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Supreme Council of the Republic of Latvia  
LAW passed 12.17.1991  
ON NON-PROFIT ORGANIZATIONS

Amended by the Law of 05.11.93←

CHAPTER 1. Terms Referred to in This Law.

Non-profit organization - non-profit organization established for provision of services, charity, production or other purposes the aim of participants of which is other than profit.

Founders - natural persons and legal entities having established any non-profit organization by investment of assets in its statutory fund and having signed documents on foundation of such organization.

Participants - natural persons and legal entities including founders, having invested their assets in the statutory fund of any non-profit organization.

Donors - natural persons and legal entities who donate assets for operation of any non-profit organization without becoming its participants.

Statutory fund - material assets and money of participants and donors earmarked for operation of any non-profit organization.

CHAPTER II. Basic Principles of Operation of Non-Profit Organizations.

Article 1. Application of the Law.

This Law shall regulate foundation and operation on non-profit organizations. Founders and participants of any non-profit organization shall not be entitled to gain any profit form capital invested for its operation.

Article 2. Legal Status of Non-Profit Organizations.

Non-Profit organizations may exist in a form of an entrepreneurial company, single owner's enterprise enjoying the rights of legal entity, or non-governmental organization. Procedures on foundation, operation, reorganization and liquidation shall be regulated by this Law, provisions of Laws of the Republic of Latvia on the respective form of entrepreneurial activity unless inconsistent with this Law, and the Articles of Incorporation of such non-profit organization.

Non-governmental organizations shall operate in accordance

with the Law on Non-Governmental Organizations.

No one non-profit organization shall have the right to expand its activities over the areas provided for in its Articles of Incorporation.

Non-profit organizations may be established by any natural person or any family only in the form of a company with limited liability.

### Article 3. Fixed Assets of Non-Profit Organizations.

Fixed assets of non-profit organizations shall consist of investments by their participants in the statutory fund.

Non-profit organizations shall have the right to accept donations in the form of money or other assets and to use those only for purposes declared in their Articles of Incorporation.

### Article 4. Reserve fund.

Non-profit organizations shall transfer the assets exceeding their expenses into the reserve fund that shall be transferred to the next economic year without imposition of the profit tax. Such profit may not be withdrawn or paid to the participants, it may be used only for purposes provided for in the Articles of Incorporation.

In the event of liquidation of any non-profit organization, fixed assets or other property purchased for assets of its reserve fund may not be divided among its participants.

### Article 5. Other assets (funds).

It shall be prohibited for non-profit organizations to create other assets (funds). Non-profit organizations shall have no right to act as donors or make any expenses other than those relate to production (services).

## CHAPTER 3. Foundation and Registration of Non-Profit Organizations.

### Article 6. Foundation of Non-Profit Organizations.

Non-profit organizations may be established by either natural persons or legal entities, by investment of their capital in assets (buildings, constructions, machinery, etc.).

Non-profit organizations may be established by public offices when permitted by the respective ministry, by local governments - when decided so by the district, city or rural community council.

Regulations on establishment of non-profit organizations shall be analogous to those on establishment of the respective form of entrepreneurial activity.

In addition to foundation documents required by the law for the respective form of entrepreneurial activity, founders of non-profit organizations shall sign a special declaration stating that they shall not gain any profit and that the income exceeding expenses shall be transferred to the reserve fund.

#### Article 7. Registration of Non-Profit Organizations

Non-profit organizations shall be registered in accordance with procedure set by the Republic of Latvia Law "On Enterprise Registry of the Republic of Latvia" dated November 20, 1990, (Latvijas Republikas Augstakas Padomes un Valdibas Zinotajs'90, No 49). It shall be compulsory to include the phrase "non-profit organization" in the application for registration and in the name of such organization.

Any non-profit organization shall achieve the rights of a legal entity starting with the day such organization is registered with the Enterprise Registry of the Republic of Latvia.

Non-profit organizations shall be registered in a separate list only by the chief notary of the Enterprise Registry of the Republic of Latvia, and the documents shall be reviewed and the registration filled by a notary specially trained for such job.

When submitting application for registration of any non-profit organization, in addition to documents referred to in the Republic of Latvia Law "On the Enterprise Registry of the Republic of Latvia" and the Republic of Latvia Law "On Entrepreneurial Activity" dated September 26, 1990 (Latvijas Republikas Augstakas Padomes Zinotajs'90 No 42), the founders' declaration filled in accordance with provisions of Article 6, shall be presented.

#### Article 8. Articles of Incorporation of Non-Profit Organizations.

Non-profit organizations shall operate in accordance with their Articles of Incorporation. Such Articles shall be approved by the meeting of founders of such organization.

Articles of Incorporation of non-profit organizations shall contain the following:

- name, address and legal status of such organization;
- area of activity and purposes of such organization;
- provisions on management of such organization and on control over its operation;
- amount in the statutory fund and sources of financing;
- provisions on acceptance of participants;
- remuneration procedure;
- procedure on withdrawal of investment shares;
- procedure on use of the reserve fund;
- reorganization and liquidation procedure;

- other provisions related to the specific features of such organization.

#### Chapter IV. Assets of Non-Profit Organizations and Rights of Participants.

##### Article 9. Property of Non-Profit Organizations

Property of any non-profit organization may be used only for purposes declared in its Articles of Incorporation.

Non-profit organizations shall be liable for their undertakings with all property owned by them.

##### Article 10. Rights of Participants of Non-Profit Organizations.

Participants of non-profit organizations shall have the right to take part in management of such organizations.

Participants of non-profit organizations may withdraw their investment shares not earlier than in two years after having entered such organization.

General procedure on withdrawal of investment shares shall be regulated by the non-profit organization Articles of Incorporation.

#### Chapter V. Operation of Non-Profit Organizations.

##### Article 11. Tax Imposition.

Non-profit organizations shall pay taxes in accordance with procedure set by the Republic of Latvia legislation acts.

##### Article 12. Control Over Operation of Non-Profit Organizations.

Enterprise Registry of the Republic of Latvia shall submit the list of non-profit organizations to the chief inspector of the State Finance Inspection once each quarter for establishment of the necessary control system.

Audit of financial and operational activities of non-profit organizations may be initiated by the State Control, the State Finance Inspection, Enterprise Registry of the Republic of Latvia or local governments in accordance with the procedure set forth by legislation acts in any event at least once in every two years.

In the event the Articles of Incorporation are violated by any non-profit organization or any profit is gained, within one month such non-profit organization shall be re-registered as an enterprise or an entrepreneurial company and the respective laws shall be applicable to such organization.

In any event of exclusion of any non-profit organization from the registry of non-profit organizations and in any event of loss

of such status, such announcement shall be published in the newspaper "Diena" by such organization within the same month.

Article 13. Management of Non-Profit Organizations.

Management of non-profit organizations shall be regulated by their Articles of Incorporation.

Article 14. Reorganization and Liquidation of Non-Profit Organizations.

Reorganization and liquidation procedure of any non-profit organization shall be regulated by the Articles of Incorporation of such organization and by Laws of the Republic of Latvia. Decision on reorganization or liquidation shall be made by the owner of such organization or by the meeting of participants who set such procedure and decide on whose expense the documents of such non-profit organization shall be arranged and kept.<\*>

In the event any non-profit organization is liquidated or reorganized into a profit enterprise, the reserve fund and any property purchased for the assets accumulated in such fund shall be passed over to the State; in the event any assets of any local government are invested in such non-profit organization such property shall be passed over to such local government; such property shall be used for charity.

[<\*> - amended in accordance with the Republic of Latvia Law of 05.11.93]

Chapter VI. Responsibility in the Event of Violation of This Law.

Article 15. Responsibility of Non-Profit Organizations in the Event of Violation of This Law.

Any income gained in the result of activity of non-profit organization that is exceeding its expenses and that is obtained by its participants through violation of this Law, shall be transferred to the State revenues.

A.Gorbunovs,  
Chair, Supreme Council of  
the Republic of Latvia

I.Daudiss,  
Secretary, Supreme Council of  
the Republic of Latvia

**Amendments to the Law on Non-Profit Organizations**  
**(17.12.1991. Amended by the Law of 05.11.1993.)**

**Article 2, Paragraph 2**

The economic activities of non-profit organization shall be conducted in accordance with the Law on Public Organizations.

**Article 5. Other assets (funds)**

It shall be prohibited for a non-profit organization to create other assets (funds).

The stock exchange may establish a fund of guarantees for transactions in negotiable securities from the payments made by the participants of the stock exchange within the framework of its Charter and in accordance with the law on Securities.

A non-profit organization shall have the right to made donations for charity as well as other donations and to incur expenses with the purpose of promoting the activities and achieving the aims prescribed by the Articles of Incorporation of the said non-profit organization.

[<\*> — according to the law of August 24, 1995, effective as of September 27, 1995].

**Article 6. Foundation of a Non-profit organization**

A non-profit organization may be established by natural and legal persons by investing their capital in the assets (buildings, constructions, machinery etc.) or in cash.