



MAGNETIC
LATVIA

BUSINESS GUIDE 2020

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LATVIA IS THE CENTRAL COUNTRY OF THE BALTIC STATES

On the world map, Latvia is located on the east coast of the Baltic Sea at the crossroads of Northern and Eastern Europe. Latvia, a parliamentary republic, is bordered by Estonia to the north, Russia and Belarus to the east, and Lithuania to the south, with a maritime border with Sweden to the west. The total length of Latvia's coastline is 498 km.

Latvia has almost 2 million inhabitants, of whom almost 1 million live in and around the capital city of Riga, the metropolis of the Baltic region. The second largest city is Daugavpils, with a population of about 82 000.

With its relatively small population, Latvia is not a major market, but the country's key advantage is its location, which provides access to its immediate neighbours. The population of the three Baltic States totals 6.0 million, approximately equal to the population of Denmark. On its doorstep are the Scandinavian countries, with 25 million people; Russia and the independent CIS states, with a combined population of about 280 million; and Eastern Europe, with about 100 million inhabitants. Latvia stands out for two major criteria eligible for any investor – infrastructure and labour force.

Latvia's skilled and multilingual labour force, abundant natural resources, and strategic location form a solid foundation for the country's economy and make Latvia the perfect place to develop your business.





LATVIA – AHEAD OF THE CURVE

2020 has highlighted the age-old saying that with every challenge comes opportunity, and it is not without pride that I note that Latvia has seen to seize hers to an outstanding level. On behalf of the Investment and Development Agency of Latvia (LIAA) I invite you to take on yours.

Our recent success stories reveal the ability of our people and government to react and adapt to irregular conditions by creating innovative solutions for potential investors. It should not be overlooked that Latvia has overcome the challenges posed by the pandemic faster than most other countries. Latvia has indeed been exceptionally agile in developing solutions to the challenges presented by the Covid-19 virus by quickly readjusting to make remote governing and education possible, as well as instituting the first nationally endorsed contact-tracing app. We work fast, creatively and at a globally competitive level. We go by the motto “Give us a challenge”.

Situated at the very heart of the economically and culturally vibrant Nordic-Baltic region, Latvia attracts investors with well-balanced characteristics: a developed infrastructure, skilful workforce and cost-efficient business environment. On top of that, we have good accessibility with biggest airport in Baltic region and one of the fastest Internet connections in the world.

The Latvia government has formulated special policies to encourage investment from foreign companies. For instance, there are three special economic zones (Liepāja, Latgale, Rēzekne) and two free ports (Riga and Ventspils) that have particularly conducive regulations for foreign investments. Moreover, there are special incentives such as corporate tax allowance, organizational and administrative support for companies to help them establish their business, as well as grants for staff training and infrastructure development.

More than 80% of foreign direct investment concentration in the Riga metropolitan area, but manufacturing is developed mostly in regions outside of Riga. There is plenty of scope for foreign investors to investing in its diverse manufacturing sectors, as well as several industries that Latvia has set among its highest priorities: bio economics, smart materials, smart cities, global business centres, information and communication technologies, smart energy and biomedicine.

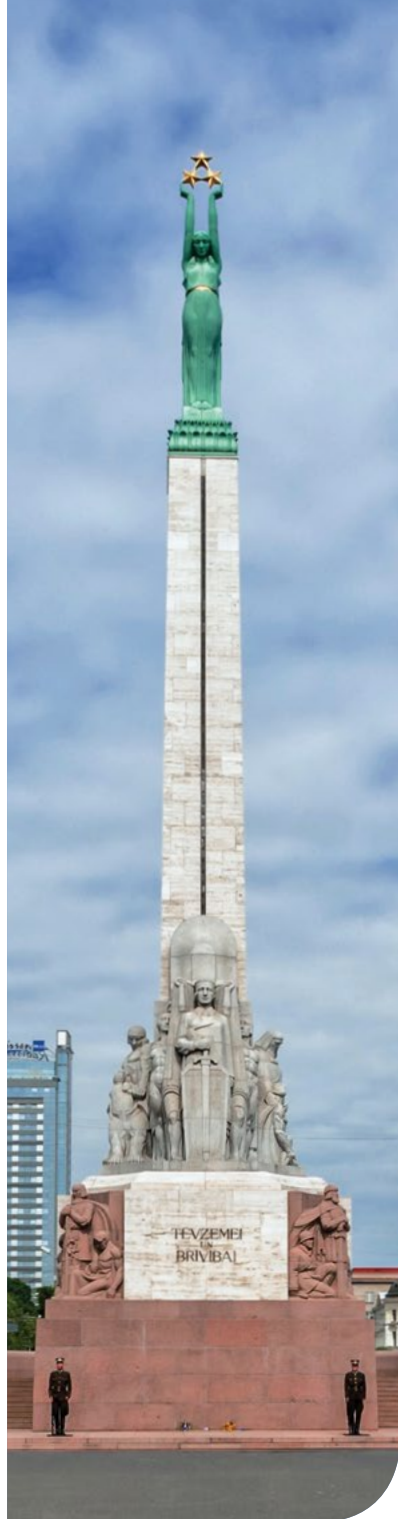
LIAA services include assistance and provision of comprehensive information on the financial, legal, fiscal, and procedural aspects of doing business in Latvia, as well as aid in establishing contacts with Latvian partners and in identifying property options. We tailor our services to suit client's individual needs and provide these services throughout all stages of their investment projects. Our clients know that each investor is supported by a designated project manager, thus ensuring our services continually meet the highest standard of quality.

The annual Latvian Business Guide aims to help foreign companies and organizations develop contacts with Latvian businesses. With this newly updated edition, I invite you to learn more about the current Latvian business landscape and the opportunities that lie within for you.

Kaspars Rožkalns

Director

Investment and Development Agency of Latvia



LATVIA IN FACTS

| | |
|--|--|
| International memberships: | EU and NATO since 2004, WTO since 1998, OECD since 2016 |
| Capital: | Rīga |
| Other major cities: | Daugavpils, Liepāja, Jelgava, Jūrmala, Ventspils, Rēzekne, Valmiera, Jēkabpils |
| Population as of 1 January 2020: | 1.908 million |
| Time: | Eastern European Time (GMT +2 hours) |
| Area: | 64 594 km ² |
| Language: | Latvian (official); Russian, English, and German are also widely spoken |
| Political system: | Republic, parliamentary democracy |
| Legal system: | Based on civil law |
| Main industries (% share in total gross value added, 2019) | Wholesale and retail trade (14.0%), manufacturing (11.7%), real estate activities (12.4%), transportation and storage (8.2%) |
| Exports: | Wood and wood products, machinery and equipment, food products, transport services, travel services, ICT services |
| Imports: | Machinery and equipment, fuels, vehicles, chemicals, food products, transport services, travel services |
| Main trading partners (2019): | Lithuania, Estonia, Germany, Russia, Poland, Sweden, the United Kingdom, Finland, Netherlands, Denmark, Italy |
| Currency: | Euro (EUR) |
| GDP at current prices (2019): | EUR 30.48 billion (USD 34.12 billion) |
| GDP per capita (2019): | EUR 15 928 (USD 17 831) |
| GDP growth (2019): | 2.2% |
| GDP forecast (2020): | -7.0% |
| Inflation rate (2019): | 2.8% |
| Accumulated FDI (2019): | EUR 15.93 billion (USD 17.89 billion) |
| Accumulated FDI per capita (2019): | EUR 8 348 (USD 9 378) |
| Credit ratings (Standard & Poor's / Moody's / Fitch) | A+ / A3 / A- (investment grades) |

Sources: Central Statistical Bureau of Latvia, Ministry of Finance of the Republic of Latvia, Bank of Latvia, Eurostat, European Central Bank (ECB)



LATVIAN ECONOMY OVERVIEW

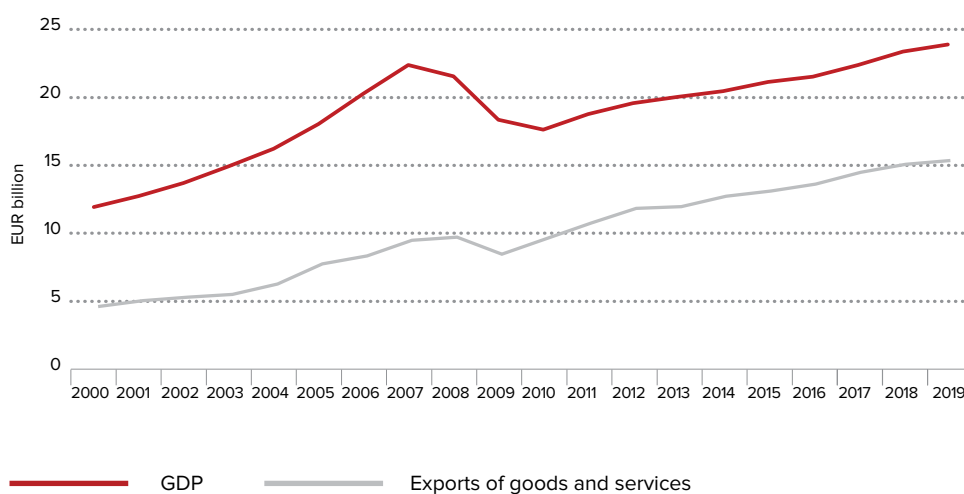
Latvia's economy has experienced one of the highest GDP growth rates in Europe. From 2005 to 2007, the average annual GDP growth rate exceeded 10%, when major inflows of foreign capital stimulated a significant increase in private consumption. In 2008, the country entered a severe recession, as a result of an unsustainable current account deficit, collapse of the real estate market, and large private debt exposure. During the crisis, GDP fell by a quarter, external debt almost doubled, the number of employed persons decreased by 16%, while the real wages of those still employed fell by 12%. Latvia successfully emerged from recession at the end of 2010 and growth has resumed, based mainly on the increasing role of exports.

From 2011 to 2013, GDP grew by 4.4% per year on average. In 2017, GDP grew by 3.8%, in 2018 – by 4.3%, while in 2019 – by 2.2%. The growth of the Latvian economy was considerably faster in 2017 and 2018 than in the previous years. It was fostered by the improvement of the situation in the external environment, private and public investments, increase in employment and wages.

It must be noted that current export volumes exceed pre-crisis levels by more than twice.

GDP annual change:

GDP AND EXPORTS (AT 2010 PRICES), 2010=100

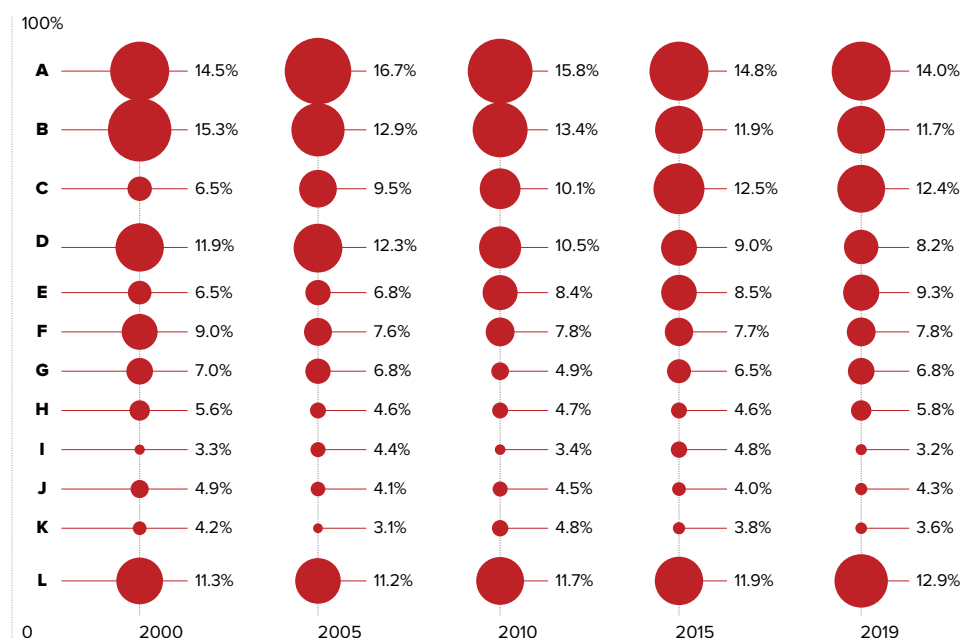


Source: Eurostat



The structure of Latvia's economy has also changed over the years. The proportions of agriculture, manufacturing and transportation have decreased, while the shares of tourism, IT and other services have increased.

GROSS VALUE ADDED IN LATVIA BY ACTIVITY TYPE (AT CURRENT PRICES)

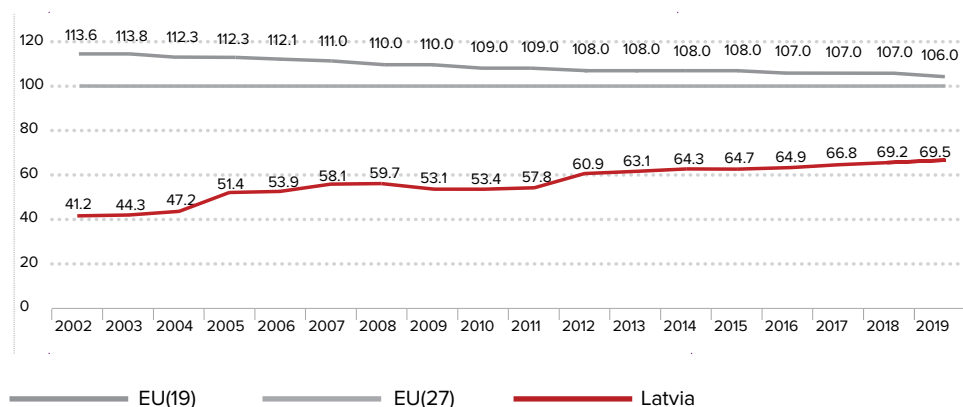


(A) - Wholesale and retail trade; repair of motor vehicles and motorcycles, (B) - Manufacturing, (C) - Real estate activities, (D) - Transportation and storage, (E) - Professional, scientific and technical activities; Administrative and support services; Other services; Households; Leisure activities, (F) - Public administration and defence; compulsory social security, (G) - Construction, (H) - Information and communication, (I) - Financial and insurance activities, (J) - Agriculture, Forestry and Fishing, (K) - Mining and quarrying; Electricity, gas, steam and air conditioning supply; Water supply, sewerage, waste management and remediation activities, (L) - Other services.

Source: Central Statistical Bureau of Latvia

In the long-run, Latvia's GDP per capita has been catching up with the EU average level. In 1995, it was only at one-third of the EU average, but by 2019 had increased to two-thirds.

GDP PER CAPITA IN PPS, INDEX (EU27 = 100)

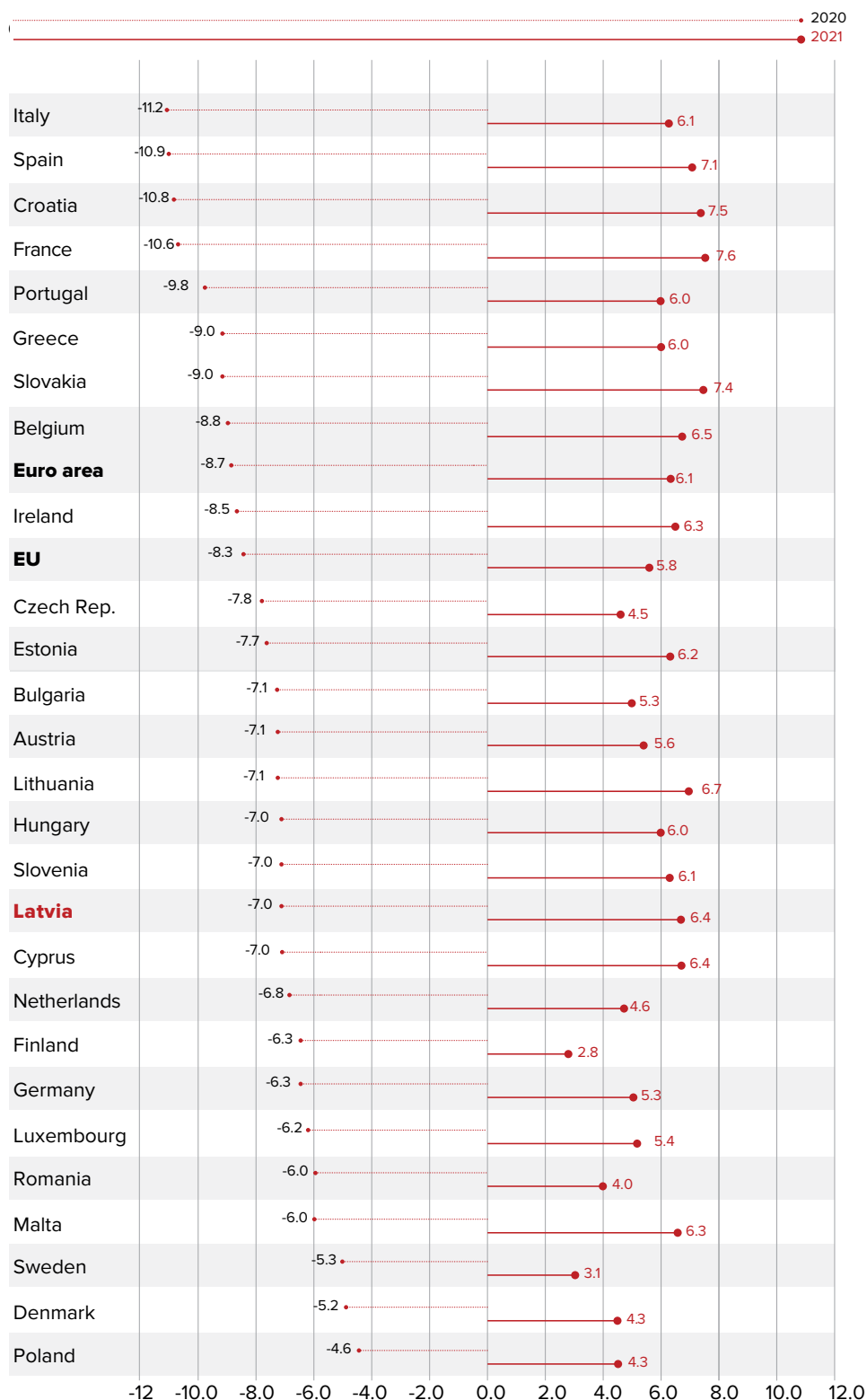


Source: Eurostat



During the Covid-19 crisis, Latvia has been exceptionally agile in developing solutions to challenges presented by the virus. As a result, it is forecasted that in 2020 GDP in Latvia will decrease by 7.0 (EU -8.3%), but already in 2021 it will increase by 6.4% (EU +5.8%).

According to European Commission forecasts, Latvian economic recovery will be faster than the EU average.



Source: Summer 2020 Economic Forecast, European Commission

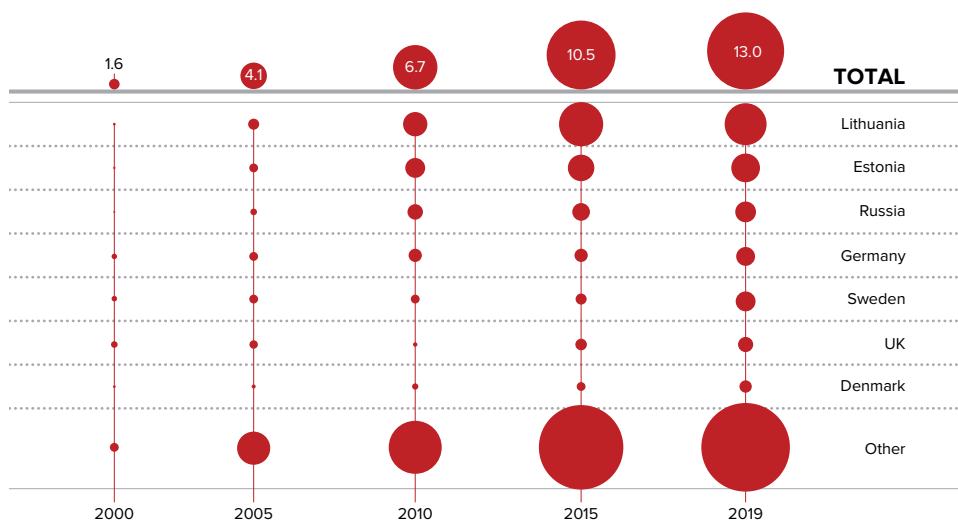


Latvia is an open economy with close links to trading partners in the region. Latvia's main trading partners are EU countries with 72% of total turnover by value of goods. Broken down by country, the most significant export markets are Lithuania, Estonia, Russia, Germany and Sweden. The main importers to Latvia are Lithuania, Germany, Poland, Estonia and Russia.

In recent years, Latvia's exports have been affected by Russia's economic downturn and EU-Russia reciprocal sanctions. As a result, in the period from 2013 to 2016, Latvian exports to Russia have decreased by 32%, however, now it is 9.1% from total exports from Latvia.

At the same time, Latvia has increased export volumes to other world markets during this period. Exports of goods have increased to EU countries, strategically the most important trading partners. Similarly, Latvian exporters have actively diversified their operations into more remote regions of the world such as India, Japan and Egypt, amongst others.

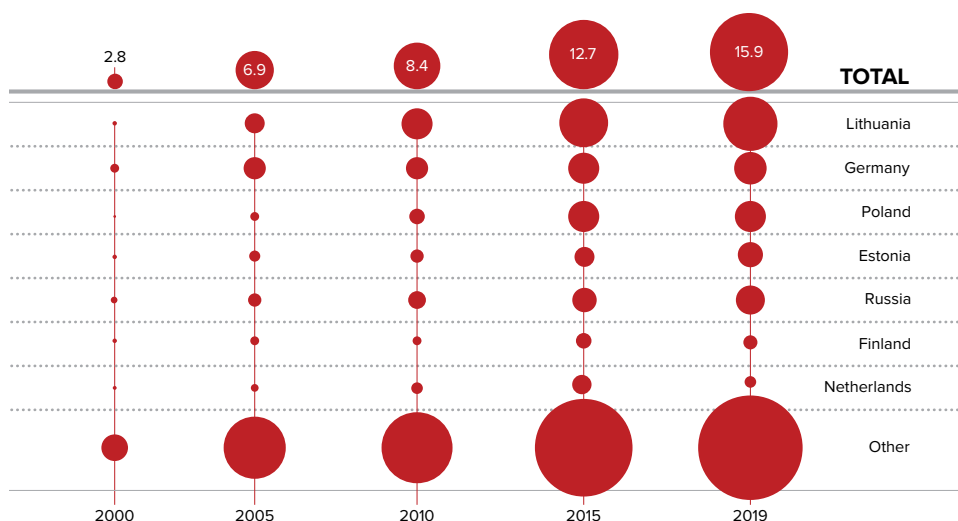
EXPORT OF GOODS FROM LATVIA, BY COUNTRY (EUR BILLION)



Source: Central Statistical Bureau of Latvia

Also import to Latvia comes from EU countries such as Lithuania, Germany, Poland, followed by Estonia.

IMPORT OF GOODS TO LATVIA, BY COUNTRY (EUR BILLION)

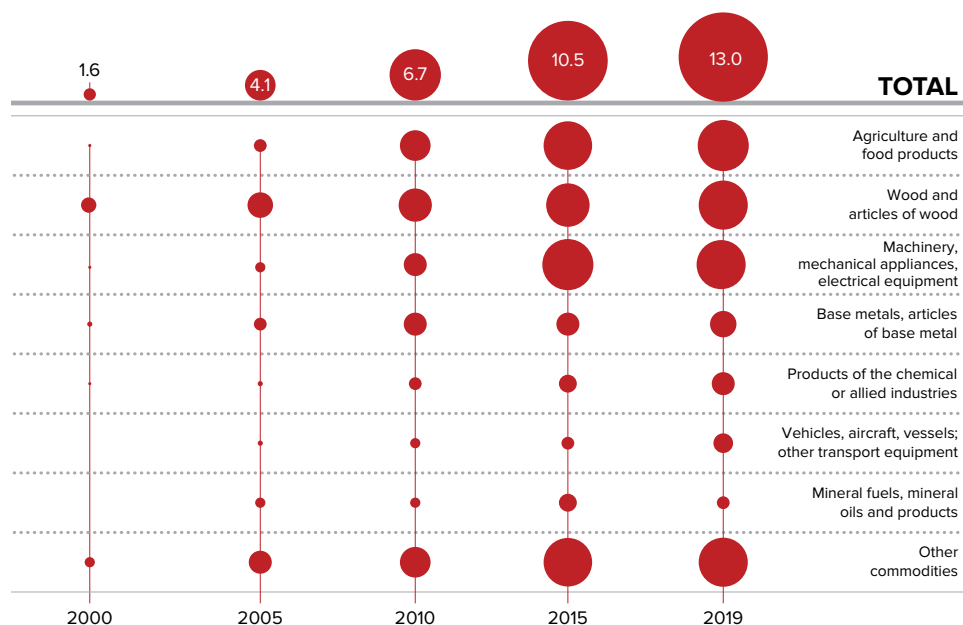


Source: Central Statistical Bureau of Latvia



Most of Latvia's exported goods are agricultural and food products (mainly cereal products), as well as wood and its articles, machinery and equipment, metals and their articles.

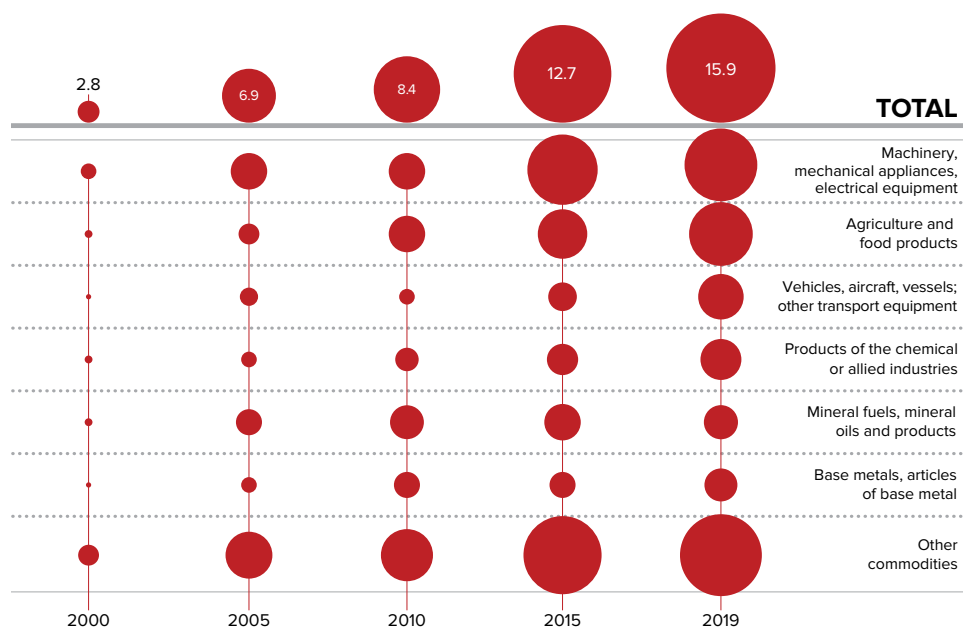
EXPORT OF GOODS FROM LATVIA BY GROUPS OF COMMODITIES (EUR BILLION)



Source: Central Statistical Bureau of Latvia

Latvia's main imported goods are machinery and equipment, food products, vehicles, chemicals and fuels.

IMPORT OF GOODS TO LATVIA BY GROUPS OF COMMODITIES (EUR BILLION)

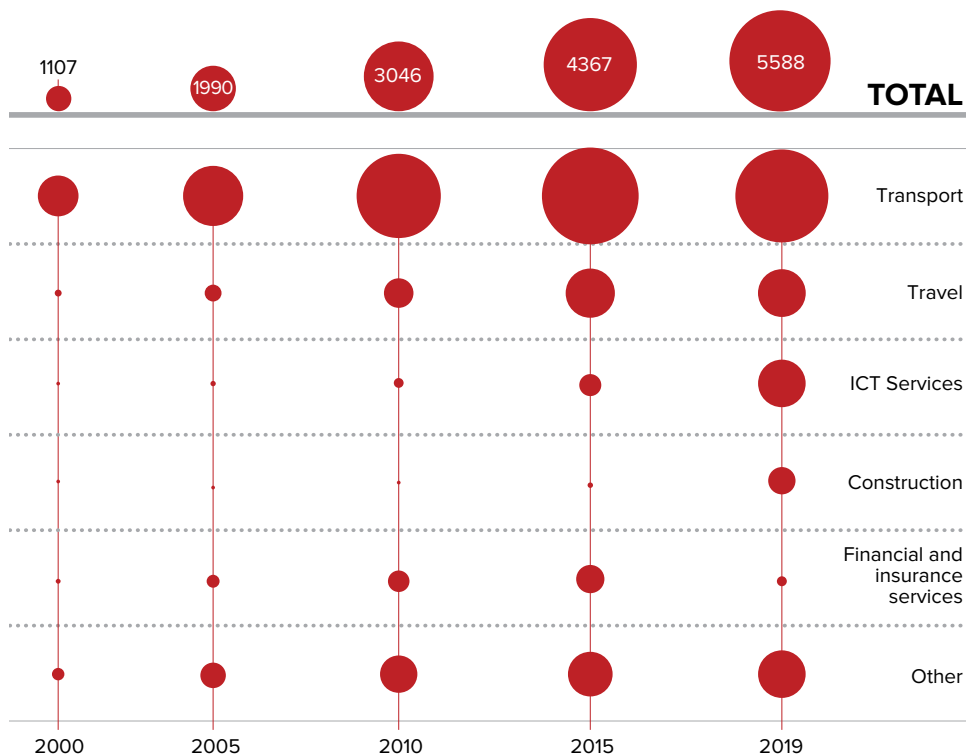


Source: Central Statistical Bureau of Latvia



The most important exported services from Latvia are transport (especially by road and air). Export revenue from construction, transport (especially post services), computer and IT services is also increasing.

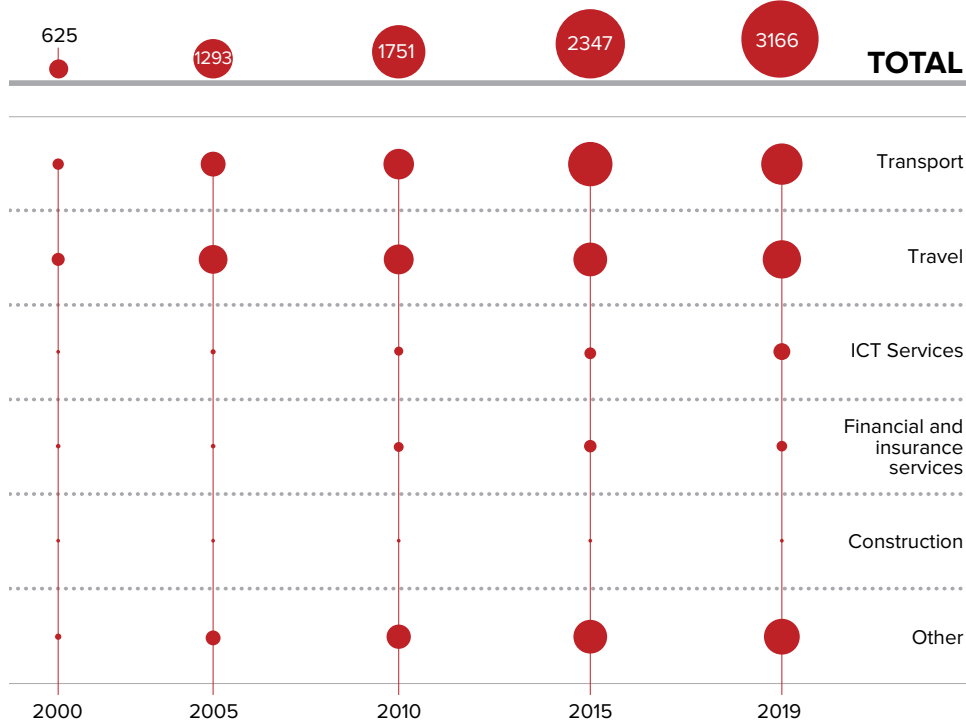
EXPORT OF SERVICES FROM LATVIA (EUR MILLION)



Source: Bank of Latvia

Latvia mainly imports transport services (by air and road) and travel services.

IMPORT OF SERVICES TO LATVIA (EUR MILLION)

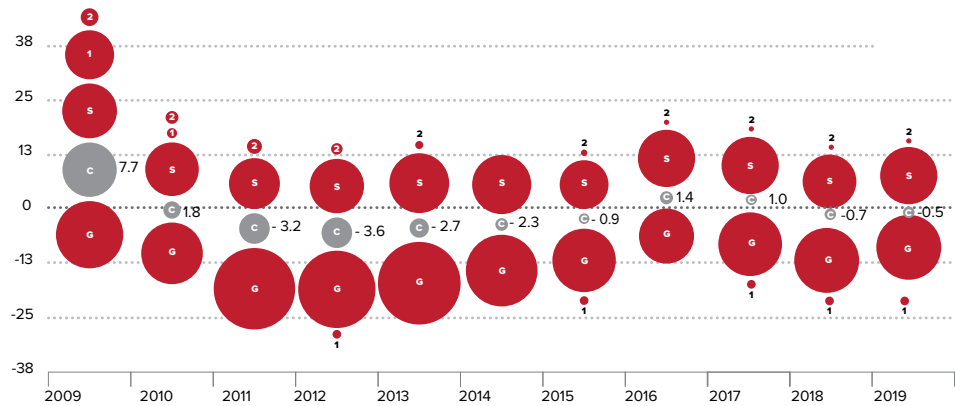


Source: Bank of Latvia



The current account deficit in 2019 was 0.5% of GDP. It should be noted that the current account deficit has been significantly improved since 2009, which demonstrates the stable external balance of the Latvian economy.

CURRENT ACCOUNT, % OF GDP

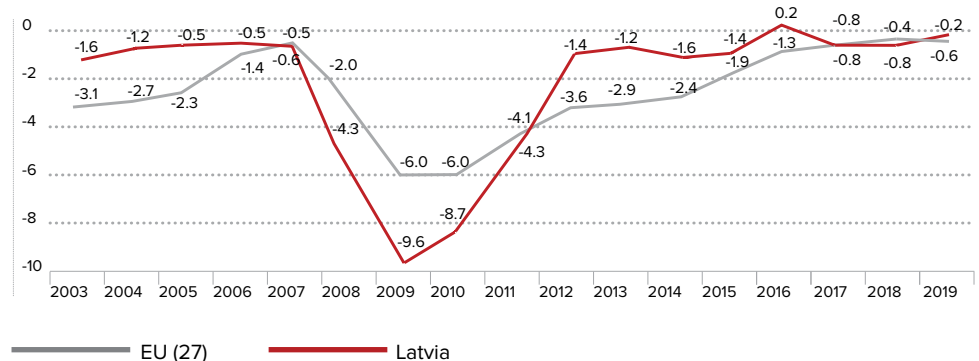


(C) Current Account, **(G)** Goods, **(S)** Services, **(1)** Primary Income, **(2)** Secondary Income

Source: Bank of Latvia

Latvia's fiscal policy is focused on ensuring sustainable economic growth and implementing responsible fiscal policy in line with the conditions of fiscal discipline. Since the economic crisis, significant improvements have been achieved in Latvia's fiscal position. In 2019, the general government budget deficit was EUR 63.2 million or 0.2% of GDP. The *Saeima* (parliament) approved the Law on the State Budget for 2019 with a budget deficit of 0.5% of GDP, this being in line with the permissible budget-deficit amount arising from the specific structural-balance target.

GOVERNMENT DEFICIT, % OF GDP

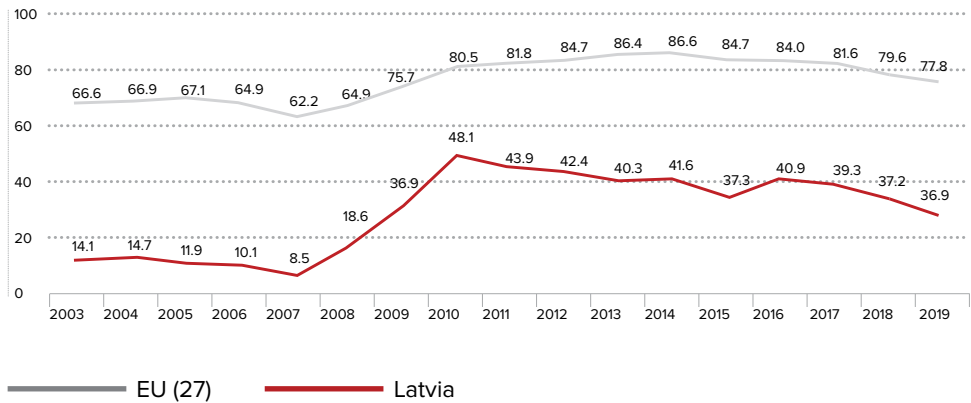


Source: Eurostat



Latvia's overall government debt increased during the crisis between 2008 and 2010. After successful completion of its international loan programme, Latvia has repeatedly proved its ability to attract finance on international financial markets under favourable conditions, through organising the issuance of public debt securities. Overall government debt is still one of the lowest in the EU, being EUR 11.244 billion or 36.9% of GDP in 2019.

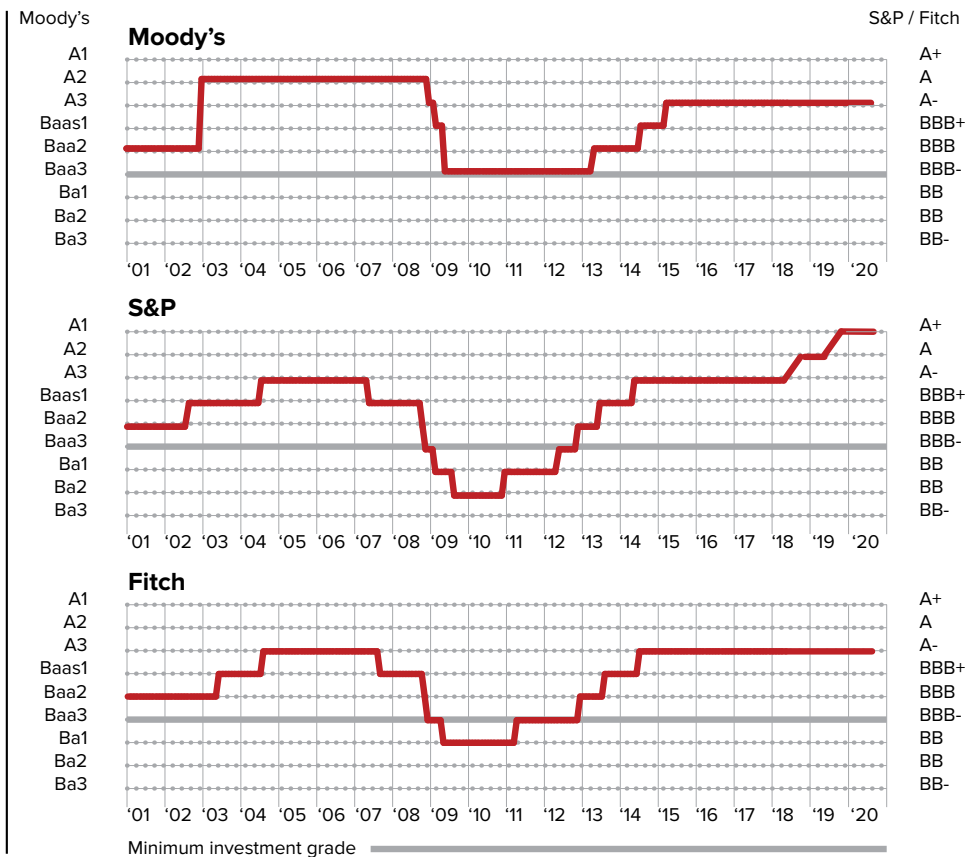
GOVERNMENT CONSOLIDATED GROSS DEBT, % OF GDP



Source: Eurostat

This prudent fiscal discipline has resulted in Latvia improving its sovereign credit ratings. International credit rating agencies have rated Latvia's institutional strengths positively.

LATVIA'S LONG-TERM FOREIGN CURRENCY ISSUER RATINGS



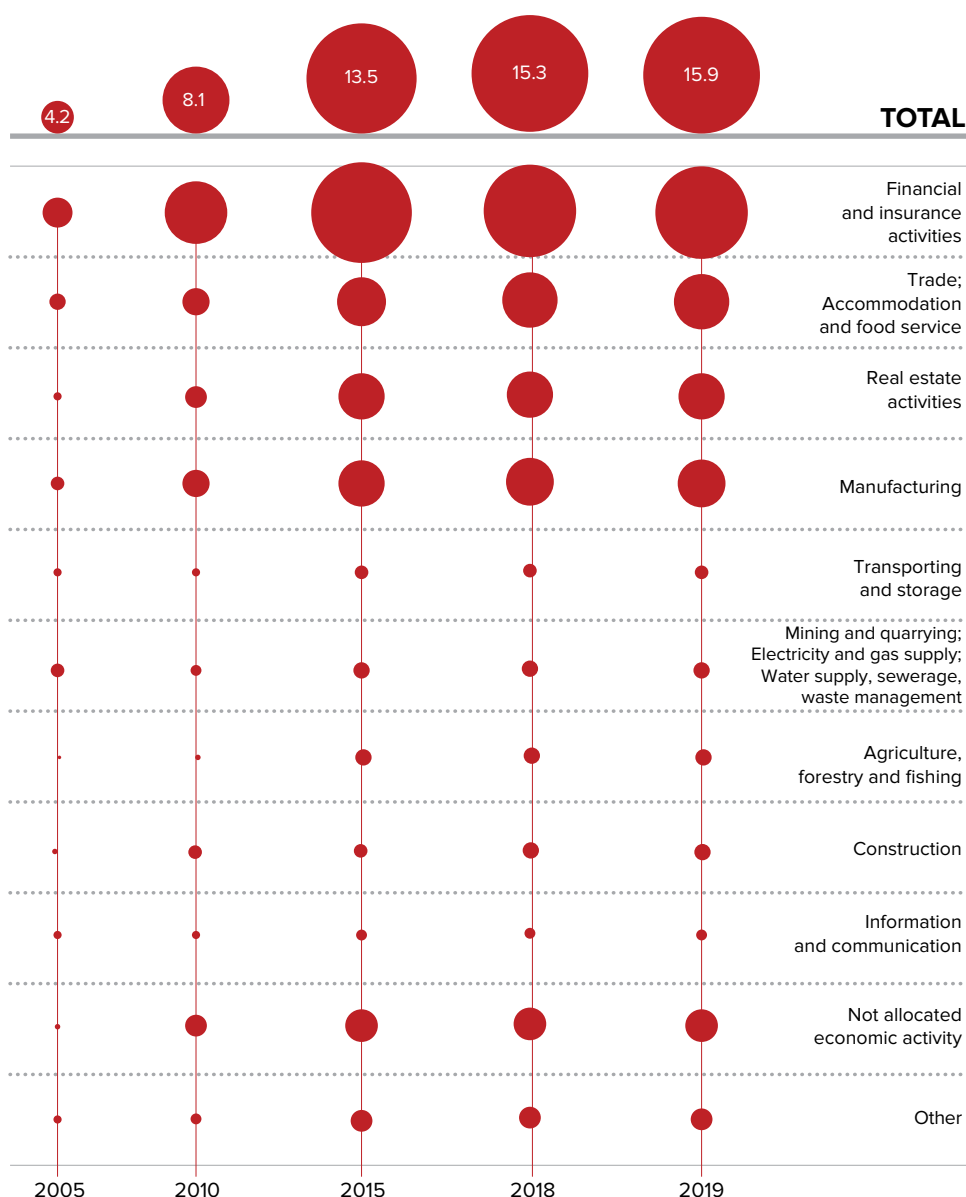
Sources: Treasury of the Republic of Latvia



FOREIGN DIRECT INVESTMENT

At the end of 2019, foreign direct investment (FDI) stock in Latvia amounted to EUR 15.93 billion (52.3% of GDP). FDI split by sectors shows that most investment is attracted by financial intermediation (23.8%). Others of the largest foreign investments have been accumulated in real estate operations (16.7%), trade (15.2%), and manufacturing (11.6%).

FOREIGN DIRECT INVESTMENT BY ACTIVITY TYPE (EUR BILLION)



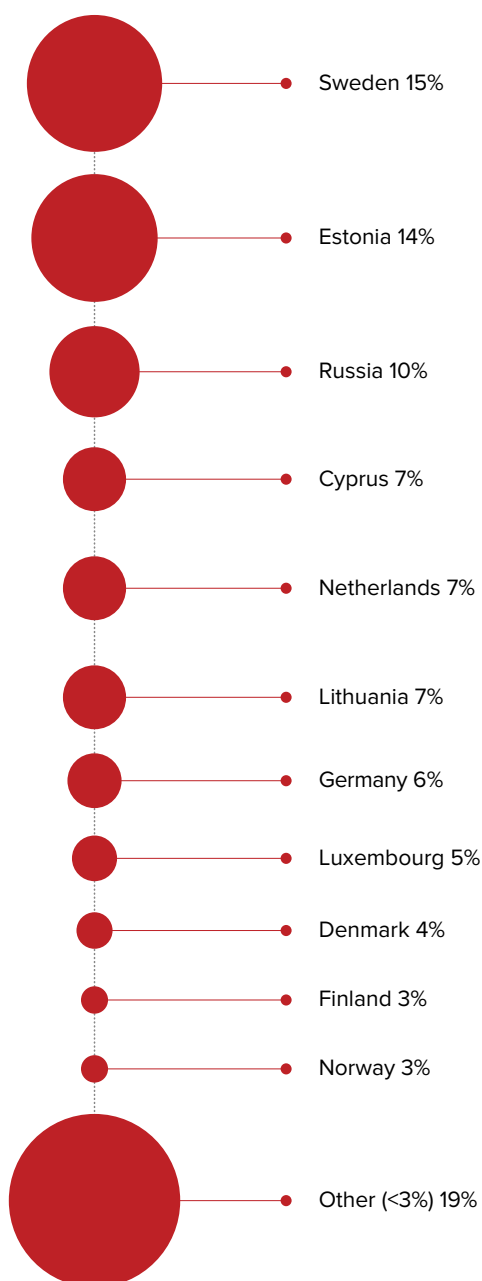
Source: Bank of Latvia

In 2016, FDI decreased, which was mainly related to the decreasing value of FDI stock in financial intermediation. It should be noted that cross-border investment flows have decreased all over the world in general, mainly because of the instability of the global economy, increased geopolitical risks and political unpredictability. However, accumulated FDI at the end of 2019 was 18% higher than it was in 2015.



Most of Latvia's FDI comes from other EU member states. At the end of 2019, FDI from the EU states represented 76% of all accrued FDI, including 55% represented by investment from euro-area countries. At the end of 2019 the largest amount of investment was from Sweden – 15% of the total FDI stock in Latvia's economy. Investment from Estonia, Russia, Cyprus, the Netherlands, Lithuania, Germany, Luxembourg, Denmark, Finland and Norway has also reached high levels.

FDI STOCK IN LATVIA BY COUNTRY, 2019



Source: Bank of Latvia

Many international companies have established operations in Latvia, including such globally recognized names as *Bucher Municipal* (formerly *Bucher Schoerling*), *Schneider Electric*, *Tieto*, *Solvay* (formerly *Cytec*), *JELD-WEN*, *Circle-K* (formerly *Statoil*), *Cemex*, *Brabantia*, *SEB*, *TELE2* and others, having chosen to benefit from Latvia's competitive advantages.



SOME OF THE FDI **SUCCESS STORIES**



Cabot Corporation is a leading global specialty chemicals and performance materials company from the United States of America. Headquartered in Boston, the more than 130-year old company has 44 manufacturing facilities in 21 countries around the world.

Cabot opened its business service centre in Riga, Latvia in 2014. Staffed with over 140 people, the centre provides business, financial, IT, purchasing and customer services to the company's operations in Europe, the Middle East and Africa. Latvia's highly **advanced IT infrastructure**, **convenient connections** to other countries from the Riga International Airport, the **depth of the talent pool**, the **growing services capabilities** and the **cost structure** appealed to *Cabot*.

The **young and capable workforce** in Latvia have exceeded every expectation on the quality, the caliber, the enthusiasm and the ambition.



Kvist Industries is one of the leading suppliers of high-quality wood items for the furniture industry. Headquartered in Årre, Denmark the company now employs more than 800 people, and around 660 of them are based in the facility in Latvia. With the long history of wood know-how and the company's clear vision, *Kvist Industries* has become the preferred partner from design to final delivery for many recognizable Scandinavian brands worldwide.

The *Kvist Industries* manufacturing facility at Upmalas, Mālpils region began operations in autumn 2011, when the company finalized the purchase of a plant. With continuous investments in the manufacturing plant, *Kvist Latvia* has now become the leading factory in the group and output has been growing at around 40% annually.

One of the main reasons for choosing Latvia for a location was proximity to the Scandinavian market, where the majority of the company's customers are located. The region's **qualified and skilled workforce**, **as well as the general conditions of Latvia's economy** also played important roles in the decision.



French company *Axon Cable* is a wiring systems designer and manufacturer of electronic components, including cables and connectors. Established in 1965, today the company focuses on niche markets, such as servicing the space, medical, automotive, telecommunications, energy and military industries.

The *Axon Cable* enterprise in Latvia specializes in the manufacturing of high-tech cable connections and connectors, being also an expert in plastic over-moulding, and makes products for *Airbus*.



In its fifteenth year of operations in Latvia, the company's annual turnover for this facility in 2019 was EUR 32.4 million. In total, the company employs 570 people.

The products manufactured at *Axon Cable* find their way to the most diverse sectors of the world market:

- Defence & aerospace – 33%
- Automotive – 25%
- Oil research – 13%
- Others – 29%

The **educated labour force**, especially with their **knowledge of the English and Russian languages**, coupled with the **support of the Investment and Development Agency of Latvia (LIAA)** made an impression on the company.

Axon Cable General Manager Alain Guenon, who leads the operations in Latvia, notes **“Our first contact with LIAA was very positive. They helped us to discover Latvia.”**



SIA *iCotton*, founded on November 24, 2011, is a manufacturing company whose main activities are the production of wet wipes, cotton swabs, moisture-absorbing nappies, cotton wool discs, and production of non-woven material. Currently, SIA *iCotton* is one of the largest manufacturers of cotton and personal care products in the European Union with one of the most modern factories in Europe. The company currently employs 105 people in two plants in Liepaja, and it is planned to complete the construction of the new plant in Liepaja by the end of 2020, investing additional 6,5 million EUR and creating more than 65 new workplaces. So far, the company's total investments amount to 12.5 million. EUR. The company also expects to increase their turnover next year by 80%, reaching 45-50 million EUR.

SIA *iCotton* production plant is located in a geographically advantageous place in Latvia's port city Liepaja. The Port of Liepaja does not freeze in winter and provides an opportunity to supply raw materials for production, as well as transportation of finished products to other European Union countries all year round.

In addition, the port is being actively developed and in recent years the railway infrastructure, road and rail access to Liepaja port has been renewed. The Liepaja Special Economic Zone (LSEZ) provides companies that have set up their own production facilities in this area with the opportunity to receive tax benefits and other support.

Source: Investment and Development Agency of Latvia



INCENTIVES FOR INVESTORS

Latvia offers investors a wide array of incentives, including support via EU Structural Funds and a business-friendly environment with appealing tax rebates. Businesses operating in Latvia can also take advantage of its EU membership privileges, which allows the free movement of goods, services, capital and labour, and euro-area location.

The Latvian government continues to work on developing a favourable climate for foreign investment by improving the business environment. Legal and administrative requirements are being eased, thus facilitating cooperation between international and local non-government partners.

STATE AID PROGRAMMES, 2014-2020

The total amount of state and EU Structural Fund financing granted for government-support programmes is approximately EUR 818.95 million up to 2020. State-aid programmes are focusing on the following three areas:

- Research, technology development and innovation;
- Raising the competitiveness of small and medium-sized enterprises (SME) – including business incubators, initiatives providing financing, development of industrial areas/parks, support to foster tourism and exporting competitiveness, and employee-training programmes;
- Transition to an economy with less carbon emissions in all industries, energy efficiency and more efficient district-heating systems.

The planned funding for innovation and research is EUR 195.5 million, for initiatives targeted at supporting SMEs – EUR 288.6 million, and for reducing carbon emissions in all industries, and energy efficiency – EUR 334.85 million.

Promotion of Innovation

The goal of these activities is to promote business operations with high added value by providing support for the development of new products and technologies, as well as fostering cooperation between the research and business sectors.

Innovation is comprised of the following sub-programmes: Competence centres – EUR 64.3 million, Implementation of new products into production – EUR 60.0 million, Employee training – EUR 24.9 million, Technology transfer, Vouchers for innovation and Activities for attracting highly qualified employees – EUR 40.6 million, and Activities for raising motivation – EUR 5.7 million.

Raising the competitiveness of SMEs

The goal of these activities is to promote business start ups by providing support at early stages, providing access to finance, as well as facilitating the competitiveness of Latvian enterprises in foreign markets.

Support for SMEs is comprised of the following sub-programmes: Financing (guaranties, credits) – EUR 81.0 million, Risk/Venture capital – EUR 60.0 million, Business angels – EUR 15.0 million, External Markets and Promotion of Latvia as a tourism destination – EUR 60.9 million, Business incubators – EUR 25.7 million, Development of industrial zones – EUR 24.8 million, Technology accelerators – EUR 15.0 million, and Cluster programmes – EUR 6.2 million.



Energy efficiency

The goal of these activities is to promote energy efficiency and renewable energy usage in residential, manufacturing and public buildings, as well as in district-heating systems.

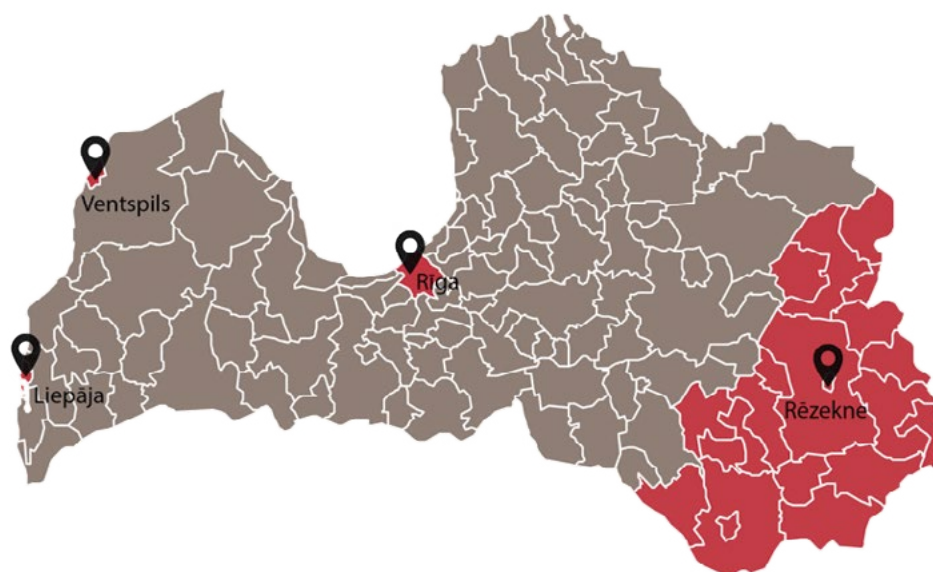
Energy Efficiency is comprised of the following sub-programmes: Energy efficiency in residential buildings – EUR 166.5 million, Energy efficiency in public buildings – EUR 82.6 million, Energy efficiency in industrial buildings – EUR 32.55 million and District-heating systems EUR 53.2 million.

TAX INCENTIVES

SPECIAL TAXATION REGIMES

Latvia has five Special Economic Zones (SEZ):

- Riga Free Port (www.freeportofriga.lv)
- Ventspils Free Port (www.portofventspils.lv)
- Liepāja Special Economic Zone (www.liepaja-sez.lv)
- Rēzekne Special Economic Zone (www.rsez.lv)
- Latgale Special Economic Zone (www.invest.latgale.lv/en)



The main benefits for companies operating in Free Ports and SEZs are:

- Up to 80% rebate on real estate tax (1.5% in Latvia)
- 80% rebate on corporate income tax*
- 80% rebate on withholding tax for dividends, management fees and payments for the use of intellectual property for non-residents (rates for each type of withholding tax vary)

*Applies in case of withdrawal of dividends. Otherwise CIT in Latvia is 0%.

The **maximum accumulated amount** compensated to the company by these conditions collectively is **35% (45% for medium and 55% for small enterprises)** of the company's total ongoing investment of up to 50 million euros.

Please note that this example is of informative nature only. Exact tax calculations are provided by respective divisions of State Revenue Service (www.vid.gov.lv).

**EXAMPLE** (for dividends withdrawal):

| | | |
|-----------------------------|---|--------------------|
| Investments | = | 10 million EUR |
| Gross Profit | = | 1 million EUR |
| Real Estate Cadastral Value | = | 1 million EUR |
| Taxation in Latvia: | | |
| Tax on Dividends (20%)* | = | 250 000 EUR |
| Real Estate Tax (1.5%) | = | 15 000 EUR |
| Totally applied | = | 265 000 EUR |
| Taxation in SEZ: | | |
| Tax on Dividends (4%) | = | 50 000 EUR |
| Real Estate Tax (0.3%) | = | 3 000 EUR |
| Totally applied | = | 53 000 EUR |
| Savings per year: | | |
| 265 000 EUR - 53 000 EUR | = | 212 000 EUR |

* Before applying tax, dividends are divided by coefficient 0.8, effective tax rate is 25%.

From June 2020, Rezekne SEZ and Latgale SEZ offers tax rebates for the newly created work places in the SEZ capital companies created as a result of the initial long - term investment. This new support instrument is great option, when initial long – term investment is smaller than the sum paid in salaries. The aid covers the wage costs (gross salary with employer's compulsory social security contributions) of the new jobs created, but for a maximum period of two years.

SUPPORT FOR STAFF TRAININGS

The aim of the program is to provide the support for training to facilitate the attraction of investors

The program is meant for companies who establish businesses in Latvia

Available funding:

- Total available funding: EUR 2.9 million
- Approximate amount of public financing provided to individual project: EUR ~250 000
- Intensity: 60% for medium and 50% for large enterprises

Eligible trainings:

- All types of training organized by LIAA or provided by linked enterprise which are necessary for product, process, marketing or introducing innovation in the organisation

The training has to be aimed at bringing about an innovation - product, process, marketing or organizational innovation.



Eligible costs:

- For training organized by LIAA:
 - training course costs
 - transportation costs of employees
 - salaries of employees for training period
- For training abroad provided by linked enterprise of company:
 - salaries of employees for training period
 - accommodation costs for training period
 - transportation costs of employees

Expected requirements for the company:

- Total turnover for the linked enterprise group exceeds EUR 5M in the last financial year
- At least 10% if equity shares are controlled by foreign company
- At least 15 jobs created or EUR 1M invested in the equity (from the moment when the company will submit training project to the completion of the training project)
- The trained persons employed directly in the company

Companies are eligible to apply for support if their represented business sector (applied project) falls within one of the “Smart specialization strategy (RIS3)” identified priority areas:

- Knowledge-intensive bio-economy (research and creation of new products and services as well as improvement of quality and production efficiency of existing products and services in bio-sectors - agriculture, food production, forestry and fisheries sector)
- Biomedicine, medical technology and biotechnology
- Intelligent materials, engineering and technology (for example – smart communication with customers, smart resources monitoring system, high degree of automation, intelligent technologies in the transport flow control)
- Smart energy
- Information and Communication Technologies

Additional details

- The training organized by LIAA must be an outsourced service. Trainings abroad are eligible
- The training abroad must be provided by linked enterprise of the company- term “linked enterprise” is defined in European Commission regulation Nr.651/2014 Annex No.1, section 3 paragraph 3
- There will have to be a contract in place between LIAA and the investor
- The training program must have a clearly defined start and finish with highly predictable outcome
- The training will have to be aimed at bringing about an innovation of a sort; for example, training is expected to lead to a new product, process, marketing approach, organizational structuring, etc. (within the company)



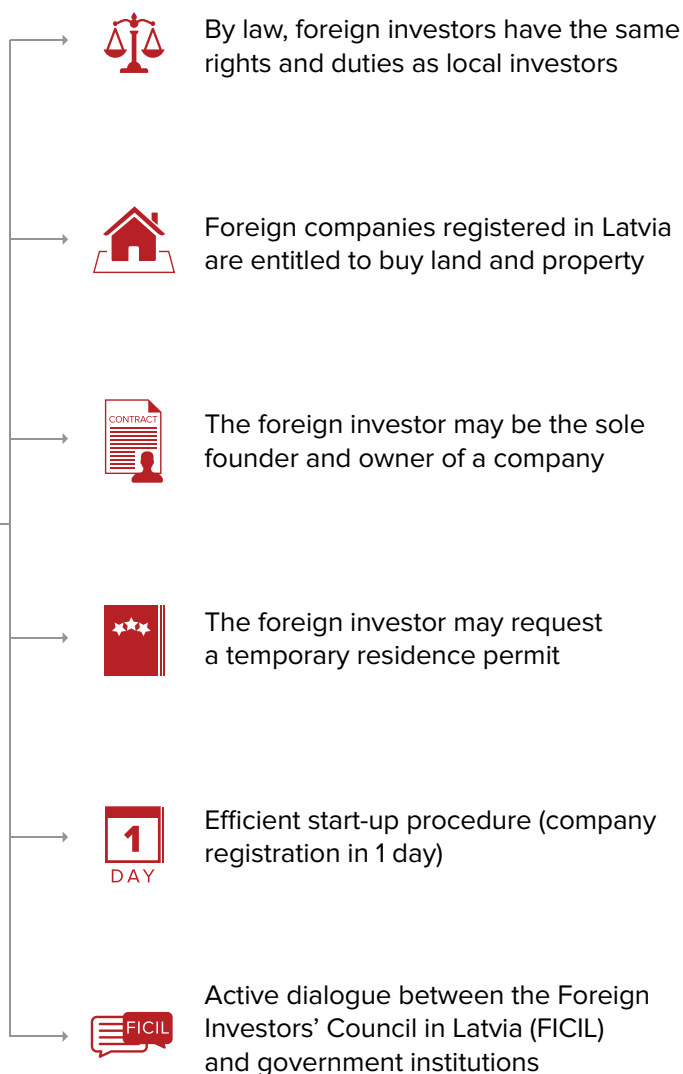
THE POLARIS PROCESS

To better serve potential investors, LIAA has developed the POLARIS Process. The key to this unique methodology is collaboration between all stakeholders, which enables high-level state institutions, municipalities, universities, industry associations and private companies to be integrated into a harmonized system for support and assistance to existing and potential investors, at all stages of investment projects. The aim of the POLARIS process is to enable efficient communication, cooperation and execution of tasks among the broad range of stakeholders involved in investment projects.

LIAA's support does not end once investors decide to proceed with their investment. The POLARIS Process starts even before investors meet with LIAA and only ends well after the project has been implemented. LIAA provides in-depth knowledge of sectors, project-management support, and project-execution support, and then follow up and measurement of results in order to keep improving the process. For each step of the process, POLARIS defines the tasks to be undertaken by each stakeholder.

OPEN AND ATTRACTIVE ENVIRONMENT FOR BUSINESS

EQUAL TREATMENT OF FOREIGN INVESTORS





PROMISING BUSINESS SECTORS

On the basis of Latvia's comparative advantages, LIAA places particular focus on eight promising sectors with appealing potential for foreign investment.

WOODWORKING

Summary

The woodworking sector is one of Latvia's most important export industries and plays a key role in generating rural and regional employment. The industry's success is based on Latvia's favourable combination of vast forest resources, strategic location, industry expertise and cost-efficient labour force. Additionally, government policies aimed at achieving sustainable forestry development have supported the industry's success.

Key Advantages

- Traditionally strong sector
- Easy access to raw material
- Abundance of skilled labour
- High private investment in R&D
- Sustainability of the industry

METALWORKING AND MECHANICAL ENGINEERING

Summary

Metal processing and engineering has historically been one of the leading industrial sectors in Latvia, as the country was one of the high-tech manufacturing centres for the Soviet military and aerospace industries. Key advantages of the sector include its skilled and cost-efficient workforce, strong R&D capability, and access to metal supplies from Russia and markets in the west. Multiple foreign and local companies have integrated their production processes into the global supply chain, having most of their production exported.

Key Advantages

- Highly developed logistics and communications infrastructure
- Supportive government policies
- Traditionally a leading sector with historical know-how
- Easy access to raw materials thanks to advantageous geographic location
- Competitive labour force
- Highly competitive in higher value products
- Shift towards more sophisticated production

TRANSPORT AND STORAGE

Summary

Latvia is located at the heart of Europe's fastest-growing area – the Baltic Sea region. The transport and storage sector's success is based on Latvia's favourable combination of an advantageous geographic location, providing access to the Russian and Western European markets; a competitive labour force, and excellent infrastructure with three ice-free ports, the best railway connection to Russia, and a growing air transport sector.



Key Advantages

- Historic transport and trade gateway
- Access to Russian and European markets
- Excellent infrastructure
- Diversified alternatives; no bias towards road transport
- Three ice-free ports
- Development of air transport sector
- Riga International Airport is a regional hub serving more than 40% of all Baltic airline passengers
- Competitive and multilingual labour force

INFORMATION TECHNOLOGY (INCLUDING GLOBAL BUSINESS SERVICES)

Summary

Latvia's IT sector provides substantial competitive advantages to investors, mainly through the availability of highly skilled IT professionals, language skills, and a combination of Western-style working culture with proximity to and knowledge of the Russian market. A highly developed communications and logistics infrastructure and very high labour productivity.

Global Business Services are also rapidly developing in Latvia. It is becoming very popular for companies from Scandinavian countries to choose Latvia as a place to locate their business service centres because of language knowledge, cultural compatibility, accessibility and cost effectiveness. In addition, a number of internationally known chemical producers have chosen Riga as their destination for shared service centres (SSC).

Key Advantages

- A skilled, multilingual labour force and high investment in tangible assets contribute to productivity
- Well-developed export market
- Knowledge of foreign languages among IT professionals
- Superb efficiency of IT infrastructure
- Ease of access from any European country
- Western-style working culture
- Labour cost effectiveness
- Broadband – low cost, high performance

SMART CITY

Smart Cities aren't just a concept or dream of future. Many of them are already active and expanding rapidly. For us it is the capital of Latvia – Riga with the highest population, density of technology companies and higher education institutions where smart city solutions can be tested. But also other Latvian cities and towns are starting to successfully implement various Smart City solutions, for example, Sigulda, Valmiera, Jurmala, Jelgava to name a few.

Since 2018, Latvia has begun to develop its Smart City strategy, building an ecosystem between the industry, the government, municipalities and academia. Smart City ecosystem is a framework, predominantly composed of ICT and Smart energy to develop, deploy and promote sustainable development practices to address growing urbanization challenges. The main domains covered are digital and physical infrastructure, legal framework (incl. pilot territories for different solution testing), human capital/talent, funding and research and development.



Key Advantages

- Largest ICT exports in the Baltics
- IT sector development as a strategic governmental policy priority
- Specialized urban innovation zones for Smart City solution testing
- Utilized cross sectoral cooperation ecosystem
- Operational 5G base stations ready for work

GREEN TECHNOLOGY

Summary

Experienced in renewable energy generation, Latvia provides an excellent environment for green energy projects. As one of the main exporters of environmental technology and resources in the EU, Latvia has the potential to expand this sector, equipped with skilled labour, long-standing experience, and the necessary resources. Latvia's efforts to improve energy efficiency and the increasing enrolment in degree courses relevant to the sector further add to the industry's potential.

Key Advantages

- Traditionally a leading sector
- Easy access to raw materials thanks to advantageous geographic location
- Excellent logistics infrastructure
- Competitive labour force
- Highly competitive in higher value products
- Shift toward more sophisticated production

HEALTH CARE

Summary

Latvia's healthcare sector has recently undergone restructuring and budget cuts aimed at increasing efficiency and facilitating the introduction of additional private healthcare options. The potential of the sector lies in the combination of highly qualified personnel, low costs, and first-rate facilities. Medical tourism is an emerging sector, building on Latvia's reputation as a spa destination, its convenient location, and the availability of high-standard health services at a low cost.

Key Advantages

- Recent efforts to improve efficiency.
- Highly qualified workforce at competitive prices
- High standard of health services.
- Promising new business opportunity: medical tourism
- Government support for an efficient and innovative healthcare sector

BIO MEDICINE

Summary

Latvia is an undeniable leader in biomedicine amongst three Baltic States. Latvia-based biomedical companies and organisations have demonstrated dynamic growth in recent years. Currently bio medicine is 4th by turnover amongst manufacturing industries in Latvia. Pharmaceutical and biotechnology industries in Latvia have a long history. We have a rich legacy and know-how. Latvian chemists made significant, internationally recognized advancements in research already in 19th century.



Key Advantages

- Strong R&D capability
- Established manufacturing infrastructure
- Geographic and cultural proximity to eastern and western markets
- Skilled, highly competitive professionals

LIFE SCIENCES

Summary

Latvia's life-science sector combines strong R&D capability, established manufacturing infrastructure, and geographic and cultural proximity to eastern and western markets. A very competitive workforce as well as further investment in raising productivity levels and fostering R&D related activities have contributed to the potential and success of the industry.

Key Advantages

- Strong R&D capability
- Established manufacturing infrastructure
- Geographic proximity to eastern markets
- Long-standing traditions in chemistry
- Skilled and competitive workforce

SMART MATERIALS AND PHOTONICS

Summary

Smart materials, technologies and engineering are particularly important for the transformation of Latvia's economy, creation of new and innovative technological solutions and the development of high value added products and services. Photonics and smart materials sector serves as a basis for the development of other sectors, providing necessary components and systems (including the precision medicine, ICT, smart cities and green energy, bioeconomy).

Key Advantages

- Leader of the Baltic States in scientific excellence
- Cooperation between industry, science and the national authority
- Necessary infrastructure (technology, policy, researchers, know-how etc.)

FOOD PROCESSING

Summary

The food and beverage production sector provides investors with a full range of opportunities for success, including a robust supply chain, an experienced workforce, and high quality standards. Domestic producers can also effectively track the quality of their products, from ingredients, through production and transit, to market – enabling production of the fresh and natural foods that consumers seek.

Key Advantages

- Robust supply chain
- Access to quality ingredients
- Ecological agriculture for natural ingredients
- Abundance of skilled and competitive labour
- Industry standards and sustainability
- Developed transit infrastructure
- Well recognized in CIS markets



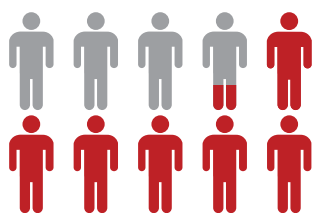
HUMAN RESOURCES

Employment relationships in Latvia are regulated by the Labour Law, which transposes many aspects of EU employment law and social policy directives, such as those relating to equal treatment, collective redundancy, working hours, and rest breaks. Monitoring of Labour Law compliance is executed by the State Labour Inspectorate and representatives of employers and trade unions.

Work productivity is kept high by Latvia's relatively low number of public holidays:

- 1 January – New Year Holiday
- 2 days (set yearly) – Good Friday and Easter Monday
- 1 May – Labour Day
- 4 May – Independence Proclamation Day
- 23 and 24 June – Midsummer Days
- 18 November – National Independence Day
- 24, 25 and 26 December – Christmas Eve and Christmas
- 31 December – New Year's Eve

Qualified talent pool



62%

of people in the
25 - 34 year old age
group know at least
two foreign languages

At the beginning of 2020, Latvia's population was 1.908 million, including approximately 50.9% or 0.971 million economically active (age 15-74) people. Economic activity is concentrated mainly in and around Riga, where around half of the country's population lives. Many of the people living in the surrounding districts work in the capital city.

In July 2020, the unemployment rate was 9.0%, which is higher than average rates in EU-27 (7.2%) and the euro area (7.9%). The highest unemployment levels in Latvia are among unskilled workers, though there are shortages of qualified specialists in certain areas and positions. Statistics from the State Employment Agency reveal that in 2019, most vacancies were registered in major groups of medium-skilled occupations (lorry drivers, house builders, retail shop assistants, cooks), followed by highly-skilled occupations (programmers, sales managers, sales representatives, senior experts) and low-skilled occupations (ancillary workers, construction labourers, cleaners, shop workers). Nevertheless, the greatest increase in demand in comparison to the previous year was registered precisely in occupations in the medium-skilled group, particularly in the major groups of skilled workers and craftsmen.

Source: Eurostat



High rates of
**university
attendance**
(**81%**, gross
enrolment ratio)

According to the results of *Eurobarometer* research, Latvia ranks second among European states for the percentage of residents, who in addition to their mother tongue can speak at least one foreign language: 95% of Latvia's residents are fluent in some foreign language and 49% can speak at least two foreign languages (1st highest score). 13% can speak at least three foreign languages. Moreover 44% of respondents acknowledge that they speak a foreign language on a daily basis – at work or in their private lives.

Source: Eurobarometer



Large proportion of
international students

The majority of adults know Russian, English and German. Other popular languages in Latvia are Lithuanian, Polish and French.



In Latvian general schools, 98.2% of pupils are taught foreign languages. In primary education (grades 1-6), 98.1% of pupils are taught foreign languages, in elementary education (grades 7-9) – 98.7%, but in secondary education (grades 10-12) 98.2% are taught foreign languages. 45.1% of pupils learning foreign languages learn two or more foreign languages. The majority of pupils (97.6%) are learning English, followed by Russian (32.1%). German is learnt by 10.8% of pupils, but French – by 2.1%. As well as the languages already mentioned, pupils are also taught the Arabian, Danish, Estonian, Italian, Japanese, Jewish, Chinese, Latin, Lithuanian, Norwegian, Polish, Finnish, Spanish and Swedish languages.

Source: Central Statistical Bureau of Latvia

SALARIES IN LATVIA

Monthly salaries in Latvia range from the minimum wage of EUR 430 gross for low-skilled workers in the manufacturing and retail sectors up to EUR 10 000 gross to top managers in the largest international companies.

According to the Central Statistical Bureau of Latvia, the average monthly salary in Latvia in 2020 Q2 was EUR 1118 gross, which is EUR 824 net. Salaries in the Riga region are about 12% above the Latvian average, but in other areas they are 15-30% below average, with the lowest being in Latgale (the eastern region of Latvia). This does not apply to highly qualified specialists and the most demanded positions, where salary levels are similar across the country.

For example, highly qualified engineering and production management staff can often be attracted from Riga to work in regional factories by maintaining appropriate salary levels.

Salary surveys confirm that the total level of remuneration in Latvia is increasing by 4-6% annually. However, this average figure is only a trend; wage growth is increasingly being tied to employees' individual performance indicators and companies' overall results. Consequently, we can anticipate growing salary gaps at various levels and qualifications in the future.

Sectors with the highest level of remuneration (above average): IT/ Telecom, Pharmacy, Financial Services, Construction, Wholesale (representative offices).

Compared to other EU countries, the general level of compensation in Latvia is competitive. For example, the level of compensation for unskilled jobs is three to four times lower than in such Western European countries as Germany and France, while in terms of wage-adjusted labour productivity, Latvia is ahead of most EU member states.



SALARY STRUCTURE AND TAXES

| | | | | | |
|---|--------------------|-------------------------|---------------------|--------------------------|----------|
| | | 534 EUR | | | |
| Employer's part of social security contribution | | 24.09% | | | |
| Social security contribution | | 11% | | 11% | 430 EUR |
| Personal income tax | | 20% | | 20% | |
| | | | | | 352 EUR* |
| Employee receives | after taxes | 122 EUR | 122 EUR | 122 EUR | |
| | non-taxable amount | 230 EUR | 230 EUR | 230 EUR | |
| | | Cost to employer | Gross salary | Employee receives | |

* Calculation of an employee's net salary is based on the general algorithm, the actual formula is more complicated, also taking into account a number of tax discounts, e.g. for dependants.

BONUSES

Additional benefits provided to employees vary between sectors and positions.

The IT and financial-services sectors are among the most generous industries with benefits including health insurance, paid health and sports activities, telecommunication services, partly or fully provided catering.

The most common benefit in the manufacturing sector is health, life or/and accident insurance (varies by industry and profile) as well as compensation for transport costs.

Other most common benefits include discounts on company products or services, additional holidays, pension funds as well as company cars for managerial and business development positions.

YOUTH POTENTIAL IN THE LABOUR MARKET

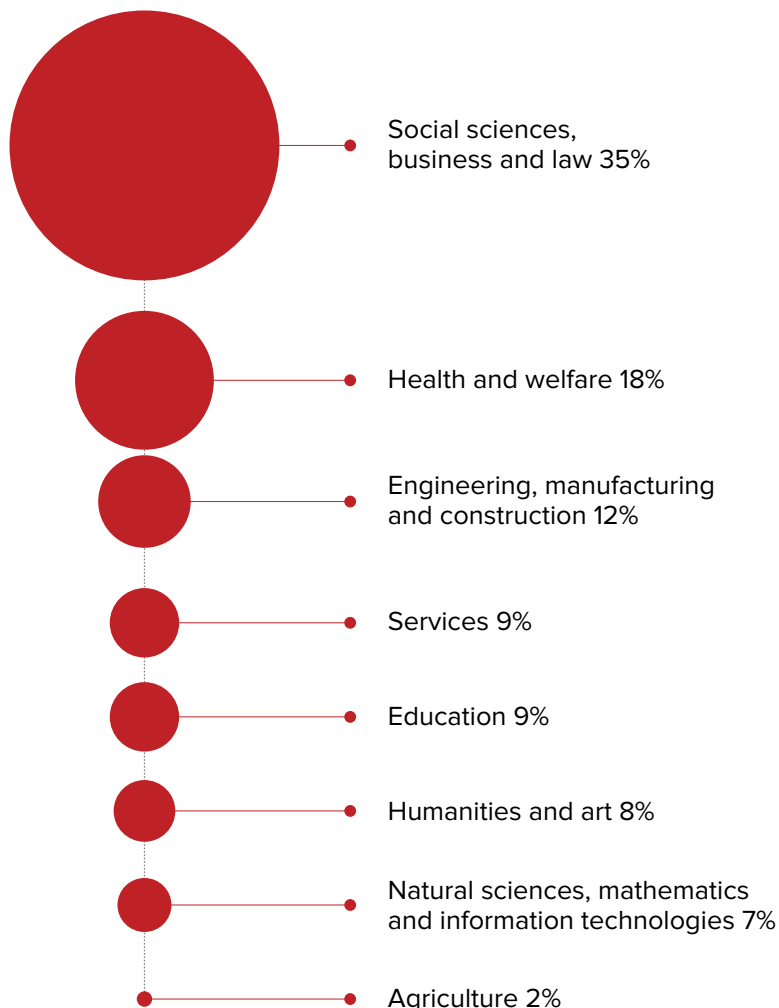
Generally, the majority of Latvia's young people commence their careers while still studying, thus numerous young, skilled specialists are already active in the labour market. These people are self-confident, possess good communication skills, and are technologically adept. Participation in student exchange programs (e.g., *Erasmus*), youth organizations (e.g., AIESEC), and international communication helps foster foreign language skills.

Education is a historically developed traditional value in Latvia. Enrolment rates in universities are among the highest in the world. Although humanitarian and social study programmes continue to be the most popular, there is increasing interest in technological sciences and engineering.



Graduates with degrees or qualifications from higher education institutions and colleges by subject group, 2019

The total number of graduates in 2019 was **14 848**



Source: Central Statistical Bureau of Latvia

There is increased interest among young people in acquiring vocational education.

The most important motivators for young people in Latvia currently are:

- Learning and professional-growth opportunities within the company;
- Interesting job content and working environment: modern technologies (particularly in IT), opportunities to participate in cross-border and interdepartmental projects;
- Professional management (Team leadership), which motivates and inspires for growth.
- Opportunities to work for companies rated as good employers. Employees in Latvia appreciate companies that develop their good employer ratings not only globally, but are able to adapt their values to local conditions.

Consequently, Management Trainee and similar programmes are widely used both by global corporations and local organisations in order to attract the most talented young potential in Latvia.

In order to attract young people without experience or specific competencies for work in Riga, salaries starting from EUR 500 net are considered competitive. Salaries of about EUR 700 net are an appropriate level for specialists skilled in particular areas (up to one year's experience) for work in Riga.



EMPLOYEE SELECTION

Employee selection in Latvia is performed by the head of the company, by an employee responsible for HR, or with the help of a recruitment company. Foreign companies and investors most often use the services of a recruitment company, or publish job advertisements in leading job portals and perform in-house selection. When creating a job advertisement, the requirements prescribed by the Labour Law must be taken into account: it is illegal to discriminate on the basis of age, sex, ethnic origin, etc., and the name and contact details of the employer or recruitment company must be clearly stated.

The State Employment Agency (*Nodarbinātības valsts aģentūra (NVA)*) licenses the operations of recruitment companies in Latvia. A list of licensed companies is published on the NVA's website: www.nva.lv. Around ten professional recruitment companies in Latvia offer high-quality and value-for-money recruitment services, most of them being part of international networks. In addition, a number of companies offer staffing and payroll-outsourcing services.

Candidate selection takes 4-6 weeks, depending on the nature and seniority of the position.

Because of the relatively narrow Latvian labour market, certain industry-specific profiles or a combination of required competencies can be represented by only a few people around the country. Consequently, in order to recruit a professional of narrow specialization, employers may have to use head hunting or provide in-house training to young talented specialists. There are already a number of similar positive examples where companies have provided specific competence training for their employees, such as foreign languages, work with specific IT systems, etc. This approach promotes a positive employer rating and increases employee motivation.

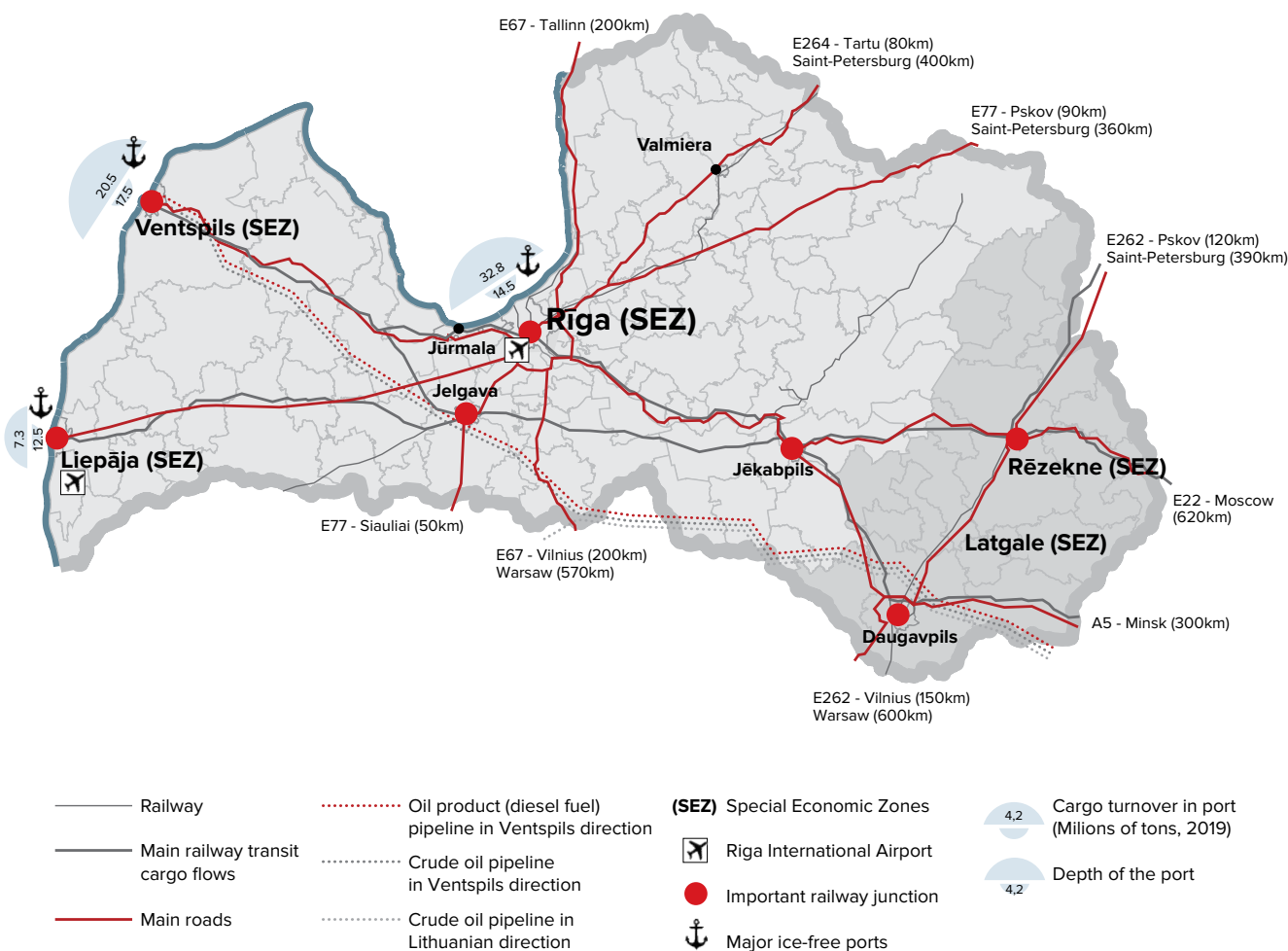


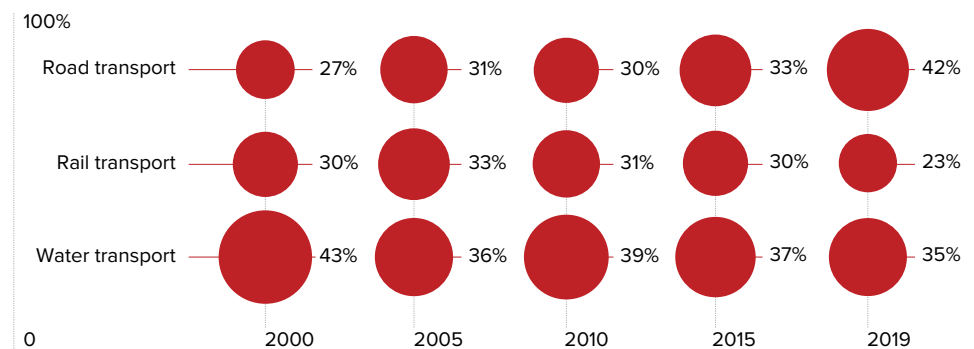
BUSINESS INFRASTRUCTURE

TRANSPORT & LOGISTICS

Thanks to its geographical location on the crossroads between the main Eurasian markets, Latvia is one of the most convenient and practical hubs for transporting goods from Asia to Europe and vice versa. Latvia forms the European Union's external border with Russia and Belarus, thus making the country a bridge between East and West, as well as North and South. Latvia's transport system provides an appropriate infrastructure base to facilitate these trade flows and to serve the needs of local export/import operators:

- Free ports in Ventspils, Riga, and Liepāja, with total cargo throughput of 60.6 million tonnes during 2019, predominantly transit shipments.
- An extensive and functional road network, connecting with both European and CIS road networks, as well as Latvia's ports.
- The shortest route between the EU and the CIS.
- Specialized, high-capacity railway corridor linking Latvian ports with Russia and the Far East.
- Riga International Airport – a competitive Baltic passenger hub, serving almost half (44% in 2019) of all airline passengers in the Baltic States; high-speed cargo distribution centre.
- Pipeline systems for transit and distribution of Russian oil/natural gas.

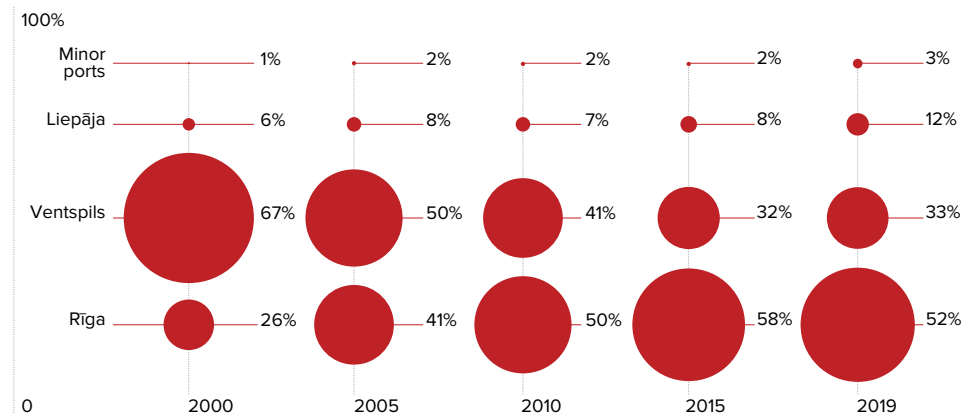


**CARGO TRAFFIC BY MODE OF TRANSPORT (TONNES, MILLION)**

Source: Central Statistical Bureau of Latvia

PORTS

As vitally important export and transit-transshipment points for Latvia itself and for several neighbouring countries, the three largest Latvian ice-free ports provide reliable access 365 days a year. Connections to all other transport infrastructure elements, along with attractive tax-free zone incentives, have resulted in the ports becoming regional centres of industrial activity. Nevertheless, there are still a number of port locations available for businesses, within customs-free zones and with direct sea access.

CARGO THROUGHPUT IN LATVIAN PORTS (TONNES, MILLION)

Source: Central Statistical Bureau of Latvia

All the ports are equipped with the required infrastructure – tanks for bulk liquids, terminals, warehouses and cranes, communications infrastructure – and have operating service-providers – stevedores, agents, customs brokers, and banks – with a number of internationally recognized names like *Kuehne & Nagel* and *Maersk Line*, comprising a visible part of the service offer.



ROADS

The total length of Latvia's road network is 70 645 km (incl. state roads, municipal roads and streets, as well as forest roads). The average density of roads in Latvia is 1.094 km per km².

The Latvian road system provides direct access to destinations in the east (Russia/CIS) and southwest (central/western Europe). The roads are well connected to northern Europe (Finland and Sweden) via other countries and/or RO-PAX-capable ports. Generally, all roads are fully public and toll-free, as funds for maintenance are collected from excise tax on fuel and vehicle registration fees paid to the Road Traffic Safety Directorate. With financial support from the EU, Latvia has upgraded sections of the *Via Baltica* – the first pan-European transport corridor, connecting Finland and the Baltic States to Poland and Western Europe. To divert increasing transport flows from the centre of the capital city, Riga City Council has constructed the Southern Bridge over the river Daugava and plans to construct a Riga Northern Transport Corridor – a high-speed road crossing Riga from east to west and bypassing the city's historic centre.

Forwarding services is a comparatively developed market with a large number of actively competing operators, including international companies like *DB Schenker*, *DHL*, and *DSV Transport*. Transport-freight intensity is increasing rapidly along with the growth in foreign trade and transit operations – international freight volumes passing through Latvia have significantly increased.

RAILWAYS

Latvia possesses a relatively dense railroad network connecting the country to destinations as far as the Russian Far East, wherever the former Soviet railway-gauge standard is in operation. There are additional opportunities for trade connection with Japan and Southeast Asia. Currently, Latvian railways mostly serve as a transit trunk-line, with more than half of total freight volume comprising transit from Russia to Latvian ports and the largest part of freight rolling-stock consisting of tanker-wagons, semi-wagons and specialized types of railway wagons. Movement in the opposite direction, to Moscow and other parts of Russia/CIS, is dominated by container cargo.

In order to facilitate trade flows in the north-south direction, it is planned to implement a pan-Baltic railway route, *Rail Baltica*, connecting Tallinn–Riga–Kaunas–Warsaw–Berlin. This project would also serve as the first step in Latvia's transition to European railway-gauge technical standards. Thanks to this new railway network, rail freight volumes will increase, as will average train speed. The project also covers convenient passenger connections to other transport services. Also, the Baltic States being re-connected to the European railway network is expected to facilitate the development of Latvia's transport and logistics sector after. Latvia's main railway connections in terms of cargo volume are Russia, Belarus, Lithuania and Estonia. Since May 2017 there is a container train line that links Latvia with China. It takes less than 15 days for a train to cross this route, while it is around 45 days for sea transport.



106
DESTINATIONS
IN SUMMER

77
DESTINATIONS
IN WINTER

CONNECTIVITY OF RIGA INTERNATIONAL AIRPORT

Most air passenger and freight transport in Latvia moves through Riga International Airport, which is also the leading air transport and transit system in the three Baltic States. The airport currently serves more than 17 airlines, including Latvia's national airline *airBaltic*, low-fare carriers *Ryanair*, *Wizzair*, *Norwegian*, and European leaders like *Lufthansa*, *Aeroflot*, *Turkish Airlines*, *SAS* and *Finnair*. The said companies and others ensure fast and reliable direct travel from Riga International Airport to 106 destinations (in summer 2019) including London, Moscow, Oslo, Frankfurt, Helsinki, Berlin, Stockholm, Copenhagen all of which provide further connections to transcontinental air routes.

In 2019, Riga served 7.8 million passengers breaking the annual passenger record and handled 27 265 tonnes of cargo. Riga International Airport serves almost half (44%) of all Baltic passengers. In comparison, in 2019 Tallinn (Estonia) served 19% of total passengers and Vilnius (Lithuania) served 28%.

In 2016, Riga International Airport completed construction of a North Pier for the terminal which will enable the airport to continue its current growth and increase passenger-handling capacity.

Latvian airline *airBaltic* was ranked as the second punctual airline in the world in 2018 with on-time-performance (OTP) of 89.17%.

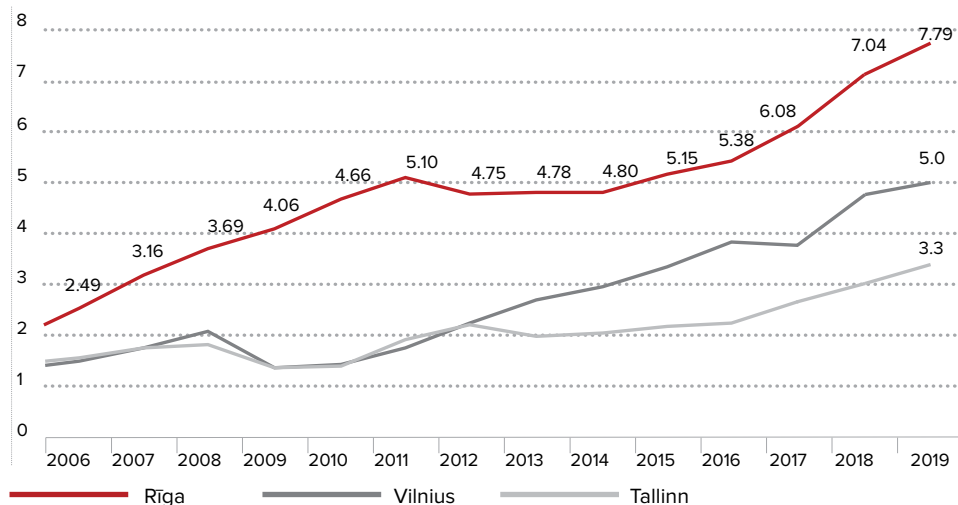


● regular flights ● seasonal flights

RIX route map for summer season 2019 (before Covid-19)



NUMBER OF PASSENGERS (MILLION) AT BALTIC AIRPORTS



Source: Eurostat

The airport has been awarded the Top European Airport Cost Competitiveness Excellence award by The Air Transport Research Society as the most competitive airport in Europe in terms of costs and tariff structure per passenger.

Countries with direct flights from Riga in summer season (2019) include Albania, Austria, Azerbaijan, Belarus, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Georgia, Germany, Great Britain, Greece, Hungary, Iceland, Ireland, Israel, Italy, Kazakhstan, Latvia, Lithuania, Malta, Montenegro, Netherlands, Norway, Poland, Portugal, Russian Federation, Spain, Sweden, Switzerland, Turkey, Ukraine, United Arab Emirates and Uzbekistan.

The air cargo and/or express package services of international providers like *Lufthansa*, *Schenker BTL*, *DHL* and *TNT* ensure one-day delivery within Europe and two days for the rest of the world.

After undergoing reconstruction and the certification process for commercial flights, Liepaja Airport has recently reintroduced itself into Latvia's aviation infrastructure. This airport is Latvia's second international airport and it is expected to facilitate the long-term economic development of the region. Liepaja is Latvia's third largest city and also happens to have an ice-free port.



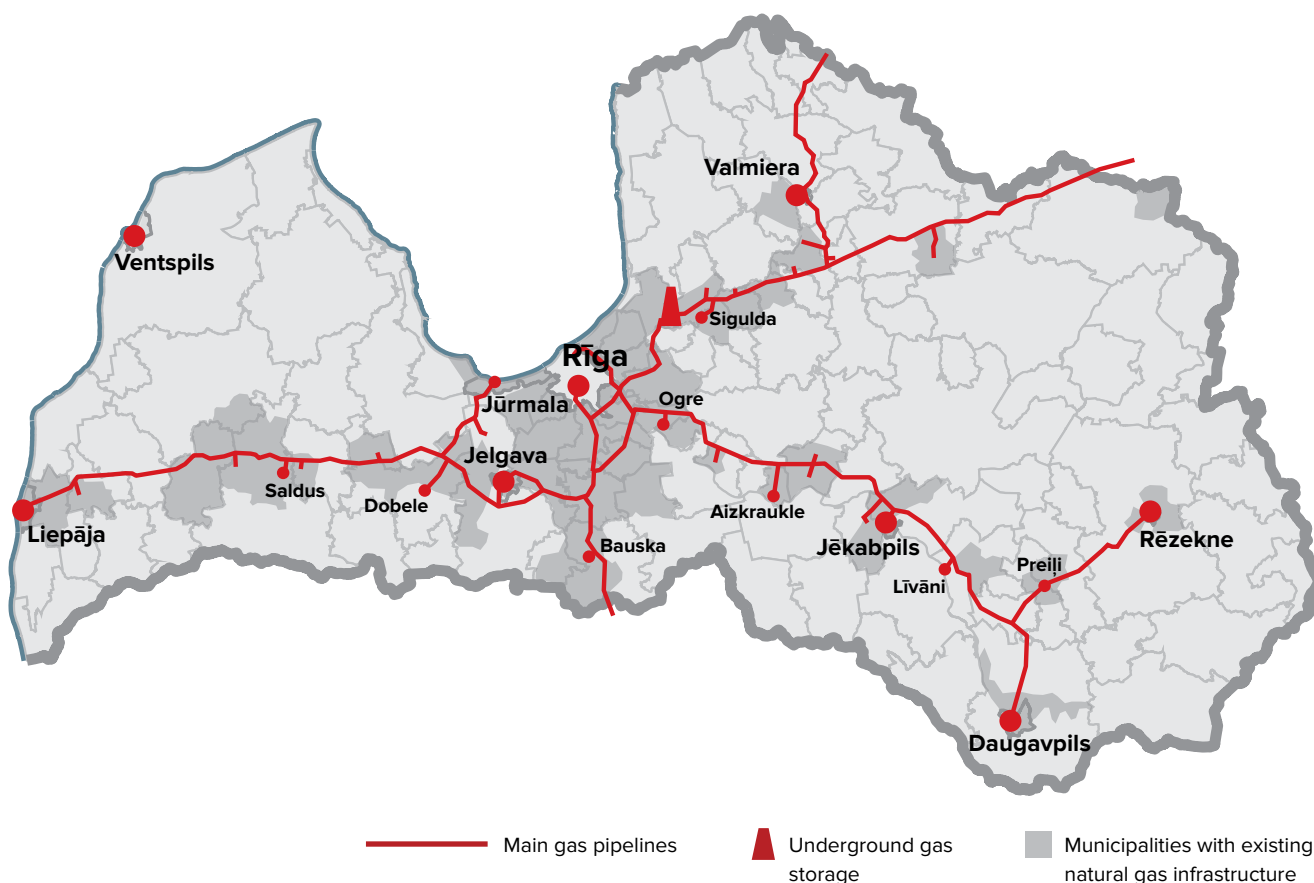
UTILITIES

A number of Latvia's utility services are still state-owned or corporate monopoly operations. In order to ensure reasonable pricing in these areas, the Public Utilities Commission of Latvia – whose responsibilities include utilities, telecommunications, post and railway services – regulates the tariff policies of monopoly utility providers. Also, certain utility sectors are being liberalized by opening markets to other service providers. One example is the national gas market. Following new amendments to the Energy Law, as of 3 April 2017, Latvia's gas market is being liberalized. This means that households will be able to select their preferred gas supplier. Companies listed in the register of natural gas traders will be able to supply gas to consumers in Latvia. Companies having an agreement with *Latvijas Gāze* will be permitted to use the existing infrastructure for gas supply.

GAS

Latvia is endowed with a unique natural resource – the Inčukalns Gas Reservoir, which is the largest natural gas-storage reservoir in Europe, with a capacity of approximately 4.4 billion m³. As a result, the country is in a very favourable position in terms of gas supply costs, also providing gas storage for the two other Baltic States and the western border areas of the Russian Federation. In addition to supplying the domestic market, natural gas in Latvia is used in heat generation, power generation, the manufacture of construction materials, agriculture, the food industry, and many other areas.

NATURAL GAS INFRASTRUCTURE IN LATVIA





ELECTRICAL POWER

State-owned *Latvenergo* provides about 90-95% of all the electricity consumed in Latvia.

In Latvia, approximately 50% of the electricity is generated from renewable and environmentally friendly energy sources (more than half of installed capacity is hydro). More than 100 independent producers, operating small-capacity hydro-electric plants, wind generators, or heat and electricity co-generation plants, produce a very small proportion (approximately 10% in 2019) of electricity in Latvia. All the same, 'new energy' generation is growing substantially and is expected to be of increasing importance in the future.

Electricity transmission in Latvia is carried out by a single transmission system operator JSC "Augstsprieguma tīkls", while electricity distribution – by 11 distribution system operators of which JSC "Sadales tīkls" supplies electricity to 99% of the consumers. Nevertheless, for convenience of consumers, the market is organized in a manner of one stop shop, therefore the daily communication with different market participants is organized via supplier.

As of 31 December 2019, 37 companies were registered in the Electricity Traders Register, of which 27 (73%) were active. In 2019, five largest electricity traders in the whole retail market by volume were JSC "Latvenergo", "Enefit" Ltd, "Ignitis Latvija" Ltd, "AJ Power" Ltd and "Scener" Ltd.

In Latvia, opening of the electricity market began on 1 July 2007.

Regarding renewable energy in general, it should be noted that while producing slightly more than 40% of its inland annual energy consumption from renewable energy, Latvia is one of the EU leaders in terms of share of renewables in total energy consumption (*Eurostat*, 2018). The two most prominent renewable energy sources in Latvia are biomass and hydropower. Nevertheless, there are still opportunities to be developed in the wind power and solar energy segments. Furthermore, despite this impressive track-record, Latvia has also set one of the highest EU 2020 goals for the development of renewables.

DISTRICT HEATING & WATER SUPPLY

District heating and water supply services are generally provided by separate operators in each municipality. However, where necessary or more convenient, any company is free to construct its own system as long as it meets existing technical/environmental regulations. The municipalities mostly own local operators, but some have been privatized and have attracted foreign investors. The most notable suppliers are located in Latvia's largest cities.

WASTE DISPOSAL

Several local and regional waste-management companies throughout the country provide general waste-disposal services. The waste produced in Latvia is recycled both locally and in foreign countries. Several facilities exist for the recycling of metal, glass, paper, polyethylene and PET. The most modern polyethylene recycling facility in the Baltic States is located in Latvia. Several types of hazardous waste (car tyres, oil, and oil filters) are recycled in Latvia. Electronic and electrical equipment is collected and transported abroad for recycling. Latvia also has installations for hazardous waste incineration, mercury recovery from luminescent lamps, water-oil separation facilities, incinerators of oil- and medical-waste, and installations for disinfecting medical waste.



DEVELOPED COMMUNICATIONS

- Optical-fibre cable rollouts are dominated by *Tet*, which offers up to 1000Mbit/s access. Several smaller operators offer services to greenfield sites and in urban areas. Recent regulatory measures are aimed at facilitating wider access to the national broadband network.
- Digital TV uptake has accelerated, with IP TV and cable TV dominating digital access. Analogue switch off was completed in mid-2010, and has thus released spectrum in the 800 MHz band for use in mobile services.
- Increasing competition is evident in the mobile broadband market, as all three mobile networks (*Latvijas Mobilais Telefons* (LMT), *Tele 2*, *Bite Latvija*) offer generous amounts of bundled data. The challenge for mobile operators in the coming years will be maintaining service levels across networks under heavy traffic loads.
- Limited Long Term Evolution (LTE, 4G) services were launched in 2011 and have since been extended. Following the auction of spectrum in the 2.6GHz band, these frequencies were made available to the four licensees from early 2014.
- The EC's approval of funding for optical-fibre networks supports the government's own programme to build a national network.

The largest (by numbers of customers) are: *Bite Latvija* (GSM), *Tet*, *Latvijas Mobilais Telefons* (GSM) and *Tele2* (GSM).

During 2019, all mobile operators continued 4G-network rollout and reached more than 90% population coverage at the end of the year. As the result of excellent network coverage and reasonably priced unlimited-data offers Latvia has demonstrated a rapidly increasing acceptance of mobile data services. According to latest research performed by Tefficient AB, with 15.4 GB per month per SIM cards, Latvia was in 3rd place in the World in mobile data usage. The fifth generation of mobile networks is expected to roll out within the next years.

Since July 2014, all mobile networks operating in Latvia have had to comply with uniform interconnection tariffs that have been regularly updated by the Public Utilities Commission. The upper limit of the tariffs is now set at EUR 0.0105 a minute.

There are numerous operators offering internet services – DSL, optical, or LAN. In Latvia, 97% of households with access to the internet have broadband connections above 2 Mbit/s.

E-commerce has become very popular due to the frequency of internet and web development both in Latvia and worldwide. Many companies have developed online shops, and sales continue to grow. The industries using online sales most are accommodation (80% of companies in the industry), ICT services (29%) and wholesale (28.1%).

All banks operating in Latvia, mostly Scandinavian (*Swedbank*, *SEB banka*, *Luminor Bank*), have developed internet banks, which are popular among the Latvian population. 72% of the population use internet banks for their payments and other non-cash money transactions, which is more than the EU average (58%). Since 2006, this rate has grown by 3 times and trends show that it is still growing. Seven banks have already developed mobile bank apps, with others planning to do so in the near future.

Currently, there are thousands of public wireless internet points available in Latvia. In Riga alone, users have access to nearly 2 200 free WiFi points, making Riga the capital of free WiFi.

Major investment in telecommunication infrastructure has resulted in very good figures for internet upload and download speeds in Latvia. Consequently, Latvia



ranks among the top 20 countries in the world by average measured connection speed, in terms of high broadband connectivity, and also according to average peak connection speed. Latvia is also the European leader in terms of fibre-optic networks, in addition, optical internet connections are available to more than half of the country's households.

Source: World Broadband Speed League data

REAL ESTATE

As a country with a relatively low density of population, Latvia can provide a range of location choices for both industrial and office operations. There are a number of vacant factory buildings in all the largest cities, along with historic city centres that are gradually developing new functions, evolving from residential into commercial, entertainment, and shopping areas. In addition to the availability of individual properties, a number of business-hosting parks have been established or are being developed for different types of tenants.

Average commercial rents in Riga, 2020 Q2 (EUR/m² per month)

| | |
|-----------------------------|-----------|
| Offices | |
| Class A | 14 - 16 |
| Class B1 | 10 - 14 |
| Retail | |
| Prime shopping centre rents | 25 - 45 |
| Prime high street rents | 20 - 40 |
| Industrial | |
| Prime rents | 3.5 – 4.7 |

Source: Colliers International, Real Estate Market Overview Q2, 2020

For greenfield projects, there are no barriers to using the services of local real estate agents and construction companies.

A number of local and international construction companies operate in the Latvian market, making that market very competitive. Latvian construction companies have proven their competitiveness in foreign markets and work well on different scale projects, ranging from general construction to specific installation works. International players are also successfully operating in the Latvian construction market.

The real estate business is also well developed and competitive, featuring companies such as *Latio*, *Colliers International*, *Kivi Real Estate*, *Ober-Haus* and *CBRE*.

Construction permits in Latvia can be obtained in approximately one month, but for large and technically difficult projects, more time may be required to dealing with the required procedures.



OPERATING ENVIRONMENT

According to the World Bank's report Doing Business 2020, Latvia ranks 19th among 190 of the world's economies.

Also, the latest rankings for trade freedom around the world by the *Heritage Foundation – the Index of Economic Freedom*, demonstrate a strong correlation between trade freedom and a number of positive indicators, for example, economic prosperity, low poverty rates, and clean environments. The *Index of Economic Freedom 2020*, measuring the impact of liberty and free markets, placed Latvia in 32nd place of the world's most free economies.

Source: The Heritage Foundation

FORMS OF BUSINESS

There are several types of legal entities stipulated in Latvia's Commercial Law:

- Limited Liability Company (Ltd)
- Individual Merchant (Sole Trader)
- Joint-stock Company
- Partnership
- Branch or Representative Office

Representative offices, similar to branches, are not independent legal entities. Representative offices cannot perform economic activities and their functions are limited to market research, promotion of the parent company, and other limited marketing activities.

The most popular form of business by far is Ltd.

SETTING UP A COMPANY

All companies must be registered in the **Commercial Register**. For companies to achieve legal status, their founders shall prepare and submit to the Register of Enterprises: a foundation agreement or decision of foundation (in case of a single founder), articles of association, and confirmation of legal address, together with receipts that confirm payment of registration duty and payment for the publication of an announcement in the official newspaper, *Latvijas Vēstnesis*.

Registration duty depends on the chosen form of business. The Register of Enterprises undertakes to review applications and register companies within three days or within one working day (if a three times larger fee is paid).

Companies can be registered in just one working day.



ENTRY, WORK, AND RESIDENCE PERMITS

According to the Immigration Law, foreign nationals are entitled to enter and reside in Latvia if they have valid travel documents. If foreign nationals wish to reside in Latvia for more than 90 days within a six-month period, they must obtain a visa or a residence permit. Since Latvia's accession in the EU, citizens of other EU member states do not require visas or residence permits, but must obtain a registration card from the Office of Citizenship and Migration Affairs if their stay in Latvia exceeds 90 days.

VISAS

Latvia has been a member of the Schengen Agreement for nearly 15 years, therefore member-state citizens traveling to Latvia do not require a visa, and foreigners who have a valid Schengen visa can travel to Latvia with an existing one. Other foreign nationals who are citizens of countries that are entitled to request visas for entering Latvia must submit an application.

An invitation is mandatory if a natural or legal person in Latvia is considered to be an employer in accordance with the Law on State Social Insurance, and they intend to employ a foreign national by entering into an employment contract or a work-performance contract. However, foreign nationals who wish to establish employment relationships or become self-employed must have a work permit.

WORK PERMITS

Work permits are issued by the Office of Citizenship and Migration Affairs on the basis of visas or residence permits. If employers intend to employ a foreign national, they must register a job vacancy with the State Employment Agency (SEA) at least one month before applying to the SEA for approval of invitations for visas or sponsorship for residence permits. Foreign nationals must receive separate work permits if they will be working for more than one employer or in several positions. If the employment of foreign nationals relates to short-term stays in Latvia that do not exceed 90 days in a six-month period, work permits can be issued in accordance with the validity of visas.

RESIDENCE PERMITS

Residence permits allow foreign nationals to stay in Latvia temporarily or permanently for periods exceeding 90 days in a six-month period. Residence permits may be requested by self-employed persons, members of the boards of directors or supervisory councils of companies registered in the Commercial Register, persons authorized to represent foreign companies in branch activities, and in other situations prescribed in the Immigration Law.



Additionally, temporary residence permits may be requested by foreign nationals who have done one of the following:

- Invested in the equity (increased equity capital for an existing company or established a new company) of a company in Latvia:
 - at least EUR 50 000 in companies with turnover or annual balance sheet not exceeding EUR 10 million, with no more than 50 employees and annual tax payments of at least EUR 40 000
 - invested at least EUR 100 000 in companies with turnover or annual balance sheet exceeding EUR 10 million, with more than 50 employees
- Acquired real estate
 - residency permits may be acquired by purchasing real estate with a minimum value of EUR 250 000 anywhere in Latvia.
- Made subordinated capital investments at least of EUR 280 000 in a Latvian credit institution.

REAL ESTATE ACQUISITION PROCEDURES AND RESTRICTIONS

Latvian legislation provides no restrictions on the acquisition or transfer of ownership rights to real estate in cities for citizens of Latvia, citizens of EU member states, and companies in which more than 50% of equity is owned by citizens of Latvia, citizens of EU member states, or natural or legal persons from countries with which Latvia has entered into international agreements on the promotion and protection of investments. Foreign nationals from third countries are subject to restrictions on the acquisition of land in state border zones, specially protected areas, natural-resource extraction areas, and agricultural or forest land.

TRANSFER OF RIGHTS TO REAL ESTATE

Each real estate transaction involving changes in ownership rights must be registered in the Land Register, which stores information regarding the legal status of real estate. Registration of the transfer of real-estate ownership rights is done by submitting registration applications signed by both seller and purchaser. Before registration with the Land Register, the owner must settle any real-estate tax debt on the property and pay stamp and state duties (see the section Real Estate Tax). Applications for transfer of real-estate rights are reviewed in ten days.

PROTECTION OF INTELLECTUAL PROPERTY

Latvian legislation provides four main instruments for protecting intellectual property: patents, trademarks, designs, and copyrights. All laws regarding the protection of intellectual property are harmonized with EU legislation and international conventions.

The Patent Office is the institution that implements state policy on the ensuring of industrial property rights and makes decisions on the granting of patents or the registration of trademarks, designs, or additional protection certificates. It maintains official state registers of patents, trademarks, and registered designs and certifies individuals to act as intermediaries in the registration of intellectual property.

The rights to use intellectual property can be acquired in the form of licenses or license agreements. The owner of intellectual property is entitled to transfer ownership rights to another person together with a company or separately from it.



REGULATION OF COMPETITION, MERGERS, AND ACQUISITIONS

Foreign and local companies commencing business or involved in reorganization (merger or acquisition) must comply with the corresponding provisions of the Competition Law, the Commercial Law, and the Law on Corporate Income Tax. Since Latvia acceded to the EU in 2004, the Competition Law and the national competition authority – the Competition Council – have operated in accordance with EU regulations on mergers and acquisitions.

The protection and development of competition in Latvia is the responsibility of the Competition Council, whose main tasks are to:

- Monitor observance of the prohibition against the abuse of dominant positions and prohibited agreements by market participants.
- Monitor observance of the Advertising Law.
- Examine submitted notifications regarding agreements between market participants and take decisions in respect of them.
- Restrict market concentration.

The Competition Council has the right to:

- Carry out market supervision.
- Conduct investigations of competition violations.
- Provide opinions regarding the conformity of market participants' activities.
- Submit pleadings, applications, and complaints to courts.

PROTECTION OF THE RIGHTS AND INTERESTS OF INVESTORS

The rights of investors in Latvia are protected by the Commercial Law, the Civil Law, and the Law on Judicial Power. Shareholders exercise their rights in annual shareholders' meetings. Shareholders who jointly represent not less than one-twentieth of the equity capital of a company can request extraordinary shareholders' meetings. Any shareholders can bring an action in court to revoke decisions taken by shareholders' meetings if they were unlawfully prevented from participating in the meeting or from familiarizing themselves with relevant information, or significant violations have occurred in making such decisions.

Rights regarding investment made by foreign investors in Latvia are covered by bilateral agreements on the promotion and protection of investments. The agreements state that all disputes between investors and the contracting state must be resolved through negotiation. Where disputes are not resolved by negotiation, investors can hand over the dispute to a competent court in the country where the investment was made or to any *ad hoc* arbitration tribunal established under the Secretariat of the United Nations Commission on International Trade Law (UNCITRAL) or the International Centre for Settlement of Investment Disputes (ICSID).

LATVIAN COURT SYSTEM

The Law on Judicial Power prescribes that all court judgments have the force of law after the expiration of their appeal or protest deadlines. The Latvian court system is structured in three levels: 1) district (city) courts operate as first-level courts for civil, criminal, and administrative matters; 2) six regional courts operate as first-instance courts for more complicated cases and appeal courts for cases adjudicated by district courts; and 3) the Supreme Court, composed of the Senate, the Civil Matters Panel, and the Criminal Matters Panel, is the cassation instance for all matters previously adjudicated by district (city) courts and regional courts, and the appeal court for cases adjudicated by regional courts.



FOREIGN INVESTORS' COUNCIL IN LATVIA

The Foreign Investors' Council in Latvia (FICIL) is a non-government organization that unites the largest companies from various countries and sectors which have made significant investments in Latvia, as well as ten national chambers of commerce operating in Latvia. The companies represented in FICIL account for about 31% of total FDI stock.

FICIL's activities are based on a dialogue with the Latvian government, with the aim of improving the business environment and investment climate in the country. FICIL members identify issues that affect business operations and cooperate with various government agencies on a day-to-day basis to solve problems through changes in legislation or administrative procedures. The main activities of FICIL address four key issues for improving Latvia's investment climate:

- Transparency.
- Elimination of protectionism for a well-functioning market and reduced inflation.
- Stability and predictability in the investment climate.
- More effective attraction of foreign direct investment.

FICIL meets with the government in annual High Council meetings, jointly chaired by the sitting Prime Minister and FICIL's Honorary Chairman, to discuss Latvia's economic development, exchange views and ideas in order to improve the business environment, and facilitate further investment in the country.

TRADE AND CUSTOMS PROCEDURES

Since accession to the EU in 2004, customs policy has been regulated by EU legislation. Latvian customs legislation only regulates specific areas not covered by EU legislation.

According to the EU Community Customs Code, community goods are:

- Goods fully produced in the EU, without any raw materials from third countries.
- Goods imported from third countries which have been released for free circulation in the EU customs zone.
- Goods produced in the EU customs zone from the above-mentioned goods.
- Goods are subject to internal transit procedures (preparation of respective customs declaration), if they are transported from one member state to another, crossing the territory of a third country.

Customs duty is applied to goods imported from or exported to third countries. Upon the release of goods for free circulation in the EU customs area, Common External Tariffs are applied, meaning that the same duty is applied for import into any EU member state. The amount of import duty applied depends on the classification and origin of the goods and is stipulated in EU legislation. VAT and other taxes, if applicable, are applied to imported goods only in the country where the goods are released for consumption.

Importers of goods can acquire EU tariff quotas permitting importers to import certain amount of goods in certain periods of time for lowered or zero customs duty. Importers can obtain tariff quotas applicable to specific goods or specific goods from a specific country. More information on required import or export duties, in accordance with your requirements, can be obtained at the Export Helpdesk (www.exporthelp.europa.eu) and Market Access Database (<http://madb.europa.eu>). Latvia is using TARIC (Tarif Intégré de la Communauté), to identify the rules, tariff rates, and potential license requirements that apply to specific products being imported into the customs territory of the EU. The TARIC can be searched by country of origin, Harmonized System (HS) Code, and product description on the interactive website of the Directorate-General for Taxation and the Customs Union.



FINANCIAL ENVIRONMENT

THE CENTRAL BANK AND THE COMMERCIAL BANKING SECTOR

Latvia's central bank is the Bank of Latvia, an independent institution and a *Eurosystem* participant. The Bank of Latvia shares the primary objective of maintaining price stability with the central banks of other euro area countries and the European Central Bank (ECB). The Bank of Latvia participates in implementing and formulating the *Eurosystem's* monetary policy. The Bank of Latvia also manages foreign reserves, ensures the smooth operation of payment systems, issues cash in Latvia, compiles financial and monetary statistics, and maintains the Credit Register.

The Financial and Capital Markets Commission (FCMC) regulates and oversees the activities of all participants (investors, credit institutions, insurers, stock exchanges, depositaries, brokers, etc.) in the financial and capital markets. The FCMC promotes free competition and stability on financial markets and safeguards the interests of investors, depositors and insured persons.

COMMERCIAL BANKS IN LATVIA

At the end of 2019, there were 14 banks in Latvia and five branches of foreign banks. The Association of Latvian Commercial Banks exists to contribute to strengthening and developing Latvia's banking system – developing legislation and representing the collective interests of banks. The total amount of bank assets at the end of 2019 comprised EUR 22.5 billion, 58% of which were issued loans.

THE INSURANCE SECTOR

At the end of 2019, there were a total of six insurance companies operating in Latvia (two life insurance companies and four non-life insurance companies) as well as twelve branches of foreign insurance companies. An application for a licence to provide insurance services must be filed with the FCMC. Decisions to approve or reject applications are made within six months of the filing date.

STOCK EXCHANGE

Nasdaq Riga and the Latvian Central Depository are the leading securities market operators in Latvia. These institutions provide market participants with an environment for dealing in securities, clearing and settling securities' transactions, and listing securities, as well as for the operation of the central register of public securities and the register of state-funded pension funds.

Nasdaq Riga is a part of *Nasdaq Inc.*, the world's largest exchange company. In June 2020, *Nasdaq Riga* was listing 24 companies with total market capitalisation of EUR 855.41 million.

Under the Financial Instruments Market Act and the rules of *Nasdaq Riga*, companies wishing to put their shares on the main list of the *Nasdaq* Latvian market must meet the following requirements:

- A prospectus approved by the Latvian regulator;
- Minimum market capitalisation of EUR 4 million;
- At least three years of operation;
- Listing at least 25% of the company's total number of shares, or if less than 25% is listed, the total capitalisation of the listed shares must be at least EUR 10 million;
- Financial statements prepared to IFRS or GAAP.



TAXATION

GENERAL PRINCIPLES

The Taxes and Duties Act, as amended, determines Latvia's general taxation principles. Specific taxes are assessed according to one of the special tax laws, such as the VAT Act or the Corporate Income Tax Act. If there is a conflict between the general principles and special rules, the latter prevail.

Under the Taxes and Duties Act, duties are imposed by either the state or municipalities. The state is entitled to impose duties on a number of different items, including vehicles, court applications, notary applications, gambling, changes to identification data, reservation of land in rural areas, dealings in vouchers and bills of exchange, immigration services, business licences/permits, registration of security interests, applications for patents, trademarks, or plant protection certificates. Municipalities have the right to apply reliefs in respect of payments which are payable to local government budgets, in line with business-support principles, including to real estate tax*.

** Having regard to the provisions of COMMISSION REGULATION (EU) No 1407/2013 of 18 December 2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid.*

STATE TAXES

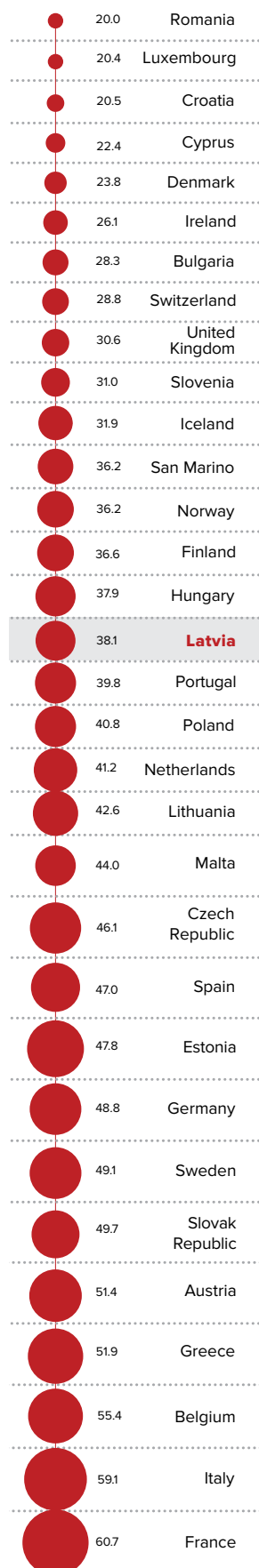
1. Company car tax
2. Corporate income tax
3. Customs tax
4. Electricity tax
5. Excise
6. Lottery and gambling tax
7. Microbusiness tax
8. Natural resource tax
9. Personal income tax
10. Real estate tax
11. Social insurance contributions
12. Solidarity tax
13. Stamp duty
14. Value-added tax
15. Vehicle operation tax
16. Withholding tax (part of corporate income tax law)

On 1 January 2017, a separate law was implemented for startup companies. The following state aid programmes are determined by this law:

- a fixed social tax charge with the employee's consent;
- a support programme for attracting highly qualified workers; and
- a corporate income tax credit and a corporate income tax rebate.

MAIN BUSINESS TAXES IN LATVIA

| | |
|--|--|
| Personal income tax | Differential 20%, 23% and 31.4% |
| Employer's national social insurance contributions | 24.09% |
| Employee's national social insurance contributions | 11% |
| VAT | The standard rate of VAT is 21%. The reduced rate is 12%. |

TOTAL TAX & CONTRIBUTION RATE (%)

Source: Paying Taxes 2020,
PricewaterhouseCoopers

VAT REGISTRATION

VAT is charged on all transactions made in the course of business. Individuals or entities registered in Latvia with total supplies of goods and services exceeding EUR 40 000 in a 12-month period are liable to register for Latvian VAT. This total excludes the value of any capital or intangible assets supplied once in the subsequent 12 months. However, companies may register for VAT and charge VAT on supplies made before the threshold is exceeded. Moreover, non-taxable legal entities and individuals registered in Latvia who carry out economic activities are liable to register for VAT if they make intra-Community acquisitions of goods or provide services and the total value of transactions exceeds EUR 10 000 during the calendar year. Tax can be paid either monthly or quarterly depending on the taxpayer's specific criteria.

CORPORATE INCOME TAX

As from 2018 a 0% CIT rate is applied to reinvested profit or, in other words, CIT will be paid only when a company pays dividends or other payments with the aim of actual profit distribution (conditionally distributed profit). CIT at the rate of 20% will only have to be paid from the profit share which will be distributed or disbursed as dividends, or used for purposes not directly related to business development.

No other taxes are charged on corporate income by the state or municipalities. Resident companies are taxed on their worldwide income.

Non-resident companies are taxed on their Latvian-source income through a permanent establishment (PE) at the standard rate of CIT. In the absence of a PE, non-residents may be subject to 0–15% withholding tax on qualifying payments (such as management fees and payments to tax havens).

PERSONAL INCOME TAX

Latvian residents are liable to income tax on their worldwide income. Non-residents are liable to income tax on their Latvian-sourced income. Personal income tax is charged at 20%, 23% and 31.4% differential tax rate from January 2018 on employment and other income, with the exception of capital gains.

Dividends, interest and income from life insurance contracts and private pension funds are taxed at 10%. Capital gains on the disposal of capital assets (such as real estate, shares and bonds) are taxed at 20%.



ANNUAL FINANCIAL REPORTING

Commercial companies, cooperative companies, European economic interest groupings, European cooperative societies and European commercial companies registered in Latvia must prepare their annual accounts in accordance with the Annual Accounts and Consolidated Annual Accounts Act. Sole traders as well as farming and fishing enterprises must prepare their annual accounts in accordance with the Act if their revenue exceeds EUR 300 000 in the last year.

The Act divides companies into four categories based on defined criteria. If two out of three criteria are met for two consecutive years, the entity must be reclassified into the relevant category:

| | Net revenue (EUR) | Total balance sheet (EUR) | Average number of employees in financial year |
|-----------------------|----------------------|------------------------------|---|
| Micro company | < 700 000 | < 350 000 | < 10 |
| Small company | < 8 million | < 4 million | < 50 |
| Medium company | < 40 million | < 20 million | < 250 |
| Large company | > 40 million | > 20 million | > 250 |

Annual accounts consist of a financial statement and a management report. Companies classified as small may elect not to prepare a cash flow statement and a statement of changes in equity. The Act also defines certain exemptions for required disclosures.

A management report must provide information about the company's development, financial results and position, as well as the main risks and uncertainties it faces.

Annual accounts must be audited by a certified auditor under the Certified Auditors Act if the company is large or medium or if its transferable securities are traded on a regulated market. A statutory audit must also be performed for small companies if one of the following conditions is met:

- It exceeds two of the following criteria for two consecutive years: total balance sheet of EUR 800 000; net revenue of EUR 1.6 million; an average of 50 employees in the financial year;
- It is the parent in a group of companies;
- It is a public person's company or its subsidiary or a public-private capital company within the meaning of the Management of Public Persons' Shares and Companies Act; or
- It elects to recognise certain financial statement items in accordance with IFRS.

Companies must submit their annual accounts together with a certified auditor's report (if any) to the State Revenue Service within one month of the accounts being approved, and within four months of the end of the financial year (for medium and large companies – within seven months of the end of the financial year). In general, the financial year coincides with the calendar year, however companies are free to choose other starting and end points for their financial year.



QUALITY OF LIFE AND RECREATION

SIGHTS AND EXPERIENCES

Apart from being the capital of Latvia and indisputably the largest city in the three Baltic States, **Riga** is also **Europe's capital of Art Nouveau architecture** and one of the **'greenest' cities** in the region. Entertainment options for all ages and tastes range from upmarket clubs, cinemas, and casinos, to traditional theatres and exhibitions, as well as a zoo and an open-air *Skansen*-style museum for family visits. **The Latvian National Opera and Ballet**, in the very centre of Riga, is the proud architectural symbol of a newly independent nation; its distinguished building hosts internationally renowned orchestras, opera, and ballet troupes, and attracts major international artists touring Europe.

Riga's Old Town is on UNESCO's World Heritage List and offers a variety of historical and contemporary influences. These are perfectly captured in a number of Lutheran, Catholic, and Orthodox churches, a synagogue, and, naturally, a mix of international restaurants as well as Irish and British pubs – all within a few blocks of each other.

Latvia's own distinctive cuisine is becoming a major attraction for visitors to Riga, with a number of local 'ethnic' restaurants arriving on the scene throughout the capital. Maybe it was not so a few years ago, but currently it may be said with pride: Riga's **restaurants have grown** incredibly rapidly, and the meals offered can satisfy even the most sophisticated gourmards. Food items produced in Latvia are healthy and tasty; and the **chefs are admirably skilled, talented and creative** as they enrich the traditions of national cuisine with contemporary ease.

Nevertheless, Riga and its surrounding region is only half of Latvia's story. The remainder can offer an array of recreational options from cosy B&Bs with only a light touch of 'virtual rurality', to **open-air medieval theatre**, to rock and pop festivals with international stars. An evening at a country home featuring a Latvian 'herbal sauna', horseback riding across scenic hills, or fishing in a murmuring stream makes for a refreshing shared break, either for a management team or families. If you'd like a more culturally oriented country trip, Latvia offers numerous **castles and manors** complete with a variety of **museums**. One such pearl, for example, may be found in Daugavpils, where one of the renovated buildings of the giant historic fortress houses **the Mark Rothko Art Centre** featuring several of the legendary abstract-art master's works.

The most important national celebration in **Latvia is St. John's Day** – the summer solstice on 23 June – when the entire nation gathers at bonfires to greet each other with bouquets of seasonal flowers and grasses and to consume a slice of traditional cheese with a mug of **specially-brewed beer**. Latvia also boasts its own renowned quadrennial event – **the Song and Dance Festival**, which culminates in an open-air massed choral concert featuring several thousand singers.

Sometimes we wonder about it ourselves, yet it is a fact: Latvia is **the 'superstate' of music**. Such international stars as conductor **Andris Nelsons**, opera **diva Elīna Garanča**, and tenor **Aleksandrs Antoņenko**, for example, are our very own: they were born in Latvia, went to school here and became legendary artists.



The people of Latvia love music from their early childhood years to old age. Musical tastes may differ, but the choice of concerts and festivals is so varied that each person can find something to satisfy their taste. The International **Early Music Festival** is held every summer at **Rundāle Palace**, built in accordance with the magnificent traditions of Baroque and Rococo architecture; people who love opera have a festival in Riga, and an open-air one in picturesque Sigulda to enjoy. Jazz, symphonic music and chamber music are also favoured in Latvia, but most young people prefer popular music. **The Positivus festival**, held at Salacgrīva beach, has become the favourite popular music event in the Baltic States and beyond. **Prāta vētra/Brainstorm**, **DaGamba** and **Skyforger** are worthy of mention among the most popular bands, the latter's popularity among folk-metal fans having spread widely beyond Latvia.

Latvians also hold **sport** in high regard. Most fans gather in the stands or in front of TV screens to view team sports such as **ice hockey**, **basketball** and **beach volleyball**. Football, floorball and handball are popular too. We follow the feats of our **skeleton** and **bobsleigh** stars eagerly, with several having achieved **Olympic**, **European** and **world titles**. We follow the feats of **boxer Mairis Briedis** with bated breath, as he nears the pinnacle of world boxing.

But you can't be a real sports fan without participating yourself! For sports enthusiasts, Latvia can offer all the traditional activities including basketball, football, tennis, and ice hockey, as well as golf, swimming, and ten-pin bowling. In terms of outdoor activities, the most popular are jogging, hiking, cycling, and orienteering. In addition, Latvia has a **number of rivers and streams** with good facilities for **recreational rafting and canoeing**; and for winter sport enthusiasts, the Latvian countryside offers several hills equipped for **downhill skiing**.

Wind tunnels were not initially intended for active recreation and entertainment, but the northern Latvian town of Sigulda begs to differ. Sigulda offers the **Aerodium wind tunnel** – a device blasting air upwards in the form of a vertical pillar, enabling visitors to literally take to the air. The coaches at *Aerodium* are among the world's leading professionals in their field, which was proven when they participated in the closing ceremony of the **Turin Winter Olympics in 2006** and built the Latvian pavilion at EXPO 2010 in Shanghai.

Sigulda has become one of the most popular centres of active leisure attracting both local residents and foreign visitors. Striking impressions and thrilling adrenaline bursts will be guaranteed whether you choose to fly like a bird, bungee jump from a cable car, or race down a real bobsleigh course at breakneck speed.

NATURAL TREASURES

Despite being a relatively small country at a northerly latitude, Latvia features remarkable **biodiversity** as a result of low-intensity agricultural and forestry activities during the years the world was undergoing widespread industrialization. This, together with **low rural-population** density, has ensured the survival of ancient forests that host an incredible variety of fauna, both large and small. **White storks** and the rarer **black storks** occupy a number of colonies in northern Latvia, alongside other rare plant and animal species. This has made Latvia a hot spot on international birdwatchers' maps. For less 'professional' eco-tourists, Latvia offers four **national parks** and four **nature reserves** spread across the country, each with educational nature **trails**, **observation platforms**, and **herds of wild horses**.

In all seasons but especially in summer, the sea entices friends of nature just like it would any of us. Our **beach stretches for more than 500 kilometres**, the sand on



the beach is especially fine and white; and slender **pine trees** grow in the dunes and disseminate healing substances called phytoncides.

Because of its rich nature, **the resort city of Jūrmala** is especially popular; yet excellent beaches can be found in **Liepāja, Ventspils**, and elsewhere along the Baltic Sea coast. The extensive Baltic seashore is full of traditional fishing villages welcoming visitors with delicious **freshly smoked fish** or pleasurable boat trips.

The eastern part of Latvia is known as **the land of blue lakes** because of its hundreds of lakes, all very beautiful; and friends of nature are always welcomed there with true **Latgalian** hospitality.

SETTLING IN LATVIA

As well as having international-chain hotels, Riga and the other largest cities have **first-class residential property** available for purchase or rent. The prices for these vary greatly, depending largely on location. The purchase of a comfortable country home in close proximity to any major city is guaranteed to be a sound investment.

Latvia has one of the highest ratios of doctors per head of population, and this ensures **the quality of medical services** in both public and private health centres and clinics. This, in combination with reasonable costs, has recently created a wave of **medical tourism** from neighbouring EU countries where medical costs can be excessive.

Latvia has **three international schools** and they are highly appreciated by the children of diplomatic staff and the country's expatriate populations. One of them is located near the city of **Jūrmala**, another one sits beside the Daugava River at **Ķīpsala** and the third is in the outer Riga suburb of **Piņķi**. In addition, most **Latvian universities and colleges** offer education of international quality within the humanities, social and natural sciences, and technologies for English-speaking exchange students or free-movers.

In addition to organizations such as the various **foreign chambers of commerce**, **informal circles of expatriates** have formed in Riga, uniting people from various countries and professional backgrounds for regular cultural and recreational activities.



PROMOTION OF ENTREPRENEURSHIP, INVESTMENT, AND FOREIGN TRADE

The Investment and Development Agency of Latvia (LIAA), a government agency reporting to the Ministry of Economics, was founded to promote business development by facilitating the growth of foreign investment and increasing the competitiveness of Latvian entrepreneurs in domestic and foreign markets. With over 27 years of experience in the attraction of foreign direct investment to Latvia and the promotion of foreign trade, LIAA today offers an integrated solution. The agency supports companies both in Latvia trading internationally, as well as overseas enterprises seeking business partners or locations in Latvia.

Moreover, the functions of LIAA have been expanded to include tourism promotion. As of February, 2016, LIAA has also been overseeing the responsibilities and functions of Latvian tourism policy.

Working in close cooperation with the business community (particularly with the Foreign Investors' Council in Latvia, the National Economic Council, and industry associations), LIAA is facilitating the steady improvement of the business environment, especially administrative procedures.

ONE-STOP SHOP FOR FOREIGN INVESTORS AND BUYERS

Investment Facilitation:

- Assistance in investment-location selection and implementation of investment projects.
- Provision of all relevant information on business opportunities and investment incentives.
- Identification of the best property options for manufacturing facilities, offices, and land.
- Assistance in establishing and developing contacts with Latvian business partners.
- Providing information on potential investment opportunities in Latvia (investor search for Latvian companies and projects).
- Assistance with start up procedures.

Supplier Searches:

- Assistance in finding appropriate Latvian suppliers and in increasing their competitiveness.
- Provision of information on Latvian exporting companies, export products, and services.
- Searches of Latvian suppliers according to buyers' requirements.
- Distribution of incoming business proposals to Latvian companies directly and via the internet.
- Organization of trade seminars and foreign trade missions to Latvia.
- Consultancy and foreign market studies for Latvian enterprises.
- Assistance to Latvian companies at various international exhibitions and trade missions, export promotion campaigns, and business matchmaking.
- Provision of information on workforce availability and skill evaluation.

LIAA provides full support and guidance throughout the investment process and follow-up after the implementation of investment or sub-contracting projects.



STARTUP ECOSYSTEM

Latvian Startup environment is dynamic and rapidly growing. To nurture this growth, all important stakeholders – private and public sectors, investors, academia and startup enthusiasts – joined hands together.

Nowadays Latvian Startup infrastructure consists of 400+ active startups, a pool of institutional investors and business angels, a diverse range of modern co-working spaces, dozens of incubators fuelled by government, academia and private individuals, as well as a calendar full of exciting gatherings, productive conferences, hackathons and meetups. Moreover, a unique Startup Law has been passed and Startup Visa is available for anyone who is willing to come and kick their startup off in Latvia.

Read more about the Latvian startup environment and opportunities that are available for you on the startup portal www.startuplatvia.eu.

SOME OF STARTUP SUCCESS STORIES

AERONES

Aerones is an industrial, tethered, heavy-lift drone that can clean, coat, de-ice and otherwise maintain hard-to-reach objects such as wind turbines. This exclusive technology can also be used in firefighting and building cleaning industry. A manpower-free solution, the *Aerones* drone performs the work faster and safer than anybody else giving the best quality and timing. In 2019, *Aerones* received investment from InnoEnergy investment platform, which will allow further development of existing drone technologies and newly invented robotics solutions for wind turbine maintenance.

Funderful®

Funderful is a conversational artificial intelligence platform for campuswide communications. It has been used by schools like Georgetown, Westpoint, UC Berkeley, Oxford, Cambridge, London Business School, among others. Five years after inception and a year after joining 500 Startups batch 20 acceleration program, Raimonds Kulbergs, the founder of Funderful made an exit, as Funderful was acquired by US higher education market leader Ruffalo Noel Levitz with the goal to bring the innovation and digital product to it's 2,000+ university clients.

asya

Asya connects mindful communication skills and relationship building, using a complex AI research. More and more people get fed up with meaningless interactions exploited by social media companies and are looking for alternative ways to have human experiences. *Asya* is a tool to keep track of all your conversations in real-time and the use cases are endless: working on marital improvements with your spouse, closing an important deal at work, resolving conflicts in team meetings, acing your first date, improving public speaking skills, improving confidence through bringing awareness to emotional intelligence, helping people with speech disabilities, supporting educators in the classroom etc.



GOVERNMENT SUPPORT

Latvian government has particular interest and determination in helping the startup infrastructure develop and attract the right people to do the right thing.

The government helps the startup ecosystem development at various stages: ideation & conceptualization, initiation, development and expansion. No matter what stage you have reached – there is a support mechanism just for you!

INNOVATION MOTIVATION PROGRAM

Typical profile of support recipient: does not have a strong business idea but is determined to go down the entrepreneurial path. Usually this person is looking for encouragement to try and the right people to try it with. Find the latest news of technologies and innovation in Latvia at labsoflatvia.com/en

The program raises awareness among the wider community about innovative entrepreneurship and provides support for those who want to start. Among other things, the program organizes various hackathons, networking meetups, workshops, and other capacity building activities which help the entrepreneur to define the next steps.

The overall program budget is EUR 5 303 932: 85% is provided by European Regional Development Fund and 15% comes from the Latvian state budget.



BUSINESS INCUBATORS

Typical profile of Support recipient: A person has a business idea that needs to be refined and, possibly, backed up with a business plan. Usually the person is looking for mentorship from successful business people and guidance on how to test the business idea. An enterprise that needs a boost and financial support.

Business incubators were set up by LIAA in various cities of Latvia. Read more: inkubatori.magneticlatvia.lv/en



At the Magnetic Latvia business incubator, you'll have all you need to focus on the development of your business. We'll provide workspaces specifically equipped for your development needs. If you need advice, we'll put you in touch with mentors or other entrepreneurs who have dealt with similar challenges. If an enterprise needs funding, the incubator will cover 50% of the expenses for the services, equipment, and materials you need to develop your product. The amount of funding ranges from EUR 20,000 to EUR 200,000. We also organize seminars and training in subjects that matter the most to young entrepreneurs.

Individuals and entrepreneurs who are not registered for more than three years are welcome to join the pre-incubation or incubation. The admission takes place continuously. We offer:

- Assessment of your business idea and its viability;
- Advice on business model improvement;
- Mastering business skills and abilities;
- Coworking space;
- Free advice, training and workshops;
- Mentorship by experienced entrepreneurs and experts;
- 50 % co-financing for purchase of services required for development of business (accounting, premise lease, design, marketing, technology consultations and prototyping, certification, laboratory costs, etc.);
- Grants in amount of up to EUR 10 000 for purchase of various services and up to EUR 5 000 for equipment purchase.

In the pre-incubation, the business you can use the incubator coworking space and office equipment, consultations, training and mentor support for up to six months free of charge to validate your business ideas and their viability. If you succeed, you can qualify for incubation afterwards.

The Incubation programme lasts for up to four years or as long as the company has reached the incubation goals. Admission to the incubation takes place in March and September.



INNOVATION VOUCHER

Typical profile of support recipient: companies of all sizes that create innovative products and/or technologies. The Innovation Voucher Program is designed to assist innovators in overcoming some of the barriers on the path to commercialisation. It aims to catalyse new relationships between the industry and the research community.

The program seeks to support innovation in enterprises through technology transfer and attraction of highly qualified employees, thus contributing the existing Smart Specialization Strategy of Latvia.

VOUCHER FOR DESIGN

UP TO 85% CO-FINANCED EUR 5 000

The supported activities include:

- Designer service to develop new product, service or design strategy to implement innovations in company

GET-TO-KNOW-ME VOUCHER

100% CO-FINANCED EUR 5 000

The supported activities include:

- Feasibility study;
- Industrial research;
- Experimental development, including prototyping;
- Development of a product's industrial design.

CLASSIC VOUCHER

UP TO 85% CO-FINANCED EUR 25 000

The supported activities include:

- Feasibility study;
- Industrial research which is necessary for the development of new products or technologies;
- Experimental development, including prototyping;
- Development of a product's industrial design;
- Certification and testing services of a new product or technology;
- Registration of industrial property rights for inventions, industrial designs and topographies of semiconductor products;
- Attraction of highly qualified employees.

STARTUP LAW PROGRAM

As described by Law on Aid for the Activities of Startup Companies – further on, “Startup Law”. The law came in force on Jan 1, 2017, and it was a powerful signal to the ecosystem that the government is fully on board. Ever since, the law has been fine-tuned, in order to work better!

The law defines the startup as an innovative scalable business with high economic potential. It also describes three support mechanisms for early-stage startups. (see Startup Law, Sections 6, 7 and 8):



- EUR 301.77 fixed payment for startup employees into State Social Insurance budget; computed as 35.09% of two minimal salaries (EUR 430 x 2) instead of the whole brutto salary;
- Co-financing aid for attracting highly qualified employees (co-financing intensity 45%);
- Relief of personal income tax (0%).

It names all the criteria which a startup should meet, in order to qualify for the listed support (see Startup Law, Section 4), of which the most important are:

- Startup need to have an investment from a qualified investor
 - VC fund invests EUR 30 000
 - Accelerator invests EUR 15 000
 - Business Angel invests EUR 15 000
- Startup founded less than 5 years ago
- Cumulative income from economic activity since registration is under EUR 5 million
- Annual income from economic activity during year 1 and year 2 is under EUR 200 000
- No dividend distribution since registration
- Startup company has not been reorganized:
 - No equity ownership in other companies
 - No transfer of company (Commercial Law, Section 20. Assets/employees, liabilities «change hands», etc.)
 - No related companies (Commercial Law, Section 184.1)
 - Once registered, no equity attributed to 1 shareholder who would have voting majority
 - At all times, at least 1 shareholder with at least 10% equity develops the business idea
- Tax debt of your startup does not exceed EUR 150
- At least one innovation feature is true:
 - Startup owns IP related to the underlying business idea
 - Min 70% employees have MSc or PhD degree
 - Min 50% of all costs since registration directed to R&D activities
- No ongoing bankruptcy

SUPPORT TO EXPLORE THE GLOBE

The programme is designed to encourage Latvian based startups to participate in international level conferences and seminars, as well as to visit potential business partners and customers.

Basic Eligibility Criteria:

- A startup has a small (micro) or medium-sized commercial company status;
- A startup founded not more than 5 years ago (the start-up company carries out commercial activity for the first five years since its registration in the Commercial Register);
- Income of the previous reporting year has not reached EUR 300 000;
- De minimis aid at the level of a single commercial company has not exceeded EUR 200 000 in last 3 years.

Eligible costs:

- International transport and local inter-city transport abroad (economy class only)
- Accommodation
- Daily allowance
- Event (exhibition or conference) entrance ticket
- Costs related to booth/stand installation within the event

VAT (if your company is not VAT registered or good/services are received from non-EU country supplier)



The maximum co-financing intensity is 70% and the maximum support amount for the company is EUR 4 000.

STARTUP VISA

Typical profile of support recipient: a foreign citizen who is willing to come to Latvia and lead a Latvia-based start up.

Startup visa is offered to all non-EU startup founders who are willing to come and kick-off their startup ideas in Latvia, a proud member of EU since 2004. One startup can have up to 5 founders with a startup visa. The application process takes one month. The visa is given for the period of maximum 3 years and it is spouse and children-friendly.

The main criteria for getting the visa is a sound startup idea described in a free-form – save us some time and make it a 1-pager! No business plans or qualification interviews required!

Application Package

The Conditions on Residence Permit, points 28, 29 and 48.1 provide further information on what documents an application package includes:

- Description of the innovative product which the person is intending to create/develop/implement in Latvia; it is submitted in free form;
- Passport (or valid travel document);
- Application form;
- 1 passport size photo;
- Criminal record clearance – not needed for applicants coming from the following list of countries (e.g. USA, Australia, etc.);
- Document confirming the necessary subsistence;
- Document confirming the envisaged place of residence in Latvia (after positive decision for granting visa, annual health insurance policy and medical certificate confirming you don't have tuberculosis in the active phase, also must be submitted);
- Confirmation of application fee payment.

The person who applies and receives a residence permit can also avail of residence permit for his/her spouse and children.

Submission & Review process

All documents can be submitted through the Latvian Embassy's Consular Section, serving startup founder's residence location. Upon submission of documents, the review will take 30 days (regular process, costs EUR 100), 10 working days (costs EUR 200) or 5 days (costs EUR 400). Once review is complete and if the decision is positive, it takes 2-10 days to receive the residence permit – aka Startup Visa. For more information about Startup Visa check www.startuplatvia.eu/startup-visa There is also a PDF one-pager with all the details which you can download.



SUPPORT FOR COMMERCIALIZATION OF SCIENTIFIC RESEARCH RESULTS

Typical profile of support recipient: scientists who are willing to further develop and commercialize the results of their research. Usually, such a person is seeking mentorship by entrepreneurs and industry experts, as well as guidance on whether the invention is demanded by the market.

The program supports commercialization of research done by public research organizations, thus contributing to the existing Smart Specialization Strategy of Latvia.

The program provides **up to EUR 300 000** per project with 90% co-funding rate in the following areas:

- Technical and economic feasibility study;
- Development of a commercialization strategy;
- Industrial research;
- Experimental development;
- Participation in international exhibitions, conferences, seminars abroad, individual visits and participation in trade missions and national stalls/booths organized by LIAA;
- Registration of industrial property rights for inventions, industrial designs and topographies of semiconductor products;
- Preparation of a commercialization plan and implementation in collaboration with industry experts;
- Involvement of experts for dealing with intellectual property licensing.

The overall program budget is EUR 8 039 948.

Both universities and enterprises can also use consultations by technology scouts at LIAA - technology scouts can consult both sides on available support incentives for their cooperation as well as technological development.

PROMOTION OF INTERNATIONAL COMPETITIVENESS

Typical profile of support recipient: a company with strong product or service which is willing to expand into international market. Usually, this company is seeking for opportunities to build a business network abroad and to introduce its product/service into foreign markets.

The program nurtures competitiveness of Latvian companies and entrepreneurs. The provided support ranges between EUR 15 000 and 200 000 per recipient, and financing intensity varies between 80% and 100%.

Support can be provided for the following activities, among others:

- Participations in national and international exhibitions with own stall/booth;
- Participation in entrepreneurship-related conferences and seminars abroad, if participant gives a presentation about their product or service;
- Participation in trade mission abroad;
- Participation in international visits of Latvian government officials;
- Evaluation of production and product compliance;
- Consultations with LIAA representatives abroad.



IMPORTANT TO REMEMBER

There are four industries which some of above mentioned programs cannot support:

- NACE G: WHOLESALE AND RETAIL TRADE; REPAIR OF MOTOR VEHICLES AND MOTORCYCLES
- NACE K: FINANCIAL AND INSURANCE ACTIVITIES
- NACE L: REAL ESTATE ACTIVITIES
- NACE R: ARTS, ENTERTAINMENT AND RECREATION

For some of the above mentioned programs, *de minimis* criterion applies.

INFORMATION ON THE EU SINGLE MARKET

The Latvian branch of the Enterprise Europe Network (EEN) operates within LIAA and provides information about European Union policies, legislation, regulations and trade, as well as assists in seeking business partners within the EEN network of more than 65 countries around the world. EEN is the world's largest support network for small and medium sized businesses (SMEs) with international ambitions.

INTERNATIONAL AND REGIONAL NETWORK

LIAA is local and international at the same time. Our network of foreign representatives and cooperative network with other institutions in Latvia and abroad takes LIAA close to our clients and links them to main markets, business partners, and locations.

With representative offices in 16 countries and a network of public representatives, LIAA has a strong international presence. In addition to a well-developed network in Europe, Russia and the CIS countries, offices have also been opened in Asia. LIAA works closely with other trade institutions at home and abroad, strengthening our links to major world markets and business partners. LIAA has also developed close cooperation with the Ministry of Foreign Affairs to take full advantage of Latvia's diplomatic network.

LIAA foreign representatives provide information about business opportunities in Latvia, relevant legislation, the taxation system, the national economy, and external trade. Our representatives promote and facilitate cooperation between Latvian companies and businesses in the particular country or region, as well as assist in finding co-operation partners.

LIAA INTERNATIONAL PRESENCE



Dubai (AAE)

Seoul (South Korea)

Minsk (Belarus)

London (United Kingdom)

Copenhagen (Denmark)

Amsterdam (Netherlands)

Paris (France)

Oslo (Norway)

Tokyo (Japan)

Helsinki (Finland)

Moscow (Russia)

Berlin (Germany)

Beijing (China)

Stockholm (Sweden)

Shanghai (China)

Washington (United States of America)

Kyiv (Ukraine)

More info: www.liaa.gov.lv, www.investinlatvia.org



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- 🌿 Flexibility – the ability to adapt to customer needs
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- 🌿 A consistently growing manufacturing company with nearly 25 years of experience – an expert in natural food supplements, medical devices, cosmetics and OTC medicine
- 🌿 A leader on the Latvian market that is able to find natural solutions to various health problems – a versatile portfolio of natural products for solving various health problems and promoting well-being
- 🌿 A prestigious reputation – a TOP20 company in Latvia in 2017 and TOP4 company in 2018
- 🌿 Punctuality and a responsible attitude – production and delivery are carried out in accordance with agreed parameters
- 🌿 Products are available in 30 countries



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USEFUL LINKS

ALTUM – www.altum.lv

Association of Latvian Chemical and Pharmaceutical Industry (LAKIFA) – www.lakifa.lv

Association of Mechanical Engineering and Metalworking Industries (MASOC) – www.masoc.lv

Bank of Latvia (Latvijas Banka) – www.bank.lv

Central Statistical Bureau of Latvia – www.csb.gov.lv

Enefit – www.enefit.lv

Export Helpdesk – www.exporthelp.europa.eu

Freeport of Riga – www.rop.lv

Freeport of Ventspils – www.portofventspils.lv

Investment and Development Agency of Latvia – www.liaa.gov.lv

Latvenergo – www.latvenergo.lv

Latvia's State Forests (Latvijas Valsts meži) – www.lvm.lv

Latvian Association of Computer Technology (LDTA) – www.itnet.lv

Latvian Electrical Engineering and Electronics Industry Association (LETERA) – www.letera.lv

Latvian Federation of Food Companies – www.lpuf.lv

Latvian Information and Communications Technology Association – www.likta.lv

Latvian Institute – www.li.lv

Latvian Internet Association – www.lia.lv

Latvian Logistics Association – www.lla.lv

Latvian Railway (Latvijas Dzelzceļš) – www.ldz.lv

Latvian State Roads (Latvijas Valsts ceļi) – www.lvceli.lv

Latvijas Gāze – www.lg.lv

Magnetic Latvia – www.magneticlatvia.lv

Market Access Database – www.madb.europa.eu

Ministry of Agriculture of the Republic of Latvia – www.zm.gov.lv

Ministry of Culture of the Republic of Latvia – www.km.gov.lv

Ministry of Defence of the Republic of Latvia – www.mod.gov.lv

Ministry of Economics – www.em.gov.lv

Ministry of Education and Science of the Republic of Latvia – www.izm.gov.lv

Ministry of Environmental Protection and Regional Development of the Republic of Latvia – www.varam.gov.lv

Ministry of Foreign Affairs of the Republic of Latvia – www.mfa.gov.lv

Ministry of Health of the Republic of Latvia – www.vm.gov.lv

Ministry of Justice of the Republic of Latvia – www.tm.gov.lv

Ministry of the Interior of the Republic of Latvia – www.iem.gov.lv

Ministry of Transport of the Republic of Latvia – www.sam.gov.lv

Ministry of Welfare of Republic of Latvia – www.lm.gov.lv

Ministry of Finance of the Republic of Latvia – www.fm.gov.lv

Port of Liepāja – www.liepaja-sez.lv

Riga International Airport – www.riga-airport.com

Secretariat of Latvian Ports, Transit and Logistics Council – www.transport.lv

State Employment Agency of Latvia – www.nva.gov.lv

State Revenue Service – www.vid.gov.lv

Telecommunications Association of Latvia – www.telecom.lv

The Foreign Investors' Council in Latvia (FICIL) – www.ficil.lv



ABBREVIATIONS

The following abbreviations are used in this report:

| | |
|----------|---|
| CEE | Central and Eastern Europe |
| CIS | Commonwealth of Independent States |
| EEA | European Economic Area |
| EFTA | European Free Trade Association |
| EU | European Union |
| EUR | Euro |
| FCMC | Financial Capital and Market Commission |
| FDI | Foreign direct investment |
| FICIL | Foreign Investors' Council in Latvia |
| GAAP | Generally Accepted Accounting Principles |
| GDP | Gross domestic product |
| ICSID | International Centre for Settlement of Investment Disputes |
| IFRS | International Financial Reporting Standards |
| ISP | Internet service provider |
| IT | Information technology |
| JSC | Joint-stock company |
| LIAA | Latvijas Investīciju un attīstības aģentūra (Investment and Development Agency of Latvia) |
| LLC | Limited liability company |
| OECD | Organisation for Economic Cooperation and Development |
| PIT | Personal income tax |
| R&D | Research and Development |
| RO-PAX | Roll-on-roll-off-passenger-vessel/ferry |
| RO-RO | Roll-on-roll-off vessel |
| SAD | Single Administrative Document |
| SEA | State Employment Agency |
| SME | Small and medium enterprises |
| SRS | State Revenue Service |
| SSC | Social security contributions |
| UNCITRAL | United Nations Commission on International Trade Law |
| VAT | Value-added tax |



WELCOME TO LATVIA – PERFECT PLACE FOR BUSINESS AND LEISURE!

If your business needs a location with an ease access to Europe and CIS countries at the same time, requires highly qualified workforce with superb foreign language skills at competitively low cost and developed logistics sector with highly suitable infrastructure, then you need a guidance from someone local – Investment and Development Agency of Latvia (LIAA) – to realize that Latvia is the best choice.

LIAA is a one-stop-shop agency, which helps you by:

- **Informing** on economic and market situation in Latvia including incentives for investors
- **Establishing** contacts with Latvian business partners and **accessing** municipalities and government officials
- **Identification** of best property options
- **Assisting** with company's establishment procedures

Going forward after project implementation, LIAA continues to assist you making sure that you are purely satisfied with the result.

We advise you to take a closer look at our Business Guide and learn about the business possibilities which are already being used by **hundreds of foreign companies in Latvia served by LIAA.**

For more information, please contact us: invest@liaa.gov.lv

We look forward to serving your needs!





MAGNETIC
LATVIA



Investment and Development Agency of Latvia (LIAA)
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www.liaa.gov.lv