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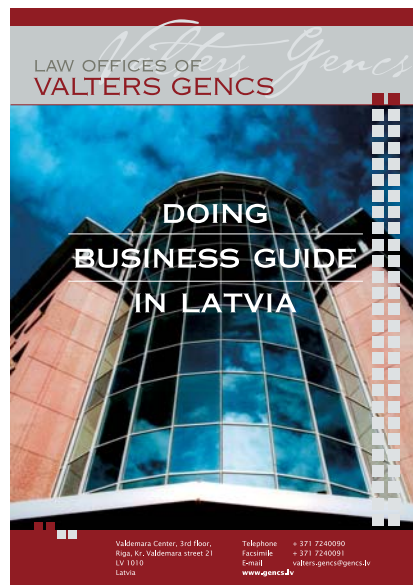
1. VAT refunds;
2. New tax treaties;
3. Competition law;
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VAT REFUNDS

As of January 1, 2003, foreign companies which are not registered in Latvia as value added tax (VAT) payers may ask refund of VAT suffered on purchases of goods and services in Latvia for purpose of performing business activities abroad. The regulations in Latvia introduce similar VAT refund system as Estonia had introduced several years ago.

Timing

The application for VAT refund shall be filed annually not later than 6 month after the end of taxation year, but in any event not later than June 30 of the following year. For the year 2003 deadline is June 30, 2004. The VAT



The guide "Doing business in Latvia" covers tax, competition, intellectual property, immigration, company law as well as other legal issues and now is updated as of February 1, 2003. The guide is available on our web site as well as in a printed version.

refund application form shall be signed by a representative either acting based on a notarized power of attorney or apostilled power of attorney.

Documentation required

The application shall be accompanied with original VAT invoices, VAT and incorporation numbers, original of a certificate issued by the home country's tax administration showing that the foreign company is VAT payer in the home country. The certificate is valid for 12 months from the issue date. For refund for petrol

products international permit, CEMT permit or CMR with a seal that a vehicle had entered Latvia is required. The tax administration shall make a decision on refund within 3 month.

Restrictions concerning refunds

Refunds are done if total value of invoices exceeds LVL 100 (without tax) and each invoice exceeds (without tax) LVL 20. Refunds are not provided for purchases of a real property or related building services as well as for costs of personal character (lease of car etc.). The refunds are provided on reciprocity bases permitting VAT refund in Latvia by foreign VAT payers if Latvian companies are able to refund VAT in the respective foreign country.

TAX TREATIES

As from January 1, 2003 new tax treaties are applied with Switzerland, Kazakhstan, Rumania and Slovenia. The table on the next page shows summary of withholding tax applicable to dividend, interest and royalty payments to the designated countries including the new treaties. If the non-treaty country rate of withholding tax for a particular class payment is lower than the rate applicable to the designated countries, the non-treaty rate is applicable. The non-treaty country rate is determined by a domestic Latvian legislation.

Withholding tax rates

	Dividends %	Interest %	Royalties %
Armenia	5/15 ^(a)	10	10
Belarus	10	10	10
Canada	5/15 ^(b)	10	10
China	5/10 ^(a)	10	10
Czech Republic	5/15 ^(a)	10	10
Croatia	5/10 ^(a)	10	10
Denmark	5/15 ^(a)	10	5/10 ^(d)
Estonia	5/15 ^(a)	10	5/10 ^(d)
Finland	5/15 ^(a)	10	5/10 ^(d)
France	5/10 ^(h)	10	5/10 ^(d)
Germany	5/10 ^(a)	10	5/10 ^(d)
Iceland	5/15 ^(a)	10	5/10 ^(d)
Ireland	5/15 ^(b)	10	5/10 ^(d)
Kazakhstan	5/15 ^(a)	10	10
Lithuania	0/15 ^(c)	0	0
Moldova	10	10	10
Malta	5/10 ^(a)	10	10
Norway	5/15 ^(a)	10	5/10 ^(d)
Poland	5/15 ^(a)	10	10
Rumania	10	10	10
Sweden	5/15 ^(a)	10	5/10 ^(d)
Singapore	5/10 ^(a)	10	7.5
Slovenia	5/15 ^(a)	10	10
Slovakia	10	10	10
Switzerland	5/15 ^(j)	10	5/10 ^(d)
The Netherlands	5/15 ^(a)	10	5/10 ^(d)
UK	5/15 ^(b)	10	5/10 ^(d)
Ukraine	5/15 ^(a)	10	10
USA	5 ^(g) /15	10	5 ^(d) /10
Uzbekistan	10	10	10
Non-treaty country	10	0/5/10 ^(f)	5/15 ^(e)

^(a) 5 per cent of the gross amount of the dividends if the beneficial owner is a company (other than partnership) which holds directly at least 25 per cent of the capital of the company paying the dividends;

^(b) 5 per cent of the gross amount of the dividends if the beneficial owner is a company which holds directly at least 25 per cent of the voting power of the company paying the dividends.

^(c) 0 per cent if the recipient of the dividends is a company other than a partnership that holds shares representing at least 25 per cent of the capital and the voting power of the company paying the dividends.

^(d) 5 per cent of the gross amount of royalties paid for the use of industrial, commercial or scientific equipment.

^(e) 5 per cent rate applies to royalties for intellectual property, except royalty for copyrights or neighboring rights on literal or art works, including films and audio recordings to which 15% applies.

^(f) 5 per cent rate applies to interest paid by a Latvia registered bank to related parties. 10 per cent is applicable to interest paid to related party.

^(g) 5 per cent of the gross amount of the dividends if the beneficial owner is a company which holds directly at least 10 per cent of the voting shares of the company paying the dividends.

^(h) 5 per cent of the gross amount of the dividends if the beneficial owner is a company which holds directly at least 10 per cent of the capital of the company paying the dividends.

^(j) 5 per cent of the gross amount of the dividends if the beneficial owner is a company (other than partnership) which holds directly at least 20 per cent of the capital of the company paying the dividends.

COMPETITION

New rules on a merger control

As of January 29, 2003 new rules are applied to mandatory notifications of the Competition Council on consolidation or merger of companies. The notification is mandatory if turnover in the previous financial year derived in Latvia by the companies involved in the merger exceeds 25 million lats or at least one of the companies involved in the merger market share in a relevant market exceeds 40%. The Competition Council is obliged to answer the notification within 60 days, but within 30 days the decision passed if further detailed evaluation of the merger is done.

Notification

According to the new rules the notification shall comprise information on the legal, financial and economical results of the merger, information on restrictions to enter into a relevant market, including disclosure of 5 biggest suppliers and demand. Applicants shall disclose structure of the merging companies or acquiring company after acquisition including those companies in which the merging companies have more than 10% of voting power or capital control or ability to elect more than half of management or have rights to manage the business of company. Along with the notification articles of association of all involved companies, copies of merger documents such as a letter of intends, bids, or decisions of the governmental authorities along with

the draft of the public announcement of the merger shall be submitted to the Competition Council. In addition, annual report of the last year as well as the current year's quarterly reports are required.

BANKING LAW

Acquisition of shares in banks

The Council of the Finance and Capital Market Commission (FCMC) has accepted new rules effective December 6, 2002 on permits and licenses issued by the Commission. The rules details also issue of permits on acquisition of shares in banks. To obtain the permit to acquire the shares the FCMC requires to present a business plan, a capital adequacy calculation and audited accounts for a acquiring party for last two years. In addition, tax declarations approved by foreign tax administration to prove legality of capital is required. Participation of the acquiring company into other business entities shall be disclosed in case it exceeds 10%. If shares are acquired by a foreign bank incorporated outside the Europe Economic area, a statement from the home country regulating authority is required confirming that the authority is exercising supervision over the bank.

COMMERCIAL LAW

Fees clarified

On December 27, 2002 a list of state fees for publication of records of the

Commercial register was passed. The state fee for publication of registration of a new company is LVL 24, but for changes in an Articles of Association the fee is LVL 8. In addition, a state fee for entrances into the Commercial register shall be paid in amount of LVL 15 for 14 day registration, LVL 30 for 4 days registration and LVL 45 for 2 days registration.

Related issues

In making decision to enter a company into the Commercial register, the following items shall be considered.

1. If a company will not be registered with the Commercial register till July 1, 2003, further changes in the Articles of Association may be done if simultaneously entrance into the Commercial register is performed. The companies shall check who will sign from shareholders the decision on re-registration as the Commercial register will check the signing rights of the signing individual based on the previously submitted home country registration certificate. In case the new person will not be listed in the old incorporation certificate, a new extract from the incorporation certificate will be required with APOSTILLE that ordinary takes time to acquire.
2. If a company will not be registered until 31, December 2003 with the Commercial register, then party which has first registered name of the company will have a priority over a late applicant, if the late applicant's name will be confusingly similar with the first registered name.
3. According to the Commercial law

the Council in a joint stock companies is mandatory now. The minimal number of the Councils members is 3 for not publicly traded companies. The same number of the Board members is required, and the member of the Board cannot be in the Council.

NEW IMMIGRATION LAW

The new Immigration law will take effect May 1, 2003. The new law introduces maximal term for residence permits as well as details existing rules.

Maximal term for residence permits

Maximal length of term for Latvian residence permits is as follows:

1. One year for sole entrepreneurs; founders of the commercial entity or self-employed persons;
2. Not exceeding four years – if the person is company's board or council member registered in the Commercial register;
3. Not exceeding four years – to work in Latvia or for representative of the foreign company's branch.

Health insurance policy

For residence permit purposes, an expatriate is entitled to enter and reside in Latvia if she/he additionally with passport and other documents have valid health and life insurance, which guarantees to cover all expenses regarding person's health care in Latvia including person's repatriation



to country of origin in case of illness. Government will detail in a future specific cases when health and life insurance policy is not required.

Annual registration of residence permits

The new law also requires annual registration with immigration authorities of the residence permit which is issued for term longer than one year.

Requirement to leave Latvia upon expiration of term of the residence permit

If a foreigner expatriate has an invalid residence permit in order to obtain a new residence permit the expatriate is required mandatory to leave Latvia

and the documents for a new permit later may be submitted with the consular officers of the Latvian Embassies abroad.

Newly employed

We are pleased to announce that Baiba Āboliņa has joined the firm as tax consultant. Formerly she had been working with the Ministry of Finance of the Republic of Latvia as well as a tax consultant with “Ernst & Young” in Latvia. She specializes in VAT, payroll taxes, corporate, property tax as well as customs duty issues.

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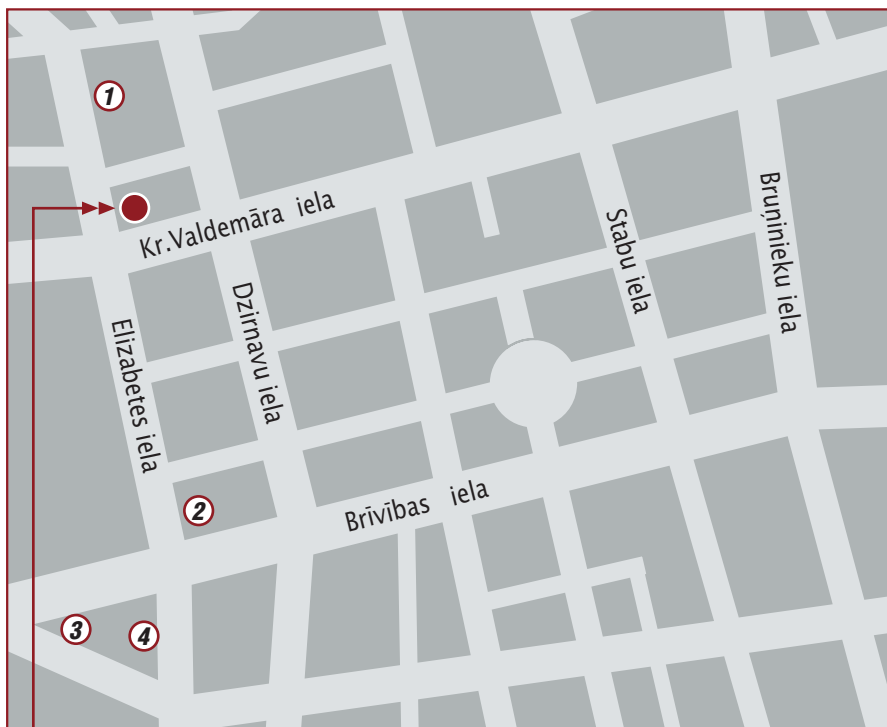
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Valdemara Center

① COMPETITION COUNCIL

② REVAL HOTEL

③ RIGA REGIONAL COURT

④ SUPREME COURT