Text consolidated by Valsts valodas centrs (State Language Centre) with amending laws of:

27 July 2001 [shall come into force on 1 January 2002];

22 May 2003 [shall come into force on 20 June 2003];

14 October 2010 [shall come into force on 1 January 2011];

18 December 2019 [shall come into force on 20 December 2019];

21 July 2020 [shall come into force on 24 July 2020].

If a whole or part of a section has been amended, the date of the amending law appears in square brackets at the end of the section. If a whole section, paragraph or clause has been deleted, the date of the deletion appears in square brackets beside the deleted section, paragraph or clause.

The *Saeima1*has adopted and

the President has proclaimed the following Law:

**Free Port of Ventspils Law**

**Chapter I**

**General Provisions**

**Section 1. Terms Used in the Law**

The following terms are used in the Law:

1) [27 July 2001];

2) **licensed capital company** – a capital company which has entered into a contract with the Free Port Authority of Ventspils (hereinafter – the Free Port Authority) regarding licensed commercial activity in the territory of the Free Port of Ventspils and has obtained the permit of the Free Port Authority for such activity;

3) **territory of a licensed capital company** – within the meaning of this Law: a territory wherein land is used by a licensed capital company on the basis of property rights, a lease agreement or other lawful basis;

4) **port clients** – within the meaning of this Law: consignees, consignors, and other persons who on a lawful basis use the services of the Free Port Authority and merchants within the Free Port, but who do not have their own territory in the Free Port;

5) [27 July 2001].

[*27 July 2001; 14 October 2010*]

**Section 2. Purpose of the Law**

This Law determines the principles of operation and management procedures for the Free Port of Ventspils (hereinafter – the Free Port) in order to promote the participation of Latvia in international trade, attract investments, develop manufacturing and services, as well as create new jobs.

**Section 3. Territory, Structure and Basic Provisions of Operation of the Free Port**

(1) The Free Port shall be a part of the territory of the Republic of Latvia which corresponds to the boundaries of the Port of Ventspils stipulated by the Cabinet.

(2) Commercial activity in the territory of the Free Port may be carried out by licensed capital companies, as well as merchants which have not obtained a permit for carrying out licensed commercial activity in the territory of the Free Port of Ventspils, and in conformity with the conditions of the Section 12, Paragraph three of this Law.

(3) [27 July 2001]

(4) The importation of goods in the territory of a free zone of a licensed capital company existing in the territory of the Free Port and the exportation therefrom may only be carried out through pass points in accordance with the procedures laid down in laws and regulations.

(5) [27 July 2001]

[*27 July 2001; 14 October 2010*]

**Section 4. Legal Relations in the Territory of the Free Port Pertaining to Land**

(1) State land within the territory of the Free Port may not be sold, gifted or otherwise alienated.

(2) The waters (aquatorium) of the territory of the Free Port are the property of the State.

(3) The land in the Free Port owned by a natural person or legal person may be sold, gifted, exchanged, or otherwise alienated in accordance with the procedures laid down in the Law on Ports.

(4) In accordance with this Law, the Free Port has the right to establish a personal servitude on the land owned by natural persons and legal persons which, in accordance with this Law, is occupied by the Free Port. The Free Port Authority has the right to use the land owned by natural persons and legal persons in its territory for the needs of the port, as well as to lease it to merchants which operate in the territory of the Free Port. The land leased by the Free Port Authority may be assigned to sublease only with the permission of the Free Port Authority.

(5) The user of the servitude may construct such buildings and structures as are necessary for the operation of the port on the land in its territory, as well as allow the construction of such by merchants to which the land has been leased out, providing in the contract for action with such buildings and structures in the case of termination of the land lease contract.

(6) Upon the cessation of servitude rights, the owner of the land may not request that the land be returned to him or her until he or she has paid compensation for the buildings and structures.

(7) The Free Port Authority shall pay the taxes and cover the expenses relating to the maintenance of the land, whereas the other burdens resting upon the land shall be held and fulfilled by the owner of the land. If the Free Port Authority does not exercise the rights granted in Paragraph four of this Section to establish a personal servitude on the land owned by natural persons and legal persons, thus not restricting the rights of the owner of the land, the respective taxes and expenses related to the maintenance of land shall be paid by the owner of the land.

(8) The user of the land shall pay compensation for the servitude to the owner in accordance with an agreement thereto, however, such compensation shall not exceed five per cent annually of the cadastral value of the land.

(9) The Free Port Authority has the right to unilaterally enter the established servitude rights into the Land Register.

[*22 May 2003; 14 October 2010*]

**Chapter II**

**Management Organisation of the Free Port**

**Section 5. Free Port Authority**

(1) The management of the Free Port shall be carried out by the Free Port Authority the status of which is determined in the Law on Ports. The competence of the Free Port Authority is determined by this Law, the Law on Ports, the by-laws of the Free Port Authority of Ventspils, and the Free Port of Ventspils Regulations which govern the internal regime of the Free Port.

(2) [14 October 2010]

[*27 July 2001; 14 October 2010*]

**Section 6. Board of the Free Port**

[18 December 2019]

**Chapter III**

**Customs Regime in the Free Port**

**Section 7. Activities of Customs Authorities in the Free Port**

Customs authorities shall perform their functions at the Free Port in accordance with the Customs Law and other laws, in conformity with the provisions of this Law.

[*27 July 2001*]

**Section 8. Exportation of Goods from the Territory of the Free Port of a Licensed Capital Company**

Exportation of goods from the territory of the free port of a licensed capital company shall take place in accordance with the requirements of customs legal acts of the European Union regarding exportation of goods from the territory of free zones.

[*14 October 2010*]

**Section 9. Importation of Goods into the Territory of the Free Port of a Licensed Capital Company**

Importation of goods into the territory of the free port of a licensed capital company within the territory of the Free Port shall take place in accordance with the requirements of customs legal acts of the European Union regarding importation of goods into the territory of free zones.

[*14 October 2010*]

**Section 10. Registration of Goods in the Free Port**

Licensed capital companies shall ensure the registration of the goods imported and produced within their territory and of the goods exported from it.

[*27 July 2001; 14 October 2010*]

**Section 11. Natural Persons Subject to the Control of Customs**

Natural persons upon crossing the border of the territory of a free port are subject to customs control.

[*14 October 2010*]

**Chapter IV**

**Commercial Activity in the Free Port**

[*14 October 2010*]

**Section 12. Regulations Regarding Commercial Activity in the Free Port**

(1) In order to operate in the status of a licensed capital company in the Free Port, the licensed capital company must be registered in the Republic of Latvia with a legal address in the administrative territory of Ventspils local government. The loading, storage, processing of goods (freight) and other services, and the production of goods under a free zone regime shall be carried out by capital companies which have entered into a contract regarding licensed commercial activity under a free zone regime and have obtained a permit for carrying out such activities.

(2) The Free Port Authority shall establish a register of licensed capital companies.

(3) Merchants which do not have the status of a licensed capital company may, within the territory of the Free Port, carry out commercial activity without the reliefs specified for licensed capital companies and subject to the control of the Free Port Authority within the scope of the competence thereof. The abovementioned merchants and licensed capital companies which do not apply the free zone regime do not have the right to carry out commercial activity in the territories of free zones, except for the provision of services to a licensed capital company which applies the free port regime, or to the Free Port Authority.

(4) [22 May 2003]

[*27 July 2001; 22 May 2003; 14 October 2010*]

**Section 13. Preconditions for the Application of the Free Port Regime**

(1) A free zone regime shall apply only to such capital companies the territory of which in the Free Port is demarcated by one or more adequately organised pass points and by security guards who ensure that the movement of goods and persons to and from the territory of the licensed company conforms to the customs requirements. Each licensed capital company shall ensure the security of its territory.

(2) Licensed capital companies may not carry out commercial activity outside their secured and adequately demarcated territory, except for the activities indicated in Paragraph three of this Section.

(3) The following shall not be considered as commercial activity outside the territory of a licensed capital company:

1) the location of the administrative body or a representation of the capital company outside the demarcated territory;

2) the negotiation of transactions and contracting outside the demarcated territory;

3) other activities which do not have goods-money transaction characteristics;

4) the transit of goods through the demarcated territory.

(4) [27 July 2001]

[*27 July 2001; 14 October 2010*]

**Section 14. Procedures for Entering into a Contract Regarding Licensed Commercial Activity in the Free Port and for Issuing Permits**

(1) A capital company which has already been established or will be established in the future (the applicant is the founder) in the Free Port is entitled to apply for the entering into a contract and for the obtaining of a permit, if:

1) the profile of activities and the development prospects of the capital company conform to the development programme of the Free Port which has been approved by the Free Port Authority;

2) the founders, shareholders, members of the board, and members of the council of the capital company (if a council has been established in the capital company) comply with the following conditions:

a) good reputation;

b) sound financial situation;

c) experience in the field of commercial activity (such information need not be requested from local governments and the State as the founders and shareholders).

(2) Contracts regarding licensed commercial activity in the Free Port shall be entered into regarding specific types of activity (for example, loading, production, and storage of goods). Contracts may be entered into regarding several types of activity.

(3) A capital company which applies for entering into a contract and obtaining of a permit shall submit the following documents to the Free Port Authority for examination:

1) an application;

2) a copy of the registration certificate issued by the Enterprise Register, certified by the capital company;

3) a copy of the articles of association, certified by the capital company;

4) the annual statements for the last two years approved by sworn auditors (auditors) (or – with the consent of the Free Port Authority – a true copy of a shortened statement);

5) an operational programme, including an investment programme;

6) other relevant information on the capital company and its founders on the basis of a decision by the Free Port Authority;

7) a statement issued by the State Revenue Service regarding conformity of the territory of the capital company for introduction of the free port regime, if the capital company wishes to enter into a contract regarding licensed commercial activity under free zone regime.

(4) The Free Port Authority shall take the decision to enter into a contract with an applicant within three months after receipt of the documents referred to in Paragraph three of this Section. The application of an applicant shall be rejected, if the applicant does not comply with the conditions referred to in Paragraph one of this Section. A contract regarding licensed commercial activity under free zone regime shall be entered into after the statement referred to in Paragraph three, Clause 7 of this Section has been submitted to the Free Port Authority.

(5) The Free Port Authority may take the decision to enter into a contract with a capital company which has not been established yet on the basis of draft memoranda of association and draft operational programme, concurrently issuing a temporary permit. The decision to enter into a contract shall be in effect for six months. If, during this time period, the capital company is not founded, the decision shall cease to be in effect.

(6) A contract on licensed commercial activity is the grounds for the Free Port Authority to issue a permit for the carrying out of commercial activity in the Free Port. The Free Port Authority shall ensure the registration of permits.

[*14 October 2010; 18 December 2019*]

**Section 15. Procedures for Terminating a Contract Regarding Licensed Commercial Activity in the Free Port before Term and for Cancelling a Permit**

(1) A contract regarding licensed commercial activity in the Free Port may be terminated before term by a decision of the Free Port Authority if it is determined that the licensed capital company is violating laws, other laws and regulations, or the contract that has been entered into.

(2) Concurrently with the decision on early termination of a contract, the Free Port Authority shall take the decision to cancel the permit and shall determine the date by which the decision is to be executed. The term of execution of the decision taken by the Free Port Authority on early termination of a contract and cancellation of the permit shall not be less than 60 days. The Free Port Authority shall, within five working days, notify the State Revenue Service of the decisions taken by the Free Port Authority to cancel the permit.

(3) A capital company for which a permit for licensed commercial activity in the Free Port has been cancelled is entitled to carry out commercial activity according to general provisions, unless due to the nature of violations it is prohibited from commercial activity in accordance with the procedures laid down in law.

(4) The Free Port Authority shall invite the capital company to provide a written explanation prior to taking of the decisions referred to in Paragraphs one and two of this Section. The time period for submitting the explanation which may not be less than two weeks shall be indicated in the invitation. Non-submission of an explanation shall not be an obstacle for taking of the decision.

[*14 October 2010; 18 December 2019*]

**Section 16. Procedures for Appealing the Decisions Taken by the Free Port Authority to Issue a Permit, to Cancel a Permit, to Enter into a Contract, and on Early Termination of a Contract**

(1) The decisions taken by the Free Port Authority in accordance with Sections 14 and 15 of the Law to issue a permit, to cancel a permit, to enter into a contract, and on early termination of a contract for the operation of a capital company under the free zone regime may be appealed to a court in accordance with the procedures laid down in the Administrative Procedure Law.

(2) Appeal of the decisions taken by the Free Port Authority shall not suspend execution of such decisions.

[*14 October 2010; 18 December 2019*]

**Section 17. Duty-free Shops**

[27 July 2001]

**Section 18. Issue of a Certificate of Origin of Goods**

[18 December 2019]

**Section 19. Payment of Tax Regime**

[27 July 2001]

**Transitional Provisions**

[*18 December 2019*]

1. Until approval of the Free Port of Ventspils Regulations the Port of Ventspils Regulations shall apply.

[*18 December 2019*]

2. Until the day when the law by which the management model of Latvian ports is changed according to international principles of good governance comes into force, the Free Port Authority (a derived legal person governed by public law) shall operate within the scope of this Law in conformity with the following conditions:

1) the rights referred to in Section 4, Paragraphs four and nine of this Law shall be carried out by the board of the Free Port Authority (a derived legal person governed by public law), except for the case when the relevant port land or other immovable property has been transferred, in accordance with the procedures laid down in laws and regulations, into possession, administration, or management of the capital company referred to in Section 7, Paragraph 1.2 of the Law on Ports;

2) the board of the Free Port Authority (a derived legal person governed by public law) shall decide on early termination of such contracts regarding licensed commercial activity in the Free Port which were entered into until the day of coming into force of this Paragraph of Transitional Provisions;

3) the board of the Free Port Authority (a derived legal person governed by public law) shall decide to cancel such permits for licensed commercial activity in the Free Port which were issued until the day of coming into force of this Paragraph of Transitional Provisions.

[*18 December 2019*]

3. The Minister of Finance shall, on behalf of the Republic of Latvia and in the period between years 2020 and 2023, issue a State loan to the Free Port Authority for recrediting construction credits issued by credit institutions and for crediting the commenced construction projects. The loan may be issued for the specific purposes, provided that the Cabinet has taken the relevant decision specifying the conditions for issuing a State loan and the Budget and Finance (Tax) Commission of the *Saeima* has, within five working days from the day of receipt of the relevant information, examined it and not objected to the issue of the loan.

[*21 July 2020*]

The Law shall come into force on 1 January 1997.

The Law has been adopted by the *Saeima* on 19 December 1996.

President G. Ulmanis

Rīga, 3 January 1997