the country where the goods are released for consumption.

Importers of goods can acquire EU tariff quotas permitting importers to import certain amount of goods in certain periods of time for lowered or zero customs duty. Importers can obtain tariff quotas applicable to specific goods or specific goods from a specific country. More information on required import or export duties, in accordance with your requirements, can be obtained at the [Export Helpdesk](#) and [Market Access Database](#).

Additional information



www.pmlp.gov.lv

www.zemesgramata.lv

www.ficil.lv

www.tiesas.lv

www.mfa.gov.lv

www.ur.gov.lv

<https://www.liaa.gov.lv/en/invest-latvia/business-guide/operating-environment>