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Text consolidated by Tulkošanas un terminoloģijas centrs (Translation and Terminology Centre) with amending laws of:

6 June 1996;  
13 November 1997;  
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8 March 2001;  
10 May 2001.

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*<sup>1</sup> has adopted and the President has proclaimed the following Law:

## **On Taxes and Fees**

### **Chapter I General Provisions**

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

The following terms are used in this Law:

1) **tax** – a mandatory payment into the State budget or local government budgets (basic budget or special budgets) provided for by law which is not payable for the acquisition of specific goods or receipt of services and is not a payment of a fine, an increase in the amount of the principal debt or a late charge, nor a payment for the use of State capital or part thereof. The term mentioned shall also apply to mandatory contributions for State social insurance;

2) **state fee** – a mandatory payment into the State budget (basic budget or special budgets) or in the cases provided for by this Law, into a local government budget as remuneration for funding that State institutions have given for entrepreneurial activity, or for services provided and special purposes set out in laws (road, port and communication system maintenance and development, ecological protection of inhabitants and nature, improvements of the territory and other purposes);

<sup>1</sup> The Parliament of the Republic of Latvia

3) **local government fee** – a mandatory payment into the local government basic budget or special budget as determined by the local government city council (parish or district council) in cases provided for in this Law;

4) **taxpayers** – natural or legal persons of the Republic of Latvia or foreign states and groups of such persons or their representatives formed on the basis of contracts or agreements, who are carrying out taxable activities or who have been guaranteed income in the future. The specific taxable item and the taxpayers affected shall be determined in each specific tax law. Within the meaning of this Law and specific tax laws, persons subject to value added tax and persons, groups of such persons or their representatives who withhold or should withhold taxes from payments to other persons, groups thereof or group representatives shall also be considered to be taxpayers;

5) **tax (fee) administration** – the State Revenue Service and authorities established by it, officials appointed or institutions established by local government city councils (parish or district councils), and other State authorities if they have been provided for in specific laws;

6) **tax rebate** – a portion of tax by which assessed tax may be reduced if the taxpayer has satisfied the conditions of a specific tax law or it is provided for by criteria set out in the law. Pursuant to the conditions in this Law, a tax rebate shall be either refundable or non-refundable;

7) **refinancing rate** – a rate of lending specified by the Bank of Latvia for short term credits which it provides to commercial banks for maintenance of liquidity;

8) **taxation period** – the time period (year, month and others), for which tax is assessed;

9) **pre-taxation period** – the time period preceding a taxation period;

10) **post-taxation period** – the time period subsequent to a taxation period;

11) **transaction** – an activity establishing, amending or terminating a legal relationship;

12) **capitalisation of a tax debt** – increase in registered capital by the amount of the tax debt for an undertaking (company); and

13) **special tax regimen** – a tax regimen specified by law which provides for the application of a special tax rebate, special procedures for the writing off of fixed assets or the provision of special criteria in the exemption from payment of tax or also the application of all the conditions mentioned.

[6 June 1996; 4 December 1997]

## **Section 2. Scope of Application of the Law**

(1) This Law determines the types of taxes and fees and regulates the procedures for determining taxes and fees, collection and recovery thereof, the rights, duties and liability of the persons paying taxes and fees (hereinafter – taxpayers) and of the taxes and fees administration (hereinafter – tax administration) and the appeal procedures for decisions made regarding tax and fee issues.

(2) This Law applies to all taxes and fees if a specific tax law does not provide for other procedures applicable to the specifics of the particular tax or fee which may not be contrary to this Law. Procedures for determining customs duties, collection and

application of sanctions shall also be regulated by the Law On Customs Duties (Tariffs) and the Customs Law.

(3) A specific tax or fee shall be levied in accordance with a specific tax or fee law, and in the cases set out in this Law in accordance with Cabinet regulations or binding regulations issued by local government city councils (parish or district councils).

(4) If there are norms included in the Cabinet regulations or binding regulations approved by local government city councils (parish or district councils) which provide for mandatory payments which comply with the terms "tax", "fee" or "local government fee" mentioned in Section 1 of this Law, but which are not provided for in this Law, then the application of such norms shall not be permissible until relevant amendments have come into force for this Law.

[6 June 1996.; 22 October 1998; 14 December 2000]

### **Section 3. Tax and Fee System**

(1) The tax and fee system shall consist of:

1) State taxes, the taxable objects of which and the rates of which are determined by the *Saeima*;

2) State fees, which are levied in accordance with this Law, other laws and Cabinet regulations; and

3) local government fees, which shall be levied in accordance with this Law and with binding regulations issued by local government city councils (parish or district councils).

(2) In a specific tax law, local governments may be given the right to apply relief to such payments, as shall be paid into local government budgets.

### **Section 4. Income Tax System**

(1) Personal income tax and enterprise income tax form a single income tax system.

(2) Any person who obtains income in the Republic of Latvia shall be a personal income tax payer or an enterprise income tax payer if a specific tax law does not provide otherwise.

(3) Personal income tax or enterprise income tax shall be levied on any income, which is obtained by persons who are domestic taxpayers if it is not provided otherwise by the specific tax law.

(4) Personal income tax and enterprise income tax may not be levied at the same time on one and the same income if it is not provided otherwise by the specific tax law.

### **Section 5. Regulations**

(1) Only specific laws or Cabinet regulations shall determine the procedures for application of the norms of tax and fee laws.

(2) In conformity with laws and Cabinet regulations, the State Revenue Service shall formulate and approve the methodology according to which taxes shall be assessed and reflected in accounting and in actions associated with tax calculation.

## **Section 6. Payment of Taxes and Fees**

(1) Taxes and fees shall be assessed and paid in lati and santimi. The Republic of Latvia diplomatic and consular institutions in foreign states may pay State fees in convertible currency or in the currency of the relevant foreign state.

(2) The tax administration shall not waive its rights to claim for the benefit of another person or transfer to any other person its rights to claim in relation to taxes, fees and related payments with the exception of tax debt recovery and the sale of confiscated and inventoried property in cases provided for in other tax laws.

(3) The set-off of taxes, duties and payments related thereto shall not be permitted except for payment of debts owed by institutions financed from the budget in cases and according to procedures prescribed by the Cabinet.

[6 June 1996; 14 December 2000]

## **Section 7. Application of International Agreements**

(1) If international agreements ratified by the *Saeima* provide for different calculation or payment procedures than the tax laws of the Republic of Latvia, the provisions of the international agreements shall apply.

(2) For foreign diplomatic and consular representations and employees thereof and members of their families whose place of permanent residence is not the Republic of Latvia, tax and fee payments shall be determined in accordance with the requirements which are specified in the 18 April 1961 Vienna Convention on Diplomatic Relations and the 24 April 1963 Vienna Convention on Consular Relations.

(3) The Cabinet is entitled to issue regulations regarding the procedures of application of tax relief determined in international agreements ratified by the *Saeima*.

[14 December 2000]

## **Chapter II Taxes**

## **Section 8. Forms of State Taxes and Laws In Respect of Such Taxes**

The Republic of Latvia has the following State taxes and laws in regard to such taxes regarding the application of taxes:

- 1) personal income tax – On Personal Income Tax;
- 2) enterprise income tax – On Enterprise Income Tax;
- 3) immovable property tax – On Immovable Property Tax;
- 4) value added tax – On Value Added Tax;
- 5) excise duty – On Excise Duty, On Excise Duty for Petroleum Products, On Excise Duty for Tobacco Products, On Excise Duty for Alcoholic Beverages and On Excise Duty for Beer;
- 6) customs duty – On Customs Duties (Tariffs);
- 7) natural resources tax – On Natural Resources Tax;

- 8) lottery and gambling tax – On Lottery and Gambling Fees and Tax; and
  - 9) mandatory payments of State social insurance – On State Social Insurance.
- [13 November 1997; 4 December 1997; 14 October 1998; 25 November 1999]

## **Section 9. The Allocation of State Taxes by Budget**

- (1) State taxes shall be paid into the State budget or also according to a specified allocation – into the State budget and local government budgets in accordance with a specific tax law.
- (2) Fines for violations of tax laws, late charges and additional tax payments which are to be paid into budgets, preserving the proportional allocation of taxes, shall be paid into the same budget accounts in which the specific tax shall be paid, if it has not been provided otherwise in the specific tax law.

## **Chapter III Fees**

### **Section 10. Fee System**

- (1) State fees shall be levied in accordance with laws and Cabinet regulations; local government fees – with binding regulations issued by local government city councils (parish or district councils).
  - (2) Procedures for payment, rates and relief shall be prescribed in Cabinet regulations, if this Law or other laws do not provide otherwise. The State fee for the issuance of a special permit (license) for the import and export of goods and services provided for in Cabinet regulations may not exceed the average cost related to the issuance of such.
  - (3) Payment procedures, items on which fees may be levied, rates and relief, and other requirements which are provided for in other laws and Cabinet regulations shall be provided for in binding regulations issued by local government city councils (parish or district councils).
  - (4) For State fees which in accordance with laws in force are not fully paid into the State budget or local government budgets, value-added tax shall be applied in accordance with the procedures prescribed in the Law On Value Added Tax.
- [4 December 1997]

### **Section 11. Items on which State Fees May Be Levied**

- (1) The following State fees shall be levied only in accordance with laws:
  - 1)[25 November 1999]
  - 2) means of transport annual fee – Law On Means of Transport Annual Fees;
  - 3) lottery and gambling fee – Law On Lottery and Gambling Fee and Tax;
  - 4) fees for activities carried out in judicial institutions – Civil Procedure Law;
  - 5) fee for surname, given name and nationality record change in personal identification documents – Law On Change of Given Name, Surname and Ethnicity Records;

6) fee for land reservation in rural areas – Law On Land Reform in Rural Areas of the Republic of Latvia;

7) fees for certifications and other functions in Orphan's courts and in parish courts – Law On Orphan's Courts and Parish Courts.

8) [25 November 1999]

9)[13 April 2000]

(2) State fees shall be payable for State provided assistance, the following legal services and special purposes provided for by law:

1) for the issuance of documents for emigration for permanent residence in foreign states;

2) for carrying out the functions of a notary public;

3) for registration, amendment and supplementation of civil status records;

4) for registration of publishing activities and mass media;

5) for registration of entrepreneurial activity;

6) for provision of information from the Enterprise Register of the Republic of Latvia;

7) for provision of information from the Resident Register;

8) for registration of public organisations and associations thereof, religious organisations and institutions thereof, and trade unions;

9) for issuance of special permits (licenses) for particular types of entrepreneurial activity;

10) for operations involving promissory notes;

11) for operations involving vouchers;

12) for issuance of residence permits and related services;

13) for issuance of entry visas for the Republic of Latvia and related services;

14) for issuance of the Republic of Latvia passports and other personal identification documents and documents attesting to rights;

15) for registration of persons at their place of residence;

16) for protection of breeder's rights;

17) for protection of industrial property (inventions, trademarks, design prototypes and other industrial property);

18) for submission of naturalisation applications;

19) for customs authority services;

20) for registration of commercial pledges and registration of, renewal of, amendments to and extinguishment of commercial pledges;

21) for registration of title and pledge rights in the Land Register;

22) for registration and public issue of securities;

23) for registration of certificates of construction practices;

24) for regulation of public services;

25) for acquisition of petroleum;

26) for issuance of all forms of firearm and special device permits and extension of the term thereof (such permits shall be issued by State police institutions);

27) for registration of internal security services;

28) for labelling of gambling equipment;

- 29) for registration of means of transport, aircraft, ships, small craft and sail-boats (means of transport register fee);
  - 30) for registration of railway infrastructure;
  - 31) for passenger airport departures;
  - 32) for identifying quality standards and marking of precious metal products;
  - 33) for identifying quality standards and issuance of quality certificates for precious stones;
  - 34) for registration of the personal seal of a manufacturer for precious metal products;
  - 35) for registration of film producers (makers) and distributors, film distribution locations, and film registration;
  - 36) for issuance of certification regarding immovable property ownership and composition;
  - 37) for sea navigation services (lighthouse fee);
  - 38) for certification of authenticity of documents (legalisation);
  - 39) for issuance of permits to carry on activities, which are not entrepreneurial activity, involving sources of ionising radiation or to acquire ownership of sources of ionising radiation;
  - 40) for attestation of the level of fluency in the official language in order to perform professional and official duties;
  - 41) for documentation of renunciation of Latvian citizenship;
  - 42) for documentation of renewal of Latvian citizenship; and
  - 43) for issuance of a certificate and the extension of the time period for performing detective activity.
- [6 June 1996; 4 December 1997; 18 June 1998; 14 October 1998; 22 October 1998; 25 November 1999; 13 April 2000; 14 December 2000; 8 March 2001]

## **Section 12. Items for which Local Government Fees May Be Levied**

(1) A city council and a parish council have the right to impose local government fees, in accordance with procedures prescribed in Cabinet regulations in their administrative territory for:

- 1) receipt of official documents prepared by a local government city council (parish council) and certified copies of such;
- 2) organisation of events of a recreational nature in public places;
- 3) vacationer and tourist accommodation;
- 4) trade in public places;
- 5) keeping of all types of animals;
- 6) driving of means of transport into special regime zones;
- 7) placement of advertisements, posters and announcements in public places;
- 8) keeping of boats, motorboats and sail-boats;
- 9) utilisation of local government insignia; and
- 10) receipt of a construction permit.

(2) A district council has the right in accordance with procedures prescribed in Cabinet regulations to impose in its administrative territory a fee for:



1) receipt of official documents prepared by a district council and certified copies of such; and

2) utilisation of district local government regalia.

(3) Remuneration shall be paid in the form of local government fees only for local government assistance as provided for in Section 12 of this Law. If the local government city council (parish or district council) or its institutions offer services which in accordance with this Law are not items subject to local government fees, and if for these services payment is to be received, then the keeping of separate book-keeping accounts shall be arranged and the carrying out of tax and other mandatory payments ensured regarding such in accordance with this Law and the specific tax law.

(4) Binding regulations which the republic city councils and district councils have adopted regarding local government fees shall be sent within a period of five working days after they have been signed to the institution supervising the local government operations for registration in accordance with the procedures prescribed by the Cabinet, and not later than a week after the registration of such by the institution supervising the local government operations, they shall be published in the newspaper *Latvijas Vēstnesis* [the official Gazette of the Government of Latvia], and they shall come into force not sooner than the day following their publication. The institution supervising local government operations shall carry out the registration of the regulations or provide a reasoned refusal to do so not later than within a period of 30 days after receipt of the application for registration of the regulations.

(5) Binding regulations which republic city councils and district councils have adopted regarding local government fees shall be sent within a period of five working days after they have been signed to the institution supervising local government operations for registration in accordance with procedures prescribed by the Cabinet and not later than a week after their registration with the institution supervising the local government operations shall be displayed in a visible place in the city council (parish or district council) building or by the city council (parish or district council) building, and they shall come into force not sooner than the day following their display in a visible place. The institution supervising local government operations shall carry out the registration of the regulations or provide a reasoned refusal to do so not later than within a period of 30 days after receipt of the application for registration of regulations.

(6) Illegal binding regulations regarding local government fees shall be suspended in accordance with procedures prescribed in Section 49 of the Law On Local Governments.

[6 June 1996; 14 October 1998]

### **Section 13. Allocation of Fees by Budget**

(1) State fees shall be paid into the State budget if the specific law on the fee or Cabinet regulations do not provide otherwise. State fees which are collected by city or parish local governments or institutions established by them shall be paid into local government budgets.

(2) Local government fees shall be paid into the budgets of relevant local governments.

[6 June 1996]

## **Chapter IV**

### **Taxpayers**

#### **Section 14. Classification of Taxpayers**

- (1) Taxes (fees) determined by the laws of the Republic of Latvia shall be paid by:
  - 1) domestic taxpayers (residents); and
  - 2) foreign taxpayers (non-residents).
- (2) In tax laws a natural person shall be considered a resident if:
  - 1) the place of permanent residence for such person is the Republic of Latvia, or
  - 2) such person is present in the Republic of Latvia for 183 days or longer during any 12 month period which begins or ends in a taxation year, or
  - 3) such person is a Latvian citizen, who is employed in a foreign state by the government of the Republic of Latvia.
- (3) In order to apply Paragraph two, Clause 2 of this Section:
  - 1) a natural person who has not been recognised as a resident during the pre-taxation year, shall be considered a resident in a taxation year as of the date when he or she first arrived in Latvia;
  - 2) a natural person who is not recognised as a resident during the post-taxation year shall also not be recognised as a resident during the taxation year, after the date the person has left Latvia, if during the time period after this date such person has had closer connections with the foreign state than with Latvia (such person owns property in the foreign state, has family residing in the foreign state, or he or she makes social insurance payments in the foreign state).
- (4) For the purposes of tax legislation, a taxpayer which is not a natural person shall be considered a resident if it was established and registered or if it should have been established and registered in accordance with the laws of the Republic of Latvia.
- (5) Taxpayers who do not meet the conditions of Paragraphs two, three and four of this Section, shall be considered to be non-residents. Non-residents shall pay taxes in accordance with the laws of the Republic of Latvia for income acquired in the Republic of Latvia, its territorial waters and air space, as well as other taxes in accordance with specific tax laws.
- (6) A permanent representative office of a non-resident in Latvia, if it has been established and registered or if it should have been established and registered in accordance with the laws of the Republic of Latvia, for the application of all tax laws shall be considered a separate domestic taxpayer. A representative office shall be considered a permanent representative office of a non-resident, if it complies with any (at least one) of the following provisions:
  - 1) utilises a specific place, in which the undertaking (company) fully or partially carries out entrepreneurial activity;
  - 2) utilises construction sites, building, assembly or fitting sites or carries on supervision or consultative activities related thereto;
  - 3) utilises equipment or installations intended for the research or acquisition of natural resources, including drilling platforms and special ships, or carries out supervisory or consultative work related thereto;

4) provides services, including consulting, management and technical services, utilising foreign undertaking employees or associated personnel; or

5) utilises the activity of a natural, legal or other person for the benefit of a foreign undertaking if the person mentioned has been authorised and exercises its authorisation to enter into contracts in the name of the foreign undertaking.

(7) A permanent representative office of a non-resident in Latvia shall pay taxes in accordance with the laws of the Republic of Latvia for income obtained in the Republic of Latvia, its territorial waters and air space, for income obtained in foreign states which pertains to this representative office, and other taxes in accordance with specific tax laws.

## **Section 15. Duties of Taxpayers**

(1) The general duties of taxpayers are the following:

1) to calculate payable tax amounts;

2) to pay taxes and fees in due time and to the full extent;

3) to submit to the tax administration in writing or in electronic format the declarations, reports or tax calculations (hereinafter – declarations) provided for in specific tax laws;

4) in order to prove the correctness of tax calculations, to preserve documents verifying income from and expenditures on financial and economic activities for at least five years, but in cases when in accordance with law, a special regimen of taxes is being applied to a taxpayer for a period of time which exceeds five years, for the total period of application of the special tax regimen;

5) in accordance with the procedures prescribed and in the cases mentioned in regulatory enactments, to register one's type of self-employment with the local government, and to register as a taxpayer with the State Revenue Service and to notify this institution when income is initially obtained from the economic activity;

6) in accordance with the procedures prescribed in regulatory enactments, to list income from economic activity and the expenditure for economic activity and to calculate taxes; and

7) to deduct the amount of tax payable as provided for in specific tax laws.

(2) As taxpayers, natural persons have the following additional duties:

1) to obtain a salary tax booklet and annual salary tax card in accordance with the Law On Personal Income Tax;

2) to submit a salary tax booklet and an annual salary tax card to the primary place of employment and to places of additional employment or from which additional income is obtained;

3) to retain the written notice issued by the place from which income was obtained regarding the taxes the employer has paid;

4) to show personal identification documents if such are requested by the tax administration official (employee) during the performance of official duties;

5) to register with the local government one's type of individual work, to obtain a registration certificate (permit to carry out individual work) and to notify the State Revenue Service regarding the commencement of acquiring income; and

6) to report self-employment income and expenditures and to calculate the income tax.

(3) Natural persons, if they are employers, and legal persons as taxpayers have the following additional duties:

1) to keep financial accounts according to provided for procedures, to prepare reports regarding their financial and economic activities, and to calculate tax for the taxation period;

2) to indicate their taxpayer identity number in specific accounting and reporting documents;

3) in accordance with procedures prescribed by this Law and other regulatory enactments, to register with the local (according to legal address) tax administration office;

4) in cases determined in regulatory enactments, to notify the local (according to legal address) tax administration office within a period of ten days regarding changes in their registration documents;

5) in accordance with procedures prescribed by the Cabinet, to submit to the tax administration a declaration regarding all transactions in the previous month carried out separately in cash (also regarding purchases) which exceed one thousand lati;

6) to pay taxes and other payments, also tax debts into the State budget and local government budgets after settling employee claims in accordance with lawful employment relations and claims regarding compensation for injury caused as a result of mutilation or other health impairment, as well as claims in relation to the loss of a provider;

7) after a decision taken regarding the liquidation, re-organisation or termination of activities of an undertaking (company) in accordance with procedures prescribed in regulatory enactments, to inform the relevant tax administration office in writing within a period of ten days regarding such; and

8) to submit to the Enterprise Register of the Republic of Latvia the statement issued by the relevant tax administration office regarding paid tax payments if the undertaking (company) to be liquidated has carried out all the measures set out in regulatory enactments regarding the settlement of creditor claims, such claims have been settled and the final (liquidation) balance sheet has been approved. A notice regarding paid tax payments shall be submitted no later than within a period of ten days from the day of issuance of the notice. A statement, which is submitted at a later date to the Enterprise Register of the Republic of Latvia, shall not be valid.

[6 June 1996; 4 December 1997; 22 October 1998; 14 December 2000]

### **Section 15.1. Registration of Taxpayers**

(1) The Enterprise Register shall also register undertakings (companies), representative offices and branches thereof, and public organisations and associations thereof in accordance with the procedures prescribed by the Law On the Enterprise Register of the Republic of Latvia also as taxpayers.

(2) The Enterprise Register shall grant a unified eleven-digit registration code to an undertaking (company), representative office and branch thereof, and a public organisation and association of public organisations.

(3) The Enterprise Register shall issue a registration certificate, which is simultaneously also a taxpayer certificate, to an undertaking (company), a representative office and branch thereof, and a public organisation and an association of public organisations.

(4) The Enterprise Register, when registering the representative office or branch of an undertaking (company), shall grant the representative office or branch a unified eleven-digit registration code and in the registration certificate of the representative office or branch shall also indicate the unified registration code of the relevant undertaking (company).

(5) Those legal persons which in accordance with the law need not be registered with the Enterprise Register shall be registered as taxpayers by the State Revenue Service.

(6) The persons upon which value-added tax is levied shall be registered by the State Revenue Service in accordance with the procedures prescribed by laws and regulatory enactments.

(7) The Cabinet shall determine the procedures according to which taxpayers and taxpayer units which need not be registered by the Enterprise Register shall be registered by the State Revenue Service and the documents to be submitted to the State Revenue Service

(8) Within one working day after the registration of an undertaking (company), a representative office branch thereof, or a public organisation or association of public organisations, the Enterprise Register shall send information to the State Revenue Service in electronic format regarding the registered undertaking (company), a representative office or branch thereof, or a public organisation or an association of public organisations and information regarding amendments to the Enterprise Register Journal.

(9) In addition to the information specified in Paragraph eight of this Section, pursuant to the request of the State Revenue Service the Enterprise Register shall provide information which is under its control regarding registered undertakings (companies), representative offices and branches thereof, and public organisations and associations thereof.

[14 December 2000]

## **Section 16. Rights of Taxpayers**

Taxpayers have the right:

- 1) to utilise tax and fee relief provided by law;
- 2) to utilise rebates provided by law;
- 3) to become acquainted free of charge at the tax administration with regulatory documents which regulate tax and fee calculation and payment procedures;
- 4) to become acquainted with tax and fee calculation verification enactments and reports which pertain to a specific taxpayer;
- 5) to appeal tax administration decisions in accordance with procedures prescribed in Chapter VIII of this Law;

6) to submit to the tax administration or to a court applications regarding review of tax and fee payments within a period of three years after the payment date specified by law;

7) to receive overpaid tax amounts in accordance with specific tax laws;

8) to receive payment amounts erroneously recovered by the tax administration in accordance with procedures prescribed in Section 28 of this Law; and

9) to receive a written notice issued by the place from which one's income has been obtained regarding the taxes the employer has paid.

## **Chapter V**

### **Tax Administration**

#### **Section 17. Rights of the Tax Administration**

The rights of the tax administration are determined by this Law, the Law On the State Revenue Service and other laws.

#### **Section 18. Duties of the Tax Administration**

The tax administration shall have the following duties:

1) to ensure that this Law and other tax (fee) laws are observed by both taxpayers and the tax administration;

2) to control the accuracy of tax (fee) calculation and payments;

3) to control tax (fee) payment debts;

4) to apply sanctions to persons who violate tax (fee) laws, based on law and Cabinet regulations;

5) to examine and decide issues regarding tax and fee payment term extensions;

6) to control the accuracy of the application of tax (fee) rebates;

7) to inform a taxpayer in writing regarding the difference between a declared and a recalculated payment;

8) to ensure transparency of tax (fee) collection by regularly publishing information regarding total revenue from specific taxes (fees) and regarding taxpayers who have the largest tax (fee) debts;

9) to publish information regarding changes in procedures for setting tax and fee rates, fines and late charges;

10) to carry out control (verification, audit) of taxes (fees), based on a written decision by direct management, in which the term of the control (verification, audit) is indicated;

11) to recover unpaid taxes, fines and late charges on an uncontested basis from the financial assets of the taxpayers or from other property owned by them; and

12) to ensure public access to the register of value-added taxpayers.

[25 November 1999; 14 December 2000]

#### **Section 19. Liability of the Tax Administration**

(1) Losses, including losses created as a result of funds having been excluded from circulation, which have been incurred by a natural or legal person due to an illegal action or an error of the tax administration, shall be compensated accordingly from the State budget or local government budgets, and in addition the repayable amount shall be increased according to the re-financing rate set by the Bank of Latvia for this period.

(2)[4 December 1997]

(3) A taxation administration official (employee) who has allowed an illegal action shall compensate the losses in accordance with procedures prescribed by laws.

[4 December 1997]

## **Section 20. Administration of Specific Taxes**

Taxes shall be administered by the following institutions:

1) personal income tax – the State Revenue Service and local governments in accordance with the Law On Personal Income Tax;

2) enterprise income tax – the State Revenue Service;

3) immovable property tax – the State Revenue Service and local governments in accordance with the Law On Immovable Property Tax;

4) excise duties – the State Revenue Service;

5) value-added tax – the State Revenue Service;

6) natural resources tax – the State Revenue Service, the Ministry for Environmental Protection and Regional Development and local governments in accordance with the Law On Natural Resources Tax;

7) lottery and gambling tax – the State Revenue Service;

8) customs duties – the State Revenue Service; and

9) mandatory payments of State social insurance – the State Revenue Service.

[6 June 1996; 4 December 1997]

## **Section 21. Tax Administration Autonomy**

Interference with financial control issues which are within the competence of the tax administration shall be prohibited except in cases specified by law.

## **Section 22. Confidentiality**

(1) A tax administration official (employee) shall be prohibited from disclosing any information regarding a taxpayer which has become known to him or her in fulfilling the duties of his or her office, if it is not provided for otherwise in Paragraph two of this Section. For the disclosure of information the responsible official (employee) shall be held liable as set out in law.

(2) In regard to issues related to the taxpayer, without the permission of the taxpayer, the tax administration official (employee) may inform:

1) the Ministry of Finance – in regard to questions on ensuring State revenue;

2) another representative of the tax administration – in cases when it is necessary to examine the issue of levying a tax;

3) investigatory authorities and court institutions – in cases set out in legislative enactments;

4) the State Audit Office – in regard to questions related to carrying out revisions;

5) a local government city council (parish or district council) – in regard to issues on ensuring local government revenue;

6) an authorised representative of a foreign state – in accordance with the provisions of international agreements, and informing the taxpayer regarding such. If the tax administration suspects concealment of taxable items or avoidance of payment of taxes, it may inform the taxpayer 90 days after informing the authorised representative of the foreign state;

7) the Naturalisation Board – in regard to whether taxpayers who are renouncing Latvian citizenship have fulfilled their obligations to the State regarding State tax, fee and other mandatory payments as prescribed by the State; and

8) other persons – in accordance with Section 18, Clause 8; Section 24, Paragraph two and Section 25, Paragraph one.

[8 March 2001]

## **Chapter VI**

### **Tax (Fee) Calculation, Collection and Refunding**

#### **Section 23. Specifying the Amount of Tax**

(1) The tax administration has the right to assess additional taxes and to impose fines if tax laws, Cabinet regulations regarding State fees and binding regulations regarding local government fees issued by local government city councils (parish or district councils) have been violated, and to reduce tax (fee) payments in regard to overpaid taxes (fees) within a three year period after the payment term provided by law. If a tax administration control has taken place in the undertaking during this period, then the opinion of such is final and may be reviewed only if facts are discovered that attest to the falsification of documents, fraud, or other activities which are criminally punishable.

(2) The State Revenue Service has the right, in accordance with procedures prescribed by the Cabinet, on the basis of assessment, to determine the amount of tax payments for taxpayers in accordance with property owned by them or capital gains or information at the disposal of the State Revenue Service or information obtained during a verification.

(3) Tax payments assessed in accordance with Paragraphs one and two of this Section, shall be collected on an uncontested basis not earlier than after 30 days, if the taxpayer fails to prove that the levying of the tax is not justified.

[25 November 1999]

#### **Section 23.1. Payment of Taxes into the Budget**

(1) A taxpayer shall pay taxes into the budget in accordance with the budget accounts indicated by the tax administration.

(2) The payment of tax day shall be the day that the State budget or local government budget has received the tax payment which it is entitled to receive.



(3) The Cabinet shall prescribe the procedures whereby, in accordance with tax laws, regular tax payments and late tax payments shall be paid into the budget.  
[25 November 1999]

#### **Section 24. Extension of Tax Payment Terms and Capitalisation of Tax Debts**

(1) The tax administration, which in accordance with Section 20 of this Law administers specific taxes, based on a reasoned submission in writing by a taxpayer has the right:

1) to extend the payment terms of the regular tax and other payments to be paid into budgets for up to three months, not assessing late charges set out in this Law and specific tax laws. The reasoned submission by the taxpayer shall be submitted to the tax administration not later than three days prior to the expiration of the payment term;

2) to extend the late tax payment term which is to be included in local government budgets repeatedly for up to three months, not assessing the late charges set out in this Law and specific tax laws if in the previous extension period not less than 20 per cent had been paid of the tax debt amount. The reasoned submission by the taxpayer shall be submitted to the tax administration prior to the expiration of the missed payment extension term; and

3) to divide into instalment payments or to defer for a period of up to one year paying of the payment and fine to be included in the State budget, which is to be collected on an uncontested basis.

(2) The State Revenue Service, based on a reasoned written submission by a taxpayer which has been co-ordinated with the relevant local government, is entitled to carry out extensions of payment terms for regular and late tax and other payments to be included in budgets as provided in Paragraph one of this Section, in cases when the specific taxes are administered by the State Revenue Service and local governments.

(3)[25 November 1999]

(4)[25 November 1999]

(5) Tax debts which have arisen as a result of tax administration verifications and payment terms for payments collectable on an uncontested basis may be postponed for a period of time in accordance with this Paragraph one, Clause 3 of this Section.

(6) Late tax payments shall be made by paying the principal debt, the increase in the amount of principal debt and the late charges proportionately.

(7) If, at the expiration of the term of extension, the taxpayer has not paid the late payments to the full amount or has not extended the terms of payment in accordance with the procedures prescribed in this Section, the late charge for the portion of the debt which is unpaid for the total late period shall be assessed in accordance with general procedures and the debt shall be recovered on an uncontested basis.

(8) Extension of the term of payment of late tax payments shall not release the taxpayer from the duty to make regular tax payments in the full amount and within the terms set out in tax laws. The principal tax debt, also in the case of extension of the payment term, shall be increased during the total late period in accordance with the refinancing rate set by the Bank of Latvia except for cases provided for in Section 29 of this Law.

(9) Relief provided for in Paragraph one, Clause 2 of this Section may not be applied to taxpayers who do not make regular tax payments to the full extent and within the terms

set out in tax laws.

(10) The institution performing alienation of State property, in accordance with procedures prescribed by the Cabinet, shall capitalise the principal debt of tax payments to be paid into the State budget, at the same time writing off late charges and fines:

1) regarding undertakings (companies) or their divisions which are to be privatised; and

2) regarding privatised undertakings (companies) for which the tax debt to be paid into the State budget had arisen prior to privatisation and until the present time has not been paid due to circumstances beyond the control of the payer.

(11) Revenue, which has been obtained by realising capitalised tax debts to be included in the State budget, shall be paid into the general budget and the special budget as determined by specific tax laws regarding the inclusion in the State general budget or special budget of the regular payments of such tax.

(12) The institution performing alienation of State property, in accordance with procedures prescribed by the Cabinet, may capitalise the principal debt of property tax and personal income tax payments of privatised undertakings (companies) for which property tax and personal income tax debt had arisen prior to privatisation and until the present time has not been paid due to circumstances beyond the control of the payer.

(13) Revenue which has been obtained by realising capital shares (stocks) acquired as a result of capitalisation of the principal debts of property tax and personal income tax payments shall be included in an account specially specified for this purpose in the State general budget. The resources mentioned shall be divided between local governments and the State special budget in accordance with procedures prescribed by the Cabinet.

(14) Local governments, in accordance with procedures prescribed by the Cabinet, may capitalise the principal debt of land tax of privatised undertakings (companies) for which the land tax debt had arisen prior to privatisation and until the present time has not been paid due to circumstances beyond the control of the payer.

(15) Revenue which has been obtained, realising capital shares (stocks) acquired by capitalisation of the principal debt of land tax payments, shall be included in the relevant local government budget.

[6 June 1996; 18 June 1998; 25 November 1999; 10 May 2001]

## **Section 25. Extinguishment of Tax Debt**

(1) Tax debts to be included in the State budget, as well as fines, increases in the amount of principal debt, and late charges related thereto shall be extinguished by the Director General of the State Revenue Service in the following cases:

1) for an undertaking (company) – if by a court adjudication bankruptcy procedures have been completed and an insolvency matter has been terminated;

2) for an individual (family) undertaking, also a farm or fishing undertaking, in the event of the death of a founder-owner if it is not possible to recover tax debts from the heirs, as well as fines, increases in the amount of principal debt and late charges related thereto; and

3) for a natural person – taxpayer – in the event of his or her death if it is not possible to recover tax debts from the heirs, as well as fines, increases in the amount of principal debt and late charges related thereto.

(2) Capitalised primary debt of tax payments, as well as fines and late charges related thereto, except for land tax debts, shall be extinguished by the Ministry of Finance, pursuant to procedures prescribed by the Cabinet, after a recommendation by the authority which is carrying out the capitalisation.

(3) Tax debts to be included in local government budgets, as well as fines, increases in the amount of principal debt and late charges related thereto shall be extinguished in cases set out in Paragraph one of this Section by the relevant local governments. Local governments shall extinguish the capitalised primary debt of land tax payments, as well as the fines and late charges related thereto in accordance with procedures prescribed by the Cabinet.

(4) The Ministry of Finance, the State Revenue Service or the relevant local government shall publish in the newspaper *Latvijas Vēstnesis* information regarding the extinguishment if it has not been provided otherwise in regulatory enactments.

(5) The following shall be sent to the Enterprise Register of the Republic of Latvia:

1) by the State Revenue Service – an order from the Director General of the State Revenue Service regarding extinguishment of tax debts to be included in the State budget, of such undertakings (companies) for which by court adjudication bankruptcy procedures have been completed and the insolvency matter has been terminated; and

2) by local governments – city council (parish or district council) decision regarding extinguishment of tax debts to be included in the local government budget of the undertakings (companies) for which by court adjudication bankruptcy procedures have been completed and the insolvency matter has been terminated.

[6 June 1996; 4 December 1997; 18 June 1998; 22 October 1998; 13 April 2000; 8 March 2001]

## **Section 26. Collection of Taxes not Paid in Due Time**

(1) The tax administration has the duty to inform the taxpayer in writing regarding the amount of the payment determined as a result of calculation or adjustment if it does not conform with the amount to be paid declared by the taxpayer.

(2) Taxes not paid in due time, fines and late charges shall be recovered on an uncontested basis in accordance with a decision of the tax administration:

1) by withdrawing funds from a bank account, including a foreign currency bank account of the taxpayer, by a collection order of the tax administration. If there are no funds in the account of the taxpayer, the banking institutions shall accept the collection order and after funds are received in the account, shall execute such. While the collection order of the tax administration has not been executed, funds for other needs, except for work remuneration which does not exceed the amount of the average work remuneration for the past six months, shall not be issued;

2) from taxpayer bank accounts in foreign banks in accordance with procedures prescribed in international agreements;

3) by withdrawing cash from the cashier's office of a legal person in accordance with procedures prescribed by the Cabinet; and

4) from other property of the taxpayer. Such shall be realised by a tax administration official (employee) in accordance with procedures prescribed in Paragraph three of this Section.

(3) If the taxpayer has not appealed the tax administration decision regarding tax recovery and has not paid the tax within 30 days from the date of receipt of a request for payment, the tax administration has the right to collect this tax and recovery expenses, recovering such from the property belonging to the tax payer similarly as to how such is executed after a court adjudication.

(4) The tax administration shall not recover on an uncontested basis taxes not paid in due time and payments related thereto which have been established until the submission date of the insolvency application, from undertakings (companies) from the day that insolvency petition was submitted.

(5) Undertakings (companies) for which the relief provided for in Paragraph four of this Section is applicable shall carry out all the regular tax payments set out in specific tax laws.

[6 June 1996; 22 October 1998]

#### **Section 27. Collection of Taxes in Cases of Liquidation or Concealment of Source of Income**

If a taxpayer liquidates his or her or its property, undertakings, companies or other sources of income or conceals property or the tax administration has other evidence that the taxpayer is terminating his or her or its activity in Latvia, the tax administration is entitled to assess taxes and to carry out measures in order to ensure the receipt of the assessed tax amount before the end of the taxation period. In such cases information and declarations necessary for levying taxes, as well as the payment of the taxes levied may be requested by the tax administration irrespective of the terms set out in the specific tax law.

#### **Section 28. Refund of Incorrectly Recovered Payments and Overpaid Tax Amounts**

(1) Payment amounts incorrectly recovered by the tax administration shall be refunded to the taxpayer within a period of 15 days from the day when the tax administration has taken or a court has adopted a decision that the payment has been recovered in error. The refundable amounts shall be determined taking into account the refinancing rates set by the Bank of Latvia at the time when the amount was incorrectly recovered. If the payment amounts recovered in error are not refunded within a period of 15 days, the refundable amounts shall be increased by 0.05 per cent of the payment amount incorrectly recovered for each late day, and such shall be paid from the special budget funds of the tax administration.

(2) Pursuant to reasoned request from a taxpayer, overpaid tax amounts shall be refunded within a period of 15 days after submission of the request to the tax administration if specific tax laws do not provide for other refund times and procedures.

(3) The conditions set out in Paragraphs one and two of this Section shall not be applicable to taxpayers who have late tax payments in the amount of the late taxes and payments related thereto.

(4) The tax administration has a duty, in regard to taxpayers who have late tax payments to be paid into the budget and who have created overpayments of tax, in the cases mentioned in Paragraphs one and two of this Section, without an application by the taxpayer to direct the overpaid tax amounts toward covering the tax debt and related payments, at the same time proportionately covering the principal debt, fine, the increase in the amount of principal debt and late charge.

[6 June 1996]

## **Chapter VII.**

### **Liability for Violations of Tax Laws**

#### **Section 29. Calculation of Increases in the Amount Principal Debt and Late Charges**

(1) The amount (principal debt) of late tax and fee payments (including fines) shall be increased in accordance with the refinancing rate set by the Bank of Latvia during the late period.

(2) For not observing the payment term for tax and fee payments (including fines), late charges shall be assessed in the amount of 0.05 percent of the principal debt not paid in time for each late day if other amounts for late charges are not provided for by specific tax laws.

(3) Increases in the amount of principal debt and late charges shall not be assessed if the State budget or local government budgets have received the tax payment which they are entitled to receive within five days after expiration of the payment term. If the condition mentioned is not observed, increases in the amount of principal debt and late charges shall be assessed commencing with the next day after the payment term expiry date as provided for by the specific tax law. If the expiration of the payment term occurs on a non-working day (holiday), then the first working day after the non-working day (holiday) shall be considered the payment day.

(4) Calculation of increases in amount of principal debt and late charges:

1) shall be discontinued if it is not provided otherwise in Section 24 of this Law:

a) for undertakings (companies) to be privatised – from the day of commencement of privatisation, for undertakings (companies) – from the day of commencement of alienation, until the day when the obligations are transferred by an act of delivery and acceptance to the new owner, but not longer than for 12 months,

b) for undertakings (companies) which have been proclaimed as insolvent by a court, from the day that the adjudication was rendered, and

c) for undertakings (companies) whose principal debt of tax payments is being capitalised in accordance with procedures and within the term prescribed by

the Cabinet; and

2) shall be renewed if:

a) with the expiration of the term provided for in Clause 1, sub-clause a) or c) of this Paragraph, the late tax payments have not been paid or capitalised and the changes related to capitalisation have not been registered with the Enterprise Register of the Republic of Latvia. The increase in the amount of the principal debt and late charges shall be calculated according to general procedures from the day that such calculation was discontinued, and

b) the solvency of undertakings (companies) mentioned in Clause 1, sub-clause b) of this Paragraph shall be renewed from the day when the court has adopted an adjudication regarding the termination of insolvency proceedings.

(5) In regard to taxpayers, for whom banks have accepted payment orders for execution for payment of tax, not executing such due to suspension of operations of the bank, calculation of increase in the amount of principal debt and late charges shall be suspended for a period until a decision is taken regarding the renewal of operations or bankruptcy of the credit institution.

(6) Calculation of increases in the amount of principal debt and late charges set out in Paragraph five of this Section shall be discontinued:

1) for amounts which have been referred for execution in accepted payment orders, from the day when the bank has accepted such for execution; and

2) only in a case when the owner-manager of cash funds which have been frozen (blocked) in bank accounts has not relinquished his or her rights to claim for the benefit of another person or has not transferred his or her rights to any other person.

(7) The calculation of late charges shall be terminated, if the increase in the amount of principal debt and the late charges amount to the extent of the late payment (principal debt).

[6 June 1996; 22 October 1998; 25 November 1999; 13 April 2000; 10 May 2001]

### **Section 30. Limitations in Cash Usage**

(1) Legal persons or groups of such persons associated by a contract, or representatives of such persons or groups, each month in accordance with procedures prescribed by the Cabinet shall declare all the mutual transactions made in cash (irrespective of whether the transaction takes place in one operation or in several operations), the amount of which exceeds 1000 lati. If transactions made in cash the amount of which exceeds 1000 lati have not been declared, a fine in the amount of 5 per cent of the total amount of the undeclared transactions shall be payable.

(2) If the transactions mentioned in Paragraph one of this Section exceed 3000 lati, a fine in the amount of 10 per cent of the total amount of the transactions shall be payable; if these transactions have not been declared in accordance with procedures prescribed in Paragraph one of this Section – a fine in the amount of 15 per cent of the total amount of these transactions, if not provided otherwise in this Section. (3) Shipping agent undertakings (companies), as well as international road haulage and freight expedition undertakings (companies), only in relation to international road haulage and freight expedition transactions for which the total amount of transactions to be declared in a

month exceeds 3000 lati and who have declared such transactions in accordance with procedures prescribed by the Cabinet, shall not have fines applied in the amount of 10 per cent of the total amount of such transactions.

(4) Shipping agent undertakings (companies) as well as international road haulage and freight expedition undertakings (companies) who have not observed the conditions of Paragraph three of this Section shall pay a fine in conformity with the conditions set out in Paragraph two of this Section.

(5) The norms set out in this Section shall not apply to:

1) credit institution services; and

2) cash payments to credit institutions for transactions into member accounts provided for in Paragraph one of this Section.

(6) For transactions carried out in retail trade, the norms of this Section are applicable only to the purchaser of the goods.

[6 June 1996; 4 December 1997; 25 November 1999; 13 April 2000]

### **Section 31. Limitations on the Receipt of Tax Relief**

Taxpayers who have, unjustified late payments in a reporting year do not have the right to receive tax relief by making donations or giving gifts.

### **Section 32. Liability for Reduction of the Tax Base**

(1) If a taxpayer in violating the requirements of tax laws, in declarations submitted to the tax administration or in calculation of taxes reduces the tax base (the taxable item) and the tax amount assessed from such, the tax administration shall assess and recover for the benefit of the budget from the taxpayer the reduced tax amount and a fine to the amount of such if another amount for the fine is not provided in specific tax laws.

(2) A fine shall not be calculated and recovered if both of the following conditions are complied with:

1) the taxpayer, in regard to a declaration or tax calculation submitted in due time, has submitted a correction of the declaration or a corrected tax (item subject to tax) calculation prior to the beginning of a verification by the tax administration; and

2) has paid, within five days from the day of submission of the corrected declaration or corrected tax (item subject to tax) calculation, the reduced tax amount and the related increase in the amount of principal debt and late charge which has arisen up to the day of submission of the corrected declaration or corrected tax (item subject to tax) calculation.

(2.1) The increase in the amount of principal debt and late charge shall not be calculated for the reduced tax amount during the five days prescribed in Paragraph two, Clause 2 of this Section from the day of submission of the corrected declaration or corrected tax (item subject to tax) calculation. If the payments are not made during the five days as prescribed, the conditions of Section 29, Paragraphs one and two of this Law shall be applied from the day of submission of the corrected declaration or corrected tax (item subject to tax) calculation.

(3) [13 April 2000]

(4) The taxpayer shall pay the amount of the reduced tax and fine for the corresponding amount within a 30 day period from the day of receipt of a decision by the tax administration regarding the calculated tax amount. If the payments are not carried out within the 30 day period, with the 31<sup>st</sup> day the conditions set out in Section 29, Paragraphs one and two of this Law shall be applicable.

[6 June 1996; 4 October 1998; 13 April 2000; 8 March 2001]

### **Section 32.1. Liability for Non-submission of Declarations in Due Time**

(1) If a taxpayer in submitting the declarations, reports or tax calculations (hereinafter – declarations) as provided for in specific tax laws to the tax administration has not observed the terms for submission specified in regulatory enactments, a fine, which shall depend on the extent of the lateness, shall be levied on him or her or it for late submission of the declaration in the following amounts if specific tax laws do not provide otherwise:

1) up to 15 calendar days 0.1 per cent of the total tax amount indicated in the declarations, but not more than 50 lati;

2) from 16 to 30 calendar days – 0.5 per cent of the total tax amount indicated in the declaration, but not more than 200 lati; and

3) more than 30 calendar days – 1 per cent of the total tax amount indicated in the declaration, but not more than 500 lati.

(2) If in the case specified in Paragraph one of this Section, as a result of calculation of the declaration, tax need not be paid, or if the fine which is assessed in accordance with Paragraph one of this Section is less than 10 lati, a fine in the amount of 10 lati shall be levied for the late submission of the declaration if specific tax laws do not provide otherwise.

[13 April 2000; 14 December 2000]

### **Section 33. Liability for Repeated Reduction of the Tax Base**

(1) If a taxpayer within a three year period has repeatedly violated tax laws (reducing the tax base, not declaring income or declaring less income, or has substantiated non-justifiable expenses with documents), the tax administration shall recover from the taxpayer the unpaid (missing) tax amount and fine to double the extent of this amount.

(2) [13 April 2000]

(3) If within a three month period, the taxpayer has not paid the debt of a tax, fine or late charge into the budget and the terms for paying the taxes have not been extended in accordance with procedures prescribed in Section 24 of this Law, the tax administration shall initiate a matter in court regarding the insolvency of the taxpayer.

[6 June 1996; 13 April 2000]

### **Section 33.1 Right of the Tax Administration to Reduce Fines Applied**

(1) The tax administration in evaluating the essence and nature of the violation of the taxpayer, in cases when the taxpayer has appealed the decision of the tax administration regarding the violations of this Law and specific tax laws, has the right to reduce the fine



imposed as a result of controls (verifications, audits), but not by more than 70 per cent of the amount and not more often than once in three years.

(2) The following tax administration officials have the right to reduce imposed fines in accordance with Paragraph one of this Section:

1) the head of the highest institution of the tax administration; and

2) the heads of territorial tax administration offices if the reduction amount of the fine does not exceed 1000 lati, informing the head of the highest institution of the tax administration of the decision taken within five days from the day the decision is taken.

(3) The head of the highest institution of the tax administration has the right to revoke unsubstantiated decisions taken by the heads of territorial tax administration offices regarding the reduction of fines within a period of 30 days from the day of the notice by the head of the territorial institution or the receipt of the complaint of the taxpayer.

[13 April 2000]

#### **Section 34. Liability for Carrying on Entrepreneurial Activity, Not Being Registered as a Taxpayer and for Other Tax Law Violations**

If a natural or legal person who is carrying on entrepreneurial activity has not registered as a taxpayer or within a 30 day period after the specified term does not submit the declarations or tax calculations provided for by tax laws, as well as economic and accounting documents without which tax administration officials (employees) are not able to determine the tax base, or does not provide the opportunity to collect taxes, or does not allow a tax administration official (employee) to enter the premises of the taxpayer when such official (employee) has such rights, then:

1) liability as provided for in Section 33, Paragraph one of this Law shall be applicable, but if it is not possible to determine the amount of the taxes, they shall be collected at double the amount of assessed taxes for the previous period, but if there has not been such, the amount of taxes shall be determined based on the information the tax administration has at its disposal regarding analogous taxpayers and by applying double the amount of tax payments to the violators;

2) pursuant to the request of the tax administration:

a) ministries, local governments and other institutions shall revoke the permit (license) to carry on entrepreneurial activity issued to the taxpayer,

b) customs authorities shall suspend export and import operations by the taxpayer, and

c) banks shall discontinue the issuing of funds and transfers from the account of the taxpayer until a written revocation by the tax administration or a court adjudication has been received; and

3) sanctions set out in other legislative enactments shall be applied. The tax administration is entitled to submit to the relevant State institution materials for initiating a criminal matter.

#### **Section 34.1. Suspension of Economic Activity in Cases of Violations of Regulatory Enactments**

(1) If a natural or legal person or a group of such persons, in carrying on economic activity, violates the procedures provided for in regulatory enactments which ensure a correct and complete accounting of items subject to taxes and fees, the State Revenue Service is entitled, in order to carry out a special examination in accordance with procedures prescribed by the Cabinet, to suspend the activity of the violator of the regulatory enactments (or of the unit in which the violation has occurred) for a period of time which is not longer than 10 days from the day the State Revenue Service decision (order) was taken. The relevant decision (order) shall be taken by the State Revenue Service within a period of three working days after receipt of material for examination from the control authorities.

(2) The time restriction for the carrying out of the special examination provided for in Paragraph one of this Section shall not be applicable in cases when it has been established during such an examination that it is necessary to carry out a special tax audit or in cases, for which criminal liability is provided, an audit of economic and financial activities.

(3) If the activity of the violator of the regulatory enactments (or the unit in which the violation has occurred), as provided for in Paragraph one of this Section, is suspended for a period, then the financial losses which have been incurred as a result of the suspended activities shall be covered from the resources of the violator (natural or legal person or groups of such persons).

[6 June 1996; 4 December 1997]

### **Section 35. Liability for Gross Violations of Tax Laws**

(1) If a taxpayer systematically does not submit reports, declarations or tax calculations provided for by tax laws to the tax administration and the tax administration does not have information regarding the activities of such taxpayer or if the taxpayer in bad faith avoids payment of taxes and fees, pursuant to a recommendation by the tax administration, the specific undertaking (company) or organisation shall be deleted from the Enterprise Register of the Republic of Latvia.

(2) In all cases when the taxpayer has allowed violations, for which criminal liability is provided, the tax administration official (employee) who has discovered such has the duty to submit within a period of ten days a notice and materials regarding such to the relevant State institution for initiating criminal matters.

## **Chapter VIII**

### **Appeal Procedures for Decisions Taken Regarding Tax and Fee Issues**

### **Section 36. Procedures for Submission and Review of Complaints**

(1) A taxpayer who has received a document regarding taxes not fully paid has the right within a 30 day period after the receipt of such document to appeal in writing the tax administration decisions and orders to the head of the highest institution of the relevant tax administration, with the exception of decisions regarding administrative sanctions which shall be appealed to a court in accordance with procedures prescribed by law.

(2) The head of the tax administration who has received a complaint shall review the

complaint mentioned in Paragraph one of this Section and give a response to the applicant not later than within a period of 30 days. The Minister for Finance has the right to permit the State Revenue Service to extend the review of the complaint by 30 days.

### **Section 37. Appeal Procedures for Tax Administration Decisions**

A taxpayer who does not agree with a decision which has been taken by the head of the tax administration in accordance with the procedures set out in Section 36 of this Law has the right, within a period of 30 days after receipt of the tax administration decision, to appeal it to a court.

### **Section 38. Provision of Evidence**

If a taxpayer does not agree with the amount of the tax payments assessed by the tax administration, evidence regarding the amount of the tax payment shall be provided by the taxpayer.

### **Section 39. Appeal of Decisions to the Transaction Evaluation Commission**

- (1) If a taxpayer does not agree with the tax administration decision regarding market prices or the determination of market value for a specific transaction, he or she or it has the right within a period of 10 days to request an opinion from the Transaction Evaluation Commission.
- (2) The Transaction Evaluation Commission shall be formed by the Cabinet from specialists, and it shall act and deliver opinions in accordance with procedures prescribed by the Cabinet.
- (3) Until receipt of an opinion by the Transaction Evaluation Commission, the tax administration does not have the right to apply punitive sanctions against the taxpayer regarding the contested transaction.
- (4) After receipt of an opinion both the tax administration and the taxpayer have the right to appeal to a court.

### **Section 40. Execution of the Decision Independent of Appeal**

An appeal shall not suspend the execution of the decision of the tax administration official (employee), except in cases provided for in Section 39 of this Law, as well as the execution of the duties of this official (employee) if a higher official or institution has not taken a different decision.

### **Section 41. Tax Administration and Taxpayer Settlement Agreement**

- (1) If as a result of a verification the tax administration has assessed additional payments into the budget in connection with a reduction in the tax base and the taxpayer does not agree with the tax payment amount assessed by the tax administration, the head of the tax administration has the right in accordance with procedures prescribed by the Cabinet to

enter into a settlement agreement with the taxpayer regarding reduction of the assessed amount only in such cases when the norms of the applicable regulatory enactments are contradictory and may be interpreted differently.

(2) A taxpayer who does not agree with the tax payment amount assessed by the tax administration, within a period of 30 days after receipt of the tax administration decision in this regard, shall submit a reasoned submission in writing to the head of the highest institution of the tax administration regarding entering into a possible settlement agreement.

(3) Within a period of five days after the day of its signature, the tax administration shall publish the settlement agreement which has been entered into in the newspaper *Latvijas Vēstnesis*.

(4) The settlement agreement entered into by the tax administration and the taxpayer is final and neither of the parties to the agreement may contest it in court.

[6 June 1996]

### **Transitional Provisions**

1. When this Law comes into force the following are repealed:

1) the Law On Taxes and Fees in the Republic of Latvia (*Latvijas Republikas Augstākās Padomes un Valdības Ziņotājs*, 1991, Nos. 3/4/, 21/22; 1992, Nos. 2/3., 27/28; 1993, Nos. 7, 22/23; *Latvijas Republikas Saeimas un Ministru Kabineta Ziņotājs*, 1994, No. 14);

2) the 28 December 1990 decision of the Supreme Council of the Republic of Latvia On Procedures by which the Republic of Latvia Law On Taxes and Fees in the Republic of Latvia Comes into Force (*Latvijas Republikas Augstākās Padomes un Valdības Ziņotājs*, 1991, No. 3/4);

3) the 23 December 1991 decision of the Supreme Council of the Republic of Latvia On Additions to the Procedures by which the 28 December 1990 Republic of Latvia Law On Taxes and Fees in the Republic of Latvia Comes into Force (*Latvijas Republikas Augstākās Padomes un Valdības Ziņotājs*, 1992; No. 2/3);

4) the 17 June 1992 decision of the Supreme Council of the Republic of Latvia On Additions to the Procedures by which the 28 December 1990 Republic of Latvia Law On Taxes and Fees in the Republic of Latvia Comes into Force (*Latvijas Republikas Augstākās Padomes un Valdības Ziņotājs*, 1992; No. 27/28);

5) the 9 February 1993 decision of the Supreme Council of the Republic of Latvia On Additions to the Procedures by which the 28 December 1990 Republic of Latvia Law On Taxes and Fees in the Republic of Latvia Comes into Force; (*Latvijas Republikas Augstākās Padomes un Valdības Ziņotājs*, 1992; No. 2/3); and

6) the 9 June 1993 decision of the Supreme Council of the Republic of Latvia On the Application of Section 3, Paragraph two of the Republic of Latvia Law On Taxes and Fees in the Republic of Latvia (*Latvijas Republikas Augstākās Padomes un Valdības Ziņotājs*, 1992, No. 2/3).

2. [14 December 2000]

3. Effective 1 January 1998, the Law On Land Tax (*Latvijas Republikas Augstākās Padomes un Valdības Ziņotājs*, 1991. Nos. 11/12, 21/22; 1992, No. 13/14; 1993, No. 20/21; *Latvijas Republikas Saeimas un Ministru Kabineta Ziņotājs*, 1995, No. 24; 1997, Nos. 3, 14) is repealed.
4. Until the day the Law On Enterprise Income Tax comes into force, the Law On Profit Tax is in force.
5. Until the day the Law On Value Added Tax comes into force, the Law On Turnover Tax is in force.
6. [14 December 2000]
7. Section 26, Paragraph three of this Law shall come into force at the same time as the applicable amendments to the Civil Procedure Code and the Law On the State Revenue Service.
8. By 1 April 1995, the Cabinet shall formulate and adopt regulations regarding the procedures by which local governments may determine local government fees.
9. By 1 April 1995, the Cabinet shall adopt regulations on establishing a Transaction Evaluation Commission and procedures of operation for application of Section 39.
10. Such norms of this Law whose execution is regulated by Cabinet regulations may not be applied until the relevant Cabinet regulations have come into force.
11. The Cabinet shall submit a draft law to the *Saeima* which specifies the administrative liability and criminal liability of tax administration civil servants (employees) regarding the disclosure of information mentioned in Section 22, Paragraph one of this Law.
12. The State Revenue Service shall develop and publish in the newspaper *Latvijas Vēstnesis* the methodology for calculation of taxes and the reflection of operations related thereto in accounting, by the day this Law comes into force.
13. Until corresponding amendments are made in the Law On Aviation, the Cabinet has the right to determine taxes and fees for airports.
14. [25 November 1999]
15. Late and unpaid tax payments which have arisen up to 1 October 1999 shall be made in the following sequence: first, the principal debt shall be paid, after that the increase in the amount of principal debt, and finally, the late charge.
16. [8 March 2001]

17. Effective 1 January 1998, the State Revenue Service shall administer social tax payment debts. In carrying out examinations for the period when the Law On Social Tax was in force, the norms of the Law On Social Tax shall be applied except regarding liability for reduction in the tax base which shall be determined in accordance with Section 32 of the Law On Taxes and Fees, observing that for a late social tax payment a late charge shall be recovered – 0.1 per cent of the principal debt (also the fine) not paid in time for each late day.

18. The amendments determined by this Law in Section 1, Clauses 1 and 5; Section 8, Clause 9; Section 19, Paragraphs one and two; Section 20, Clause 9; and Section 25, Paragraph four of the Law On Taxes and Fees shall come into force on 1 January 1998.

19. Section 11, Paragraph two, Clause 20 of the Law On Taxes and Fees shall come into force at the same time as the corresponding amendments in the Law On Entrepreneurial Activity.

20. Social tax payers (employers) whose social tax debts have arisen up to 1 January 1998 and who have co-ordinated the amounts of such with the State Social Insurance Agency shall submit a submission by 1 October 1998 to the State Revenue Service regarding the division of the social tax debt payments into instalments and deferment for a period of up to one year without assessment of late charges.

21. [8 March 2001]

22. For companies whose equity capital is not in compliance with the requirements of the Law On Companies With Limited Liability and against which only tax administrations have registered their claims as creditors with the Enterprise Register of the Republic of Latvia and the total amount of these claims does not exceed 5000 lati, tax debts shall be extinguished based on a submission to the Enterprise Register of the Republic of Latvia and the attached tax administration notice regarding tax debts, indicating for every type of tax, the principal debt, the increase in the amount of principal debt, late charges and fines. The tax debts which are to be paid into the State budget shall be extinguished by the Director General of the State Revenue Service, and the tax debts to be paid into local government budgets, by the relevant local government.

23. The amendments made with this Law to Section 8, Clause 5 in the Law On Taxes and Fees in respect of the Law On Excise Duty for Tobacco Products shall come into force at the same time as the Law On Excise Duty for Tobacco Products, but amendments in respect of the Law On Excise Duty for Alcoholic Beverages, simultaneously with the Law On Excise Duty for Alcoholic Beverages.

24. Decisions by the Ministry of Finance regarding extension of terms up to one year and up to three years for late tax payments which are to be paid into the State budget and the statement of obligations related to such extension of term, which have been taken up to the day of this Law coming in force, shall be in force for the term provided for in such. In

accordance with procedures prescribed by the Cabinet, the Ministry of Finance, based on a recommendation by the Interministry Commission established by the Minister for Finance, is entitled to revoke a decision regarding extension of term for the late tax payment payable into the State budget, if the undertakings (companies) and institutions financed from the budget do not fulfil their obligations.

25. In accordance with procedures prescribed by the Cabinet, the Ministry of Finance, based on a recommendation of the Interministry Commission established by the Minister for Finance, is entitled up to 1 January 2001:

a) to reduce previously assessed late charges up to 100 per cent for late tax payments to be paid into the State budget, as well as personal income tax, for those taxpayers who within a 90 day period from the day a decision has been taken by the Ministry of Finance, pay the total principal debt of a specific late tax payment by 1 October 1999 and the related amount of increase in the principal debt,

b) to reduce previously assessed late charges in accordance with the percentage of fulfilment of obligations for late tax payments to be paid into the State budget, as well as personal income tax payments, if within the term provided for in sub-clause a) of this clause the taxpayer pays more than 50 per cent of the principal debt of the specific tax payment which, which has arisen up to 1 October 1999, and the related amount of increase in the principal debt,

c) to apply the conditions set out in Sub-paragraphs a) or b) of this Paragraph to taxpayers no more than two times, and

d) to apply the conditions set out in Sub-paragraphs a) or b) in respect of personal income tax payment debts with the consent of the local government into whose budget more than 50 per cent of the relevant tax payments are to be paid.

26. In applying Paragraph 25 of the transitional provisions, first the principal debt of compulsory instalments of state social insurance (social tax) and the related increases in the amount of principal debt shall be paid.

27. The Ministry of Finance shall reduce the previously assessed late charges by 100 per cent for undertakings (companies) if both of the following conditions exist:

a) the undertaking (company) based on an order of the Cabinet in regard to provision of State aid to a specific undertaking (company) in accordance with the Law On State and Local Government Privatisation Funds has received State aid for entrepreneurial activity, and

b) the undertaking (company) has utilised the resources from this aid from this State toward the payment of principal tax debts which have arisen up to 1 October 1999, and the related increases in the amount of principal debt.

28. By 1 September 2000, the Cabinet shall adopt regulations which regulate the amount of the State fee for certification of fluency of the official language for carrying out professional and official duties, the payment procedures for such and fee reductions for socially vulnerable and indigent persons.

29. Section 11, Paragraph two, Clause 40 of this Law shall come into force on 1 January 2001.

30. Until 1 January 2001, undertakings (companies) registered with the Enterprise Register and the State Revenue Service, representative offices and branches thereof as well as public organisations and associations thereof are not required to re-register in accordance with Section 15.1 of the Law On Taxes and Fees and the registration numbers issued by the Enterprise Register and State Revenue Service shall be used for taxpayer identification.

31. Until 1 January 2003, the Enterprise Register shall issue the unified eleven-digit registration code and nine-digit Enterprise Register code. On the registration certificates issued, both codes shall be indicated. During the time period mentioned, both of the codes issued may be used for identification of the relevant legal persons.

32. All State institutions that use the nine-digit code to identify legal persons shall carry out the necessary transition by the deadline mentioned in Clause 31 of the transitional provisions in order to use the unified eleven-digit code from 1 January 2003.

33. By 31 March 2001, the Cabinet shall issue the regulations provided for in Section 15.1, Paragraph seven of the Law On Taxes and Fees regarding the registration of taxpayers with the State Revenue Service.

34. In applying Section 15, Paragraph one, Clause 3 of this Law, until the day the regulatory enactment regarding the procedures for utilisation of electronic signatures comes into force, the taxpayers who submit declarations in electronic format shall also submit written declarations. An electronic declaration shall be deemed to be submitted within the term if:

- 1) it is submitted within the term specified in regulatory enactments;
- 2) the information included in the submitted written declaration is in conformity with that submitted in electronic format; and
- 3) the written declaration is submitted not later than within 15 days after the declaration in electronic format was submitted.

35. For privatised undertakings (companies) the Minister for Finance shall extinguish the fines, increases in the amount of principal debt and late charges related to tax debts, for payment into the State and local government budgets, if:

- 1) an undertaking (company) has made all regular tax payments and it does not have late tax payments which have arisen after 1 January 2000;
- 2) the tax obligations of the undertaking (company) do not exceed its assets. In determining the tax obligations of the undertaking (company), the amounts which are to be extinguished in accordance with this Clause are not taken into account;
- 3) a positive decision regarding this type of State aid has been taken by the State Aid Monitoring Commission in conformity with the Law On the Control of State and Local Government Aid Provided for Entrepreneurial Activity; and



4) in regard to the extinguishment of fines, increases in the amount of principal debt and late charges for payment into local government budgets, consent has been obtained from the local government into whose budget more than 50 per cent of the relevant tax and related mandatory payments shall be paid.

36. Paragraph two, Clause 43 of Section 11 shall come into force at the same time as the law on detective activity comes into force.

37. The functions of the institution performing the alienation of State property as provided for in Section 24, Paragraphs ten and twelve and Paragraph 39 of the Transitional Provisions of this Law shall be performed by the Privatisation Agency the time when the Privatisation Agency, in accordance with an order of the Cabinet, has transferred such functions to the institution designated by the Cabinet to perform alienation of State property.

38. The Cabinet Regulations which have been issued in accordance with Section 24, Paragraphs ten and twelve of this Law are in force until the day when the Cabinet Regulations, on the procedures on how the activities mentioned in Section 24, Paragraphs ten and twelve and in the Transitional Provisions, Paragraph 39 of this Law, after the relevant functions are taken over from the Privatisation Agency shall be performed by the institution performing the alienation of State property as mentioned in the Transitional Provision, Paragraph 37 of this Law, shall come into force.

39. In cases when for privatised undertakings (companies) the tax debt to be paid into the State and local government budget has arisen after privatisation and has not been paid or has not arisen prior to privatisation and could not be capitalised, the Minister for Finance is entitled to take a decision on capitalisation and the institution performing alienation of State property shall capitalise the principal debt of the tax payment to be paid into the State or local government budget, at the same time writing off late charges and fines, if the undertaking conforms to the following criteria:

a) the undertaking (company) manufactures high technology products and the products specified by the Cabinet as products be supported are more than 75 per cent of the net turnover of the undertaking (company) during the pre-taxation period, and

b) the State or local government share does not exceed 25 per cent of the equity capital.

40. Paragraph 39 of the Transitional Provisions is applicable to the taxes and such principal tax debts mentioned in Section 8 of this Law as have arisen until 31 December 2000 and to the late charges and fines related thereto that have arisen until the time of capitalisation.

41. The institution performing capitalisation in the cases provided for in Paragraph 39 of the Transitional Provisions shall capitalise the principal tax debts to be paid into the State and local government budget and at the same time shall write off late charges and fines,

applying the Cabinet procedures mentioned in Section 24, Paragraphs ten and twelve of this Law.

42. In accordance with Paragraph 39 of the Transitional Provisions, the capitalised principal tax debts and late charges and fines related thereto shall be extinguished by the Minister for Finance pursuant to notification by the institution performing capitalisation. [6 June 1996; 4 December 1997; 18 June 1998; 4 October 1998; 25 November 1999; 13 April 2000; 14 December 2000; 8 March 2001; 10 May 2001]

This Law shall come into force on 1 April 1995.

This Law has been adopted by the *Saeima* on 2 February 1995.

President

G. Ulmanis

Rīga, 18 February 1995

### **Transitional Provisions Regarding Amendments to the Law on Taxes and Fees**

#### **Transitional Provision** (regarding amending law of 22 October 1998)

The amendments to Section 29, as prescribed by this Law, regarding the discontinuing of calculation of increases in the amount of principal debts and late charges for undertakings (companies) which have been proclaimed as insolvent by a court (Paragraph four, Clause 1, Sub-clause b) of Section 29) shall come into force simultaneously with the relevant amendments to the Law On the Insolvency of Undertakings and Companies.

#### **Transitional Provision** (regarding amending law of 14 December 2000)

Cabinet Regulation No. 109 On the Taxpayer Register, 22 April 1995 (*Latvijas Republikas Saeimas un Ministru Kabineta Ziņotājs*, 1995, No. 10) issued in accordance with Article 81 of the Constitution, is repealed as of 1 April 2001.