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## **DRAFT LAW ON PUBLIC BENEFIT ORGANISATIONS (unofficial translation)**

### **Section 1.??? The Purpose of the Law**

The purpose of this Law is to promote the public benefit activity of associations, foundations, religious organisations and their institutions.

### **Section 2.??? The Status of Public Benefit Organisations**

(1)?? Associations, foundations and religious organisations which have been granted, in accordance with the procedures set out in this Law, the status of a public benefit organisation, shall receive tax relief determined by law, and enjoy other rights determined by law.

(2)?? Persons who make donations to a public benefit organisation shall have the right to receive tax relief determined by law, except in cases when the relevant person revokes the donation.

### **Section 3.??? The Basis for Granting the Status of a Public Benefit Organisation**

(1)?? The status of a public benefit organisation shall be granted to an association or a foundation, if its articles of association provide for public benefit activity as the basic activity, as well as to a religious organisation or its institution (hereinafter ? religious organisation).

(2)?? Public benefit activities shall be activities performed in one of the following areas:

1)??? assistance to socially vulnerable and indigent persons and families (charity);

2)??? [not included in translation]

3)??? science;

4)??? culture;

5)??? maintenance of historic heritage;

6)??? environmental protection;

7)??? amateur sports;

8)??? health care, health enhancement and prevention of diseases, first medical aid provided to people affected by disasters or emergency situations (health protection);

9)??? protection of civil rights and human rights;

10)? promotion of anti-corruption activities;

11)? integration of the society; and

12)? social welfare.

#### **Section 4.???** Activities Not Regarded as Public Benefit Activities

The following activities shall not be regarded as public benefit activities:

- 1)???
- 2)???

#### **Section 5.???** Socially Vulnerable and Indigent Persons and Families

(1)?? Within the meaning of this Law, the following persons shall be regarded as socially vulnerable persons and families:

- 1)???
- 2)???
- 3)???
- 4)???
- 5)???
- 6)???
- 7)???
- 8)???
- 9)???
- 10)?
- 11)?
- 12)?

(2)?? Within the meaning of this Law, indigent persons shall be such persons whose income and financial situation do not exceed the level determined by the Cabinet on the basis of the Law on Social Aid.

#### **Section 6.???** Public Benefit Commission??

- (1)??
- (2)??
- (3)??

(4)?? The procedures by which representatives of associations and foundations are elected to the Commission shall be determined by the Cabinet.

(5)?? Unlawful decisions taken by the Commission may be revoked by the Ministry of the Finance.

### **Section 7.??? Procedures for Granting the Status of a Public Benefit Organisation**

(1)?? The Commission shall decide the question of granting the status of a public benefit organisation on the basis of an application submitted by an association, foundation or religious organisation.

(2)?? An application shall be accompanied by copies of the following documents, notarised in accordance with the procedures set out in regulatory enactments:

1)??? the registration certificate;

2)??? the decision on founding of the association or the foundation or, in case of a testamentary foundation, the will;

3)??? the articles of association, by-laws or constitution;

4)??? the last annual report, if such is to be prepared in accordance with the requirements of regulatory enactments;

5)??? a certificate issued by the local tax administration regarding the payment of taxes (as of the first date of the month when the application is submitted); and

6)??? for religious organisations ? a substantiated letter of recommendation from the Religious Affairs Administration of the Ministry of Finance.

(3)?? The Commission shall have the right to request other information and documents necessary for taking the decision.

(4)?? A religious organisation shall submit, instead of the information indicated in Paragraph two of this Section, information regarding the officials of the religious organisation ? members of the administration institution (council, board and audit commission) ? and indicate the name, surname, personal identification number and position.

(5)?? The Commission shall take a decision regarding the granting of the status of a public benefit organisation within a month from the receipt of all documents.

(6)?? The Commission shall publish the list of organisations which have been granted or refused the status of a public benefit organisation, in the newspaper Latvijas Vēstnesis and the Internet homepage of the Commission, within five working days from the taking of the decision.

(7)?? The Commission shall publish the list of public benefit organisations in the newspaper Latvijas Vēstnesis each quarter.

### **Section 8.??? Refusal to Grant the Status of a Public Benefit Organisation**

The Commission may refuse to grant the status of a public benefit organisation if:

1)??? the purposes indicated by the association or the foundation, or the activities of the association or the foundation, are not directly related to any of the areas referred to in Section 3 of this Law;

2)??? substantial violations of regulatory enactments have been found in the activities of the association, foundation or religious organisation;

3)??? The association, foundation or religious organisation has tax debts; or

4)??? the association, foundation or religious organisation has not submitted all documents referred to in Section 6 of this Law.

### **Section 9.??? Withdrawal of the Status of a Public Benefit Organisation**

(1)?? The Commission may withdraw the status of a public benefit organisation, if:

1)??? the public benefit organisation has not used the financial resources in compliance with the purpose set in the articles of association, by-laws or constitution within the areas determined by Section 3 of this Law;

2)??? the public benefit organisation has committed substantial violation of regulatory enactments in its activities;

3)??? the public benefit organisation does not pay taxes in accordance with the procedures set out in regulatory enactments;

4)??? the public benefit organisation has changed the purposes of its basic activity indicated in its articles of association, by-laws or constitution;

5)??? the basic activities of the public benefit organisation are not related to the purposes of activity indicated in its articles of association, by-laws or constitution, or cannot be regarded as public benefit activities.

(2)?? The Commission may take a decision on withdrawal of the status of a public benefit organisation only if the public benefit organisation has not remedied the violations indicated, upon the receipt of a written notification, within the time period specified by the Commission.

(3)?? The Commission shall publish the list of organisations, from which the status of a public benefit organisation has been withdrawn, in the newspaper Latvijas Vēstnesis and the Internet homepage of the Commission within five working days from the taking of the decision.

### **Section 10.? Repeated Granting of the Status of a Public Benefit Organisation**

An association, foundation or religious organisation whose status of a public benefit organisation has been withdrawn may be granted such status repeatedly not earlier than a year from the day of coming into effect of the decision by the Commission on withdrawal of the status of a public benefit organisation, in accordance with the procedures determined in Section 7 and 8 of this Law.

### **Section 11.? The Status of a Public Benefit Organisation in the Case of Reorganisation of an Association or a Foundation**

(1)?? In the case of reorganisation of an association or a foundation, the status of a public benefit organisation shall not pass over to the acquiring association or foundation, except in cases when reorganisation of an association or a foundation is performed through accession process, and the acquired association or foundation is a public benefit organisation at the moment of coming into effect of the reorganisation.

(2)?? In the case of separation of an association or a foundation, the dividing association or foundation shall retain the status of public benefit organisation.

## **Section 12.? Restrictions on the Activities of Public Benefit Organisations**

Public benefit organisations are prohibited from giving loans, providing guarantees, issuing bills or otherwise financing the founders, members of the Board and other management institutions (if such have been formed), as well as other persons with similar financial interest, particularly spouses, relatives and in-laws, involving kinship to the second degree and affinity to the first degree.

## **Section 13. Donation**

(1)?? Donation shall mean property or financial resources, transferred by a person (donor) to a public benefit organisation without remuneration, on the basis of a contract, for the achievement of purposes set out in its articles of association, constitution or by-laws.

(2)?? Property or financial resources transferred to a public benefit organisation shall not be regarded as a donation in such amount as the public benefit organisation has assumed a reciprocated obligation to perform activities of remuneration nature.

## **Section 14.? Kinds and Use of Donations**

(1)?? A donation for a specified purpose shall be a targeted donation, and it shall be used solely for the purposes specified in the contract. Transfer of property and financial resources without remuneration, which is not in compliance with the purposes set out in the articles of association, constitution or by-laws of the public benefit organisation, or is not intended for the public benefit activities of the donation recipient, shall not be regarded as a donation.

(2)?? If the purposes for the use of a donation are not set out in the contract, the donation shall be regarded as a general donation and shall be used for the purposes determined in the articles of association, constitution or by-laws.

(3)?? A donation which has been made subject to tax relief determined by law shall not be used for compensation of losses resulting from the economic activity of a public benefit organisation.

## **Section 15.? Restrictions on the Use of Financial Resources of Public Benefit Organisations**

(1)?? It is an obligation of a public benefit organisation to use, for the purposes determined in its articles of association, constitution or by-laws, related to any of the areas listed in Section 3 of this Law, not less than 75 % of:

1)??? the total amount of the general donations of the relevant taxation year; and

2)??? the income of non-taxable economic activities.

(2)?? Unless the contract between the donor and the public benefit organisation specifies otherwise, the public benefit organisation shall not use more than 25 % of the relevant donation amount for administrative expenses.

(3)?? A public benefit organisation may not transfer the donated resources to political organisations (parties), commercialists, or other persons which perform economic activities and have not been granted the status of a public benefit organisation.

## **Section 16.? Documents to Be Submitted to the Commission**

(1)?? A public benefit organisation shall submit to the Commission such amendments of the articles of association as change the purposes of activity of the public benefit organisation.

(2)?? A public benefit organisation shall submit to the Commission, each year not later than March 31, a report (a hard copy and electronic version) on the activity of the public benefit organisation during the previous year. The report shall be accompanied by:

1)??? the annual account; and

2)??? a certificate from the relevant tax administration regarding the payment of taxes (as of the first date of the month when the report is submitted).

(2)?? The printed form of the report shall be approved by the Cabinet.

(3)?? The Commission shall publish the report on the activity of the public benefit organisation in the Internet homepage of the Commission.

### **Section 17.? Property of a Public Benefit Organisation in the Case of its Liquidation**

(1)?? The undivided property of a public benefit organisation to be liquidated may be transferred to a public benefit organisation with similar purposes of activity, specified by the decision of the Commission.

(2)?? If the property of a public benefit organisation cannot be transferred in accordance with Paragraph one of this Section, it shall be transferred to the State that shall use it, as far as possible, in compliance with the purposes determined in the articles of association of the public benefit organisation.

(3)?? The provisions of Paragraphs one and two of this Section shall apply also to such associations, foundations or religious organisations to be liquidated, which have lost the status of a public benefit organisation.

### **Transitional Provision**

Section 2 of this Law shall come into force on [ ??].

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