

# Doing Business in Latvia - snapshot

## Country profile

- Industrious nation of nearly 2 million people
- Member of the EU, NATO, WTO and OECD
- Part of Eurozone
- Parliamentary democracy
- Open and growing economy
- Excellent port and railroad infrastructure
- Hosts largest air traffic hub in the Baltic States
- Credit ratings (as of May 2018):

Moody's	<b>A3</b>
Fitch Ratings	<b>A-</b>
Standard & Poor's	<b>A-</b>

- World Bank Report 2018 rankings:

Ease of doing business	<b>19</b>
Starting a business	<b>21</b>
Paying Taxes	<b>13</b>
Getting credit	<b>12</b>
Registering property	<b>22</b>
Enforcing contracts	<b>20</b>

## Regulatory environment

- No government approval needed for most businesses

- Mergers may be examined to prevent unacceptable monopoly situations

## Investment incentives

- Three special economic zones and two free ports across the country
- Aid programmes to start-up companies
- No corporate income tax on undistributed profits
- Tax incentives under holding company regime

## Finance

- Well-developed and modern banking system
- Availability of full range of financial services

## Business entities

- Private limited liability company - the most common form of business entity
- Minimum share capital for LLC - €2 800
- One-tier one-person management board sufficient for LLC
- No restrictions on shareholder's nationality or residence

## Labour

- Minimum gross wage is €430
- Average gross monthly remuneration is €961
- The state operates social security system
- Post-employment benefits are rare
- Low trade union activity within private sector

## Financial reporting

- Local GAAP applies
- Disclosure requirements vary for small, medium and large entities
- Large and quoted companies can use IFRS
- Mandatory audit thresholds are relatively low

## Taxation

- As of 1 January 2018, new corporate income tax (CIT) regime is in place. Tax base now is comprised of distributions - distributed profit (e.g. dividends) and conditional profit (e.g. non – business expenses) - rather than profit
- CIT rate is 20/80 of net distributions
- Transfer pricing and thin capitalisation regulations are in place
- Annual personal income below €20k is taxed at 20%, from €20k to €55k - taxed at 23%, above €55k - taxed at 31.4%
- Standard social security contributions: employee rate – 11% of gross salary, employer rate – 24.09% on top of gross salary
- Standard value added tax rate - 21% (12% reduced rate)
- Availability of binding advance tax rulings and advance pricing agreements
- Taxation treaties with 61 countries
- Online tax reporting