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**The Saeima (Parliament) has adopted and
The President has proclaimed the following law:**

The law on public benefit

Article 1. The aim of the law

The aim of the law is to foster public-benefit activity among associations and foundations, as well as religious organizations and their institutions.

Article 2. Public-benefit activity

(1) Public-benefit activity is such activity that imparts significant benefit to society or a part thereof, particularly if directed towards protection of benefit, human rights and the rights of the disabled; development of civil society; fostering of education, science, culture and health and prevention of disease; supporting sports; environmental protection; providing assistance in the event of catastrophe or extraordinary situations; and improvement of the benefit of the public, particularly the indigent and socially unprotected.

(2) The following shall not be considered public benefit activities:

- 1) action directed toward supporting a political organization (party) or its election campaign;
- 2) activity of such nature that it is directed towards satisfying the private interests and needs of an association or foundation members, or founders or persons affiliated therewith, except for activity engaged in by an association or foundation founded and functioning in order to protect a group of socially unprotected or indigent persons, or family rights or interests.
- 3) For the purposes of this law, indigent persons are such persons whose income and material status do not exceed the level that, on the basis of the Law on public services and public assistance, has been set by the Cabinet of Ministers.
- 4) Groups of socially unprotected persons shall be determined by the Cabinet of Ministers by analyzing the socio-economic status of the state and its influence upon individual groups of persons.

Article 3. Public-benefit organizations

Public-benefit organizations are associations and foundations the charter or bylaws of which state that the aim of the organization is public-benefit activity, as well as religious organizations and their institutions (hereafter – religious organizations), that are engaged in public-benefit activity, provided these associations, foundations and religious organizations have been granted the status of public-benefit organizations and they utilize their income in observance of the limitations set forth in Articles 11 and 12 of this law.

Article 4. Tax deductions with regard to the activities of public-benefit organizations

(1) Public-benefit organizations shall have the right to receive tax deductions as set forth by law, and they shall have other rights as set forth by law.

(2) Persons making donations to public-benefit organizations shall be entitled to receive tax deductions, except for cases when they have recalled such donations.

Article 5 Granting of public-benefit status to organizations

(1) The Ministry of Finance shall grant public-benefit-organization status on the basis of an opinion of the Public Benefit Commission. Decision to grant public-benefit status to an organization shall indicate the respective organization's types of public-benefit activities.

(2) A list of public-benefit organizations shall be compiled by the Ministry of Finance, indicating information on granting and revoking of organizations' public-benefit status.

Article 6 Public Benefit Commission

(1) The Public Benefit Commission (hereafter – Commission) is a collegial consultative institution composed of a like number of authorized public officials as well as representatives of foundations and associations.

(2) The Commission shall submit to the Ministry of Finance an opinion concerning compliance of associations, foundations and religious organizations' activities with the essence of a public-benefit organization's activities, as well as utilization of its property and financial means with the requirements of this law.

(3) The functioning of the Commission shall be ensured by the Ministry of Finance.

(4) The Commission's bylaws and composition shall be approved by the Cabinet of Ministers.

(5) The Cabinet of Ministers shall ensure a procedure by which representatives of associations and foundations are nominated and included in the Commission.

Article 7 Procedure for granting of status of public-benefit organization

(1) Association, foundation or religious organization shall submit to the Ministry of Finance an application for granting of public-benefit-organization status.

(2) Application shall include the following documents:

1) copy of registration certificate;

2) regarding foundations and associations – decision to found foundation or association or, in the event of a testamentary foundation, a copy of the testament;

3) regarding religious organizations – information concerning officials of the religious organization, i.e. the name, surname, identification number and position of each member of the administrative bodies (management and revision commission);

4) copy of charter or bylaws;

5) copy of previous year's annual review, if such review is to be prepared in accordance with the requirements of the law;

6) statement from respective taxing authority regarding satisfactory payment of tax (by first day of month in month when application submitted);

7) With regard to religious organizations – a motivated letter of recommendation from the Authority of Religious Matters of the Ministry of Justice;

8) With regard to foundations and associations – a copy of the foundation or association's annual review for the previous year and its anticipated program for future development.

(3) The Cabinet of Ministers shall decide whether to approve associations and foundations' previous year's annual review and anticipated program for future development.

(4) If the documents enumerated in Section 2 of this Article fail to provide a complete reflection of the association, foundation or religious organization's activities' compliance with the essence of public-benefit activity, as well as of utilization of property and financial means, the Ministry of Finance shall have the right to request additional information and documents. The Ministry of Finance shall provide justification for the necessity of additional information and documents, as well as indicate a deadline for submission of such information and documents.

(5) The Ministry of Finance shall adopt a decision concerning granting of public-benefit organization status in one month's time of submission of application. If additional news and documents are requested, the Ministry of Finance shall adopt its decision regarding granting of public-benefit-organization status in one month's time of submission of additional news and documents.

(6) Decision, which is effective upon the date when it is notified to addressee, shall be published by the Ministry of Finance in five working days time in the newspaper *Latvijas Vestnesis*.

Article 8 Refusal to grant public-benefit-organization status

(1) The Ministry of Finance shall refuse to grant public-benefit-organization status on the basis of the Commission's opinion if:

1) association or foundation's charter or bylaws' indicated aim, or association, foundation or religious organization's activity fails to comply with the essence of public-benefit activity;

2) a regional institution of the State Revenue Service, prosecutor, or other institution or court has found significant transgressions of the law in the activities of an association, foundation or religious organization;

3) association, foundation or religious organization has a tax debt;

4) association, foundation or religious organization has failed to submit all of the information and documents stated in Sections 2 and 4 of Article 7 of this law.

(2) Filers shall have the right to appeal decision to refuse to grant public-benefit-organization status in court in accordance with the procedure set forth in the Law of Administrative Procedure.

Article 9 Donation

(1) For the purposes of this law, a donation is property or financial means that a person (donor) without compensation, on the basis of mutual agreement, gives to a public-benefit organization with the aim of fulfilling the aims of the public-benefit organization's charter or bylaws and to which tax deductions are applicable.

(2) Property of financial means given to a public-benefit organization shall not be considered a donation in the amount that the public-benefit organization incurs an obligation toward the donor to engage in activities of a compensatory nature.

Article 10 Types of donations and utilization thereof

(1) A donation for a specific purpose that is specified as such may only be utilized for the aims set forth in the respective agreement. Giving of property or financial means without compensation for an aim that does not comply with the aims stated in the charter or bylaws of the public-benefit organization, or which is not anticipated for the recipient's public-benefit activity, shall not be considered a donation.

(2) A donation, the utilization aims of which are not contractually established, shall be a general donation and shall be utilized in accordance with the aims of the charter or bylaws.

(3) A donation may not be utilized in order to cover losses arising from the public-benefit organization's business activity.

Article 11 Limitations on utilization of public-benefit organizations' property and financial means

(1) Public-benefit organizations shall have the responsibility to utilize their property and financial means in accordance with the aims indicated in the charter or bylaws of the respective organization.

(2) If the total amount of donations received by a public-benefit organization in one taxation period (calendar year) exceeds 12 minimal monthly wages, such organization shall have the obligation to utilize no less than 75% of the total amount of donations and income from business activity subject to tax deductions in the respective taxation

period (calendar year) only for those public-benefit activities listed in the Ministry of Finance's decision to grant public-benefit-organization status to the respective organization.

(3) The Cabinet of Ministers shall establish the types of expenses that in accordance with this law shall be considered a public-benefit organization's administrative expenses, with the condition that these shall include public-benefit organization expenses not directly related to fulfillment of the aims indicated in the charter or bylaws. A public-benefit organization may not utilize more than 25% of general donations for administrative expenses.

(4) Public-benefit organizations shall have the right to establish savings accounts in financial institutions, provided that such savings are used in accordance with the charter or bylaws, or agreement with the donor.

(5) Public-benefit organizations are not permitted without compensation to engage in business with property or financial means given or donated to them, as well as activities related to political organizations (parties) or support of election campaigns.

(6) Public-benefit organizations are permitted without compensation to transfer or donate property or financial means only on the basis of a written agreement. Such agreement must include:

1) the aims of utilization of the property or financial means, with the provision that such aims be related to those activities of the public-benefit organization stated in the Ministry of Finance's decision to grant the respective organization public-benefit-organization status;

2) the person's receiving the property or financial means donated to the public-benefit organization obligation to utilize the property or financial means given to it in accordance with the terms of the agreement;

3) the public-benefit organization's obligation to ensure that the person to which the property or financial means are being given fully utilizes them for the aims set forth in the agreement, as well as the public-benefit organization's right to recoup the given property or financial means if the person fails to utilize the property or financial means received from the public-benefit organization in accordance with the aims set forth in the agreement.

Article 12 Limitations upon the activities of public-benefit organizations

(1) Public-benefit organizations are not permitted to divide their property and financial means among its founders, board or other regulatory institution (if any), or to utilize these in order directly or indirectly to gain benefit (guarantee, loan, promissory note, or other material benefit).

(2) The provision in Section 1 of this Article applies also to spouses, relatives, in-laws (with relation between relatives up to the second degree and between in-laws up to the first degree) of a public-benefit organization's founders, board or other regulatory institution (if any).

(3) If a person receives compensation for activity in a public-benefit organization, such compensation must be proportionate and founded by tasks performed and the public-benefit organization's financial status.

Article 13 Supervision of public-benefit organizations' activity

(1) If a public-benefit organization amends the aims of its charter or bylaws, a copy of the respective amendments must be submitted to the Ministry of Finance. The copy of the respective amendments must be submitted to the Ministry of Finance no later than 14 days after it is registered in the Register of Associations and Foundations.

(2) Every year no later than by March 31, public-benefit organizations shall submit to the Ministry of Finance a review of their previous year's activities (in paper format and electronically). Such review shall include:

1) annual review;

2) statement from respective taxing authority regarding satisfactory payment of tax (by first day of month in month when application submitted).

(3) An overview of public-benefit organizations' previous year's activities shall be published on the web page of the Ministry of Finance.

Article 14 Revocation of status of public-benefit organization

(1) The Ministry of Finance may adopt a decision to revoke a public-benefit organization's status if:

1) the public-benefit organization has failed to utilize its property or financial means for the public-benefit activities listed in: the Ministry of Finance's decision on granting public-benefit-organization status to the respective organization, the aims listed in the organization's charter or bylaws, or if it has failed to observe the limitations listed in Articles 11 and 12 of this law;

2) a regional institution of the State Revenue Service, a prosecutor, other institution or court has found significant transgressions of law in the activities of the public-benefit organization;

3) the public-benefit organization fails to make tax payments in the procedure set forth by law;

4) the public-benefit organization has in its activities significantly transgressed the provisions of this law;

5) the public-benefit organization has amended the aims of its charter or bylaws and has failed to submit these amendments to the Ministry of Finance by the deadline set forth in Article 13 of this law;

6) the public-benefit organization's basic activity is not related to the aims indicated in the charter or bylaws or does not comply with the essence of public-benefit activity, or if this organization has provided untrue information.

(2) The Ministry of Finance, before it adopts a decision on revocation of a public-benefit organization's status, shall have the right to request the Commission's opinion regarding the public-benefit organization's transgressions of this Article's Section 1.4, 1.5 and 1.6.

(3) A decision to revoke a public-benefit organization's status may only be adopted if the public-benefit organization, after having received written warning from the Ministry of Finance, has failed to remedy the transgression indicated therein.

Article 15 Repeated granting of public-benefit-organization status

An association, foundation or religious organization that has had its public-benefit-organization status revoked may seek to have such status restored in accordance with the procedure set forth in Articles 7 and 8 of this Law, but no sooner than one year from the day that the decision to revoke its public-benefit-organization status has come into effect.

Article 16 Public-benefit-organization status in the event of reorganization of an association or foundation

(1) In the event of reorganization of an association or foundation, an association or foundation with public-benefit-organization status shall not automatically retain such status, except in cases where the reorganization of the association or foundation takes place as part of a merger, and the association or foundation with which the merger is taking place is a public-benefit organization at the time the reorganization becomes effective.

(2) In the event an association or foundation is divided, the divided association or foundation shall retain its public-benefit-organization status.

Article 17 Division of property of a public-benefit organization undergoing liquidation

(1) The undivided property of a public-benefit organization undergoing liquidation may be transferred to a public-benefit organization recognized as such by the commission, provided this organization's functioning serves a similar aim.

(2) If a public-benefit organization's property cannot be transferred in accordance with Section 1 of this Article, it shall revert to the state, which shall utilize such property in accordance with the aims indicated in the public-benefit organization's charter, insofar as this is possible.

(3) Sections 1 and 2 of this Article shall be applicable also with regard to such association, foundation or religious organization undergoing liquidation, which has had its public-benefit-organization status revoked.

Transitory provisions

1. Article 4 of this Law shall be effective January 1, 2005.
2. Until January 1, 2005 the Ministry of Finance may adopt the decisions referred to in Article 7, Section 5 of this Law in two months' time of submission of all documents.
3. If a public organization or company that has been founded as a non-profit organization and that is permitted to accept donations for which the donors receive tax deductions or receive some other tax benefits set forth by law is reregistered as an association or foundation in the Register of Associations and Foundations, the authorizations and tax benefits granted to this public organization or company shall be applied to the newly registered association or foundation until December 31, 2004.

This Law shall be effective from October 1, 2004.

This Law has been adopted by the Saeima on June 17, 2004.