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The Republic of Latvia Law On Entrepreneurial Activity

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This Law establishes the general organizational regulations governing  
entrepreneurial activity in the Republic of Latvia, based on the diversity  
and equal rights of property forms. The Law establishes the objects of  
entrepreneurial activity and the chief principles of its formation,  
development and registration.

#### Chapter 1. General Requirements

##### Article 1. Definition of entrepreneurial activity

Entrepreneurial activity is prolonged or systematic economic activity  
and investment of capital, the purpose of which is to earn profit through  
the manufacturing or sale of products, the performance of labor, commerce,  
or the rendering of services. The activity of nonprofit organizations is  
regulated by a separate law.

##### Article 2. Legislation regarding entrepreneurial activity

Entrepreneurial activity in Latvia is regulated by this Law, by the  
Civil Code, and by the laws governing specific forms of entrepreneurial  
activity.

Economic activity abroad is regulated by special laws.

Regarding national and local government institutions, social and  
religious organizations, whose primary function is not entrepreneurial  
activity, this Law is applicable to that part of their activity which can  
be classified as entrepreneurial activity.

##### Article 3. Entrepreneurs

The entrepreneur is a physical or juridical person, or an association of  
several such persons, who allocates a portion of his property for the  
performance of entrepreneurial activity, oversees the enterprise and its  
property, assumes material liability for it, under the circumstances  
dictated by this Law, and can be plaintiff or defendant in court and  
arbitration.

The entrepreneur can be:

- 1) a mentally competent physical person;
- 2) a family (in accordance with a contractual agreement by the  
family members);
- 3) an entrepreneurial association;
- 4) the state;

- 5) a local government;
- 6) a social organization;
- 7) a religious organization.

#### Article 4. Guarantee of equal rights for entrepreneurial activity

All physical and juridical persons have equal rights to establish enterprises in the Republic of Latvia, unless otherwise established by law.

All entrepreneurs, enterprises and entrepreneurial associations in their activity have equal rights. Taxation levels and rights to bank credits may not be differentiated on the basis of the form of property, unless otherwise established by the laws governing credits and taxation.

#### Article 5. Entrepreneurial associations

An entrepreneurial association is an association of property owners or entrepreneurs.

An entrepreneurial association can be formed on the basis of either statutes accepted by its founders (statutory association) or a contractual agreement (partnership), which define the entrepreneurial association's and its members' rights and duties (and liability for the association's obligations), and its administrative structure.

An entrepreneurial association can establish one or more enterprises.

Entrepreneurial associations must be registered in the Enterprise Registry of the Republic of Latvia.

#### Article 6. Enterprises

An enterprise is that part of an entrepreneur's property which is allocated for the performance of entrepreneurial activity as a unified composite of material and non-material elements. Enterprises can have the status of a juridical person.

Enterprises are identified by names which characterize the nature of their activity (for example, factory, workshop, bank, pawnshop, store, hotel, private school, state farm, family farm, collective farm, agrofirma etc.)

Enterprises must be registered in the Enterprise Registry of the Republic of Latvia.

#### Article 7. General requirements for the formation of enterprises

Enterprises can be formed by notice or by special permission. State enterprises are formed by decree of the Council of Ministers, and local government enterprises - by decree of the relevant Council of People's Deputies.

Enterprises assume legal rights and may begin operations upon registration in the Enterprise Registry of the Republic of Latvia.

Enterprises (entrepreneurs) may hire any number of paid employees without the intervention of other institutions, according to the terms established by Republic of Latvia labor laws.

#### Article 8. Affiliates and representatives

Entrepreneurs and enterprises can form affiliates and representatives according to the terms established by law.

Affiliates and representatives within the territory of Latvia do not have the status of juridical persons. Directors of affiliates and representations operate on the basis of proxies delegated by the relevant enterprise or entrepreneurial association.

Affiliates and representatives must be registered in the Enterprise Registry of the Republic of Latvia.

#### Article 9. Legal relations between entrepreneurs and enterprises

Legal relations between entrepreneur and enterprise are regulated by the laws governing the relevant form of entrepreneurial activity, as well as by the entrepreneurial association's or enterprise's statutes or contract.

The enterprise administers, operates and uses property within the parameters established by law and by the entrepreneur.

#### Article 10. Collective contract

To protect the employment and social needs of the entrepreneur and

employees, a collective contract is signed according to the terms established by Republic of Latvia labor laws.

#### Article 11. Administration of enterprises and entrepreneurial associations

The administration of an entrepreneurial association is regulated by its statutes and founding contract, as well as by the laws governing the relevant form of entrepreneurial activity.

An enterprise is administered by the entrepreneur or by a director appointed by him.

#### Article 12. Oversight of entrepreneurial activity

It is the duty of an enterprise (entrepreneurial association) to perform an accounting audit according to the terms established by Republic of Latvia laws and regulations, and to submit to state institutions all information required by law for the calculation of taxes and for statistical analysis.

An entrepreneurial association forms an audit committee or hires an auditor, whose functions are determined by the statutes, the founding contract, and the relevant laws.

The inspection and auditing of enterprises (entrepreneurial associations) is permissible only in those instances specified by law.

State institutions may not release information which according to law is classified as a trade secret.

### Chapter 2. Forms of Entrepreneurial Activity

#### Article 13. The right freely to choose the form of entrepreneurial activity

Physical and juridical persons, the state, and local governments have the right freely to choose any form of entrepreneurial activity which is in compliance with the law.

#### Article 14. Single-owner enterprises

A single-owner enterprise is managed by the owner or a director (administration) selected by him.

A single-owner enterprise can be an individual enterprise, family farm, or an enterprise owned by the state or local government or by a social or religious organization; it can be founded also as a statutory association.

#### Article 15. Individual enterprises, family farms

Individual enterprises and family farms are the property of one physical person or family, which are organized according to the terms established by law.

An individual entrepreneur may begin entrepreneurial activity after his enterprise is registered with the Enterprise Registry of the Republic of Latvia.

An individual entrepreneur is fully liable for his enterprise's obligations with all his property, unless the enterprise is a limited liability statutory association.

The name of an individual enterprise must include the owner's surname and type of enterprise, but the name of a family farm must include the name of the house.

#### Article 16. State and local government enterprises

State government enterprises belong to the Republic of Latvia, local government enterprises belong to local government organs; they have the status of juridical persons.

The founding, operation, liquidation and reorganization of state and local government enterprises is regulated by the Civil Code, the law governing state and local government enterprises, and by their statutes.

The name of a state government enterprise includes the word "valsts" ("state"), the name of a local government enterprise includes the name of the relevant local government entity (city, village, or county).

#### Article 17. Social and religious organizations' enterprises

The founding, operation, liquidation and reorganization of social and religious organizations' enterprises is regulated by the Civil Code and the statutes approved by the entrepreneur.

Social and religious organizations' enterprises may have the status of juridical persons.

Social and religious organizations are fully liable for their enterprises' obligations with all their property, unless these enterprises are limited liability statutory associations. The name of these enterprises must include the name of the social or religious organization.

#### Article 18. Partnerships

A partnership is an association of entrepreneurs (enterprises) formed on the basis of a contract signed by its founders (entrepreneurs).

Partners invest property in the partnership according to the terms of the signed contract.

Changes in the membership of the partnership are carried out in accordance with the law and the founding contract.

Partnerships do not have the status of juridical persons.

#### Article 19. General partnerships

General partnerships unite several partners (entrepreneurs), who are jointly liable with all of their property in proportion to their investment share in the partnership. The general partnership does not assume responsibility for those obligations of its partners which are not related to the activity of the enterprise.

The name of the general partnership include the surname[s] or name[s] of one of more of the partners and the phrase "pilna sabiedriba" ("general partnership").

#### Article 20. Limited partnerships

A limited partnership is a partnership which unites partners (entrepreneurs), of whom one or more (general partners) assume full joint liability in proportion to their investment share in the limited partnership, while the others (limited partners) are liable only to the extent of their investment. The limited partnership does not assume responsibility for those obligations of its partners which are not related to the activity of the partnership.

The name of the general partnership includes the surname[s] or name[s] of one or more of the general partners and the word "komanditsabiedriba" ("limited partnership"), or its abbreviation "k/s".

#### Article 21. Statutory associations

A statutory association is an association of members(owners) formed on the basis of statutes approved by its founders; it has the status of a juridical person.

The statutory association creates, out of its members' initial investments, a statutory fund for the performance of its entrepreneurial activities. The minimum amount of the statutory fund, as well as the investment and payment procedures, are determined by the laws governing the relevant form of entrepreneurial association.

#### Article 22. Associations with limited liability

Associations with limited liability (cooperatives, shareholder associations and other associations) form their statutory funds out of their members' investments (as payment for shares). The association is liable for its obligations to the full extent of its property, while its members are liable only to the extent of their investment.

The name of the association includes the word "sabiedriba" ("association"), and it does not designate any other form of entrepreneurial activity.

#### Article 23. Corporations

Corporations form their statutory funds by issuing stocks or bonds for their par value. A corporation is fully liable for its obligations with all of its property.

The procedures for the issuance of stocks and other securities, the management of corporations, and other questions concerning the activity of