

The *Saeima*¹ has adopted and the President has proclaimed the following law:

Law on the Latgale Special Economic Zone

Chapter I General Provisions

Section 1. Purpose of the Law

The Latgale Special Economic Zone is established with the aim to facilitate the development of the Latgale region by attracting investment for the development of manufacturing and infrastructure and creation of new jobs.

Section 2. Scope of Application of this Law

- (1) This Law prescribes the procedures for the establishment, management and use of the Latgale Special Economic Zone.
- (2) This Law shall not apply to the Rēzekne Special Economic Zone and territories thereof which are determined in accordance with the Law on the Rēzekne Special Economic Zone.

Section 3. Territory of the Latgale Special Economic Zone Area

- (1) The total area for which the status of the Latgale Special Economic Zone may be granted shall not exceed five per cent of the total area of local governments in the Latgale Planning Region.
- (2) The territory of every local government included in the Latgale Planning Region area for which the status of the Special Economic Zone may be granted shall be determined by the Cabinet.
- (3) Proposals regarding the territory of local governments in the Latgale Planning Region area for which the status of the Latgale Special Economic Zone may be granted shall be prepared by the Ministry of Environmental Protection and Regional Development and sent to the Cabinet for approval in accordance with the procedures laid down in the laws and regulations on the basis of the decision by the Latgale Planning Region Development Council.

Section 4. Determination of Territories of the Latgale Special Economic Zone and their Borders

- (1) After the taking of the decision referred to in Section 3, Paragraph two of this Law, the Latgale Special Economic Zone Authority shall decide on the territory of every local government to be included in the Latgale Special Economic Zone and the borders thereof. The borders of the territory shall be approved with a general administrative act which comes into force upon notification.
- (2) The decision referred to in Paragraph one of this Section shall be notified by publishing it on the website of the Latgale Planning Region.
- (3) The procedures and criteria for determining and updating of the borders of the territory of the Latgale Special Economic Zone shall be determined by the Cabinet.

¹ The Parliament of the Republic of Latvia

Section 5. Investments and Commercial Activity in the Latgale Special Economic Zone

(1) Capital companies of the Latgale Special Economic Zone are capital companies which perform commercial activity within the territory of the Latgale Special Economic Zone and have entered into contract with the Latgale Special Economic Zone Authority regarding investments in the respective territory. The capital companies of the Latgale Special Economic Zone are entitled to qualify for the direct tax relief and application of indirect taxes in accordance with the procedures laid down in the laws and regulations on the application of taxes in free ports and special economic zones.

(2) Commercial activity within the Latgale Special Economic Zone shall be performed by the capital companies and other merchants of the Latgale Special Economic Zone.

(3) The capital companies of the Latgale Special Economic Zone shall provide control of the goods imported and produced in the territory thereof and exported therefrom.

Chapter II

Management of the Latgale Special Economic Zone

Section 6. Functions of the Latgale Planning Region Development Council in the Management of the Latgale Special Economic Zone

The Latgale Planning Region Development Council shall:

1) establish the Latgale Special Economic Zone Authority which is an institution or a structural unit of the Latgale Planning Region;

2) approve the by-laws of the Latgale Special Economic Zone Authority and make amendments thereto. The by-laws are developed taking into consideration the management functions laid down in this Law;

3) assess the performance of the Latgale Special Economic Zone Authority;

4) confirm the development plan of the Latgale Special Economic Zone in accordance with this Law, the State and local government interests, and also confirm the action plan and annual budget of the Latgale Special Economic Zone Authority;

5) determine the criteria by which the territories that are to be divided among local governments may be granted the status of the Special Economic Zone.

Section 7. Functions of the Latgale Special Economic Zone Authority

The Latgale Special Economic Zone Authority shall:

1) enter into contracts with the capital companies of the Latgale Special Economic Zone on investments in the territory of the Latgale Special Economic Zone;

2) issue permits to the capital companies of the Latgale Special Economic Zone on their rights to apply the tax relief provided for in the law On the Application of Taxes in Free Ports and Special Economic Zones;

3) determine the free zones and borders thereof by coordinating with the State Revenue Service their eligibility regarding the introduction of the free zone regime;

4) enter into contracts on leasing of the immovable property located in the territory of the Latgale Special Economic Zone;

5) control fulfilment of the concluded contracts;

6) ensure the drawing up of the development plan of the Latgale Special Economic Zone in accordance with this Law, the State and local government interests, and also take part in implementation of the abovementioned plan;

7) develop annual draft budget;

8) organise research and evaluation of the territories of the Latgale Special Economic Zone, carry out market research necessary for the attraction of investors and organise the attraction thereof;

9) provide services for the capital companies and other merchants of the Latgale Special Economic Zone;

10) carry out activities related to the territories to be included in the Latgale Special Economic Zone and the determining of borders thereof provided for in Section 4 of this Law;

11) carry out other tasks to achieve the objective of this Law.

Section 8. Budget of the Latgale Special Economic Zone

(1) Budget of the Latgale Special Economic Zone shall consist of:

1) revenue resulting from the activity of the Latgale Special Economic Zone and also from the provision of paid services;

2) contributions from the State and local government budgets;

3) contributions from various foundations.

(2) Budget of the Latgale Special Economic Zone shall be used for:

1) the management of the Latgale Special Economic Zone;

2) the development of infrastructure of the Latgale Special Economic Zone.

Section 9. Support Foundation for Commercial Activity of the Latgale Special Economic Zone

(1) The Latgale Planning Region Development Council may establish a support foundation for commercial activity of the Latgale Special Economic Zone.

(2) The aim of the support foundation for commercial activity of the Latgale Special Economic Zone shall be to facilitate the development of the Latgale Special Economic Zone.

(3) The holder and manager of the support foundation for commercial activity of the Latgale Special Economic Zone shall be the Latgale Special Economic Zone Authority.

(4) The budget of the support foundation for commercial activity of the Latgale Special Economic Zone shall consist of donations and gifts, purpose payments of natural and legal persons and also other income.

(5) The operation of the support foundation for commercial activity of the Latgale Special Economic Zone shall be determined by the by-laws of the support foundation of the Latgale Special Economic Zone.

Section 10. Tax Relief Permit

(1) Permit for tax relief (hereinafter – the permit) issued by the Latgale Special Economic Zone Authority shall attest that the capital company has the right to apply the tax relief provided for in the laws and regulations on the application of taxes in free ports and special economic zones by complying with the conditions regarding State aid.

(2) The Latgale Economic Zone Authority shall submit a true copy of the permit to the State Revenue Service and the respective local government.

(3) The permit shall be cancelled only in accordance with the procedures laid down in the laws and regulations on the application of taxes in free ports and special economic zones or if the Latgale Economic Zone Authority or other State institution authorised by law shall bring a claim to the court for the termination of contract with a capital company of the Latgale Special Economic Zone and the cancellation of the permit issued to the capital company.

Section 11. Immovable Property in the Latgale Special Economic Zone

(1) Immovable property owned by the State or a local government that is located in the territory of the Latgale Special Economic Zone shall be transferred to the Latgale Special Economic Zone Authority for management, if necessary. The immovable property owned by the State shall be transferred to the Latgale Special Economic Zone Authority for management by a ministry which has the respective immovable property in its possession. The immovable property owned by a local government shall be transferred to the Latgale Special Economic Zone Authority for management by a decision of the respective local government city council. The Latgale Special Economic Zone Authority may, on behalf of the State and local governments, lease the immovable property managed thereby to the capital companies and other merchants of the Latgale Special Economic Zone without a special authorisation only on the basis of this Law.

(2) The Latgale Special Economic Zone Authority may conclude a contract on the lease of immovable property owned by a public person for the period of time not exceeding 30 years. Other immovable properties shall be leased in accordance with the procedures laid down in the laws and regulations.

Section 12. Control of Aid for Commercial Activity

For the management of the Latgale Special Economic Zone, the laws and regulations governing the control of aid for commercial activity shall be complied with.

Chapter III Final Provisions

Section 13. Period of Time of Operation of the Latgale Special Economic Zone

The Latgale Special Economic Zone shall exist until 31 December 2035.

Section 14. Liquidation or Reorganisation of the Latgale Special Economic Zone Authority

After the expiration of the period of time of operation of the Latgale Special Economic Zone, the Latgale Special Economic Zone Authority shall be liquidated or reorganised in accordance with the procedures laid down in the by-laws of the Latgale Special Economic Zone Authority.

Section 15. Impact on the Capital Companies of the Latgale Special Economic Zone after the Change of Status of the Territories of the Latgale Special Economic Zone

The change of status of the territories of the Latgale Special Economic Zone shall not leave an impact on the rights to receive the direct tax relief for the investments made in accordance with the procedures laid down in the laws and regulations on the application of taxes in free ports and special economic zones for such capital company of the Latgale Special Economic Zone which has entered into a contract with the Latgale Special Economic Zone Authority on investments.

This Law has been adopted by the *Saeima* on 19 May 2016.

President

R. Vējonis

Riga, 6 June 2016