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

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

31 March 2004 [shall come into force from 1 May 2004];

20 January 2005 [shall come into force from 16 February 2005];

19 December 2006 [shall come into force from 1 January 2006];

5 May 2011 [shall come into force from 8 June 2011];

4 April 2013 [shall come into force from 9 May 2013];

12 September 2013 [shall come into force from 1 January 2014];

3 July 2014 [shall come into force from 11 July 2014];

16 June 2016 [shall come into force from 15 July 2016];

1 March 2018 [shall come into force from 7 March 2018];

14 May 2020 [shall come into force from 11 June 2020];

13 May 2021 [shall come into force from 8 June 2021];

3 March 2022 [shall come into force from 5 March 2022];

7 December 2023 [shall come into force from 1 March 2024];

29 February 2024 [shall come into force from 7 March 2024].

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 *Saeima 1* has adopted and

the President has proclaimed the following law:

**On the Application of Taxes in Free Ports and Special Economic Zones**

**Chapter I**

**General Provisions**

**Section 1. Terms Used in this Law**

(1) Terms used in The Free Port of Riga Law, the Free Port of Ventspils Law, the Law on the Latgale Special Economic Zone, the Law on the Liepāja Special Economic Zone and the Law on the Rēzekne Special Economic Zone, the Law on Control of Aid for Commercial Activity, the law On Taxes and Fees, the Value Added Tax Law and the Enterprise Income Tax Law and also terms used in the laws and regulations governing customs matters are the terms used in this Law, unless otherwise provided for in this Law.

(2) The following terms shall also be used in this Law:

1) **permit to apply the direct tax reliefs**:

a) a certificate issued by the Liepāja Special Economic Zone Authority to a capital company of the special economic zone on the right to apply the direct tax reliefs;

b) a permit issued by the Rēzekne Special Economic Zone Authority to a capital company of the special economic zone for the right to apply the direct tax reliefs;

c) a certificate issued to a capital company licensed by the Free Port of Ventspils Authority on the right to apply the direct tax reliefs,

d) a certificate issued to a capital company licensed by the Free Port of Riga Authority on the right to apply the direct tax reliefs;

e) a permit issued by the Latgale Special Economic Zone Authority to a capital company of the special economic zone for the right to apply the direct tax reliefs;

2) **free port authority** – the Free Port of Riga Authority or Free Port of Ventspils Authority;

21) **commencement of works** – start of works within the meaning of Article 2(23) of Commission Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty (hereinafter – Commission Regulation No 651/2014);

22) **completion of investments** – the moment when a zone authority or free port authority gives its opinion on the completion of investments on the basis of the certification on the completion of the investment submitted by a zone capital company or a licensed capital company and accompanied by documents certifying the completion of the investment;

3) **licensed capital company** – a capital company which has concluded a contract with the free port authority for licensed commercial activities in the territory of the Free Port of Riga or the Free Port of Ventspils;

4) **indirect taxes** – the customs duty, natural resources tax, excise duty and value added tax;

41) **estimated wage costs** – the costs arising from the initial investments defined in Clause 12 of this Paragraph for newly created workplaces in the Latgale Special Economic Zone, the Rēzekne Special Economic Zone, and the Liepāja Special Economic Zone which meet the following conditions:

a) they have been laid down in the contract for the settlement of the estimated wage costs concluded by and between a zone authority and a capital company;

b) they comprise gross wage before the payment of taxes and are calculated for a period of two years by comprising the mandatory State social insurance contributions of the employer;

c) the investment project creates a net increase in the number of employees within the meaning of Article 2(32) of Commission Regulation No 651/2014 compared with the average over the previous 12 months, determined by applying Article 14(9)(a) of Commission Regulation No 651/2014, meaning that any workplace lost shall be deducted from the created number of workplaces during that period;

d) a capital company ensures, not later than within three years after completion of the initial investments, each workplace with an employee whose declared place of residence is located in the Latgale planning region in respect of the capital companies of the Latgale Special Economic Zone and the Rēzekne Special Economic Zone, but in respect of the capital companies in the Liepāja Special Economic Zone – in Liepāja local government, Dienvidkurzeme municipality, or Alsunga rural territory of Kuldīga municipality included in the Kurzeme planning region;

e) each workplace is retained for at least five years in a large capital company, whereas in small or medium-sized capital companies – for at least three years from the day when the relevant workplace was ensured for the first time, except when a workplace has been lost during the period from 1 January 2020 to 30 June 2021;

42) **the same or a similar activity** – an activity within the meaning of Article 2(50) of Commission Regulation No 651/2014;

5) **direct taxes** – the enterprise income tax and immovable property tax;

6) **accumulated sum of eligible costs**:

a) the sum of all the initial investments by a zone capital company or licensed capital company which are made from the taxation period in which the relevant capital company has concluded a contract with a zone authority or free port authority for the making of investments in the territory of the zone or free port up to the taxation period (inclusive) for which the calculation is made – for a capital company of the Liepāja Special Economic Zone, a capital company of the Rēzekne Special Economic Zone, a capital company of the Latgale Special Economic Zone, a capital company licensed by the Free Port of Rīga, or a capital company licensed by the Free Port of Ventspils;

b) the amount of all estimated wage costs of a zone capital company that are settled from the taxation period in which the relevant capital company has concluded a contract with a zone authority for the settlement of the estimated wage costs in the territory of the zone up to the taxation period (inclusive) for which the calculation is made – for a capital company of the Rēzekne Special Economic Zone, a capital company of the Latgale Special Economic Zone, or a capital companyof the Liepāja Special Economic Zone;

7) **accumulated sum of direct tax rebates** – the sum of all direct tax rebates used in accordance with this Law commencing from the taxation period in which a zone capital company or licensed capital company has been issued with the permit to apply the direct tax reliefs up to the taxation period (not inclusive) for which the calculation is made;

8) **zone authority** – the Liepāja Special Economic Zone Authority, the Rēzekne Special Economic Zone Authority, and the Latgale Special Economic Zone Authority;

9) **territory of a zone** – the territory of the special economic zone as laid down in accordance with the Law on the Liepāja Special Economic Zone, Law on the Rēzekne Special Economic Zone, or Law on the Latgale Special Economic Zone;

10) **territory of a free port** – the territory of a free port laid down in the Free Port of Ventspils Law or The Free Port of Rīga Law;

11) **zone capital company** – a capital company of the Liepāja Special Economic Zone with which the zone authority has concluded a contract for the performance of commercial activities and the making of investments or the settlement of the estimated wage costs in the territory of the Liepāja Special Economic Zone, a capital company of the Rēzekne Special Economic Zone with which the zone authority has concluded a contract for the performance of commercial activities and the making of investments or the settlement of the estimated wage costs in the territory of the Rēzekne Special Economic Zone, and a capital company of the Latgale Special Economic Zone which performs commercial activities in the territory of the Latgale Special Economic Zone and has concluded a contract with the zone authority for the making of investments or the settlement of the estimated wage costs in the territory of the zone;

12) **investments made by a zone capital company or a licensed capital company** – the long-term tangible investments (buildings, structures, equipment, including the costs of energy generating equipment, and machinery) and intangible investments (costs of the acquisition of patents and technology and the acquisition costs of information technology software) in the fixed assets of a zone capital company or licensed capital company, and also a zone authority or a free port authority which conform to the following conditions:

a) are provided for in the contract concluded between the zone authority and the zone capital company or the port authority and the licensed capital company for the making of investments;

b) are qualified as initial investments, i.e. one or several of the following investments – investments in the establishment of a new capital company, in the increase of the production or service capacity of an existing capital company, in the diversification of the products of an existing capital company with products which have not been previously produced by the capital company, or in a fundamental change of production processes and general service provision of an existing capital company with respect to a product or service related to the investment in the capital company. A replacement investment shall not be qualified as an initial investment;

c) the acquired assets, including the assets acquired under financial lease in accordance with the conditions of Article 14(6)(b) of Commission Regulation No 651/2014, are new, except in the case of acquisition by a capital company that conforms to the status of a small or medium-sized capital company as defined in Annex I to Commission Regulation No 651/2014;

d) intangible assets and the costs thereof conform to the requirements laid down in Article 14(8) of Commission Regulation No 651/2014;

e) after completion, the investments made remain in the zone or free port for at least five years or three years, if the investments are made by a capital company that conforms to the status of a small or medium-sized capital company laid down in Annex I to Commission Regulation No 651/2014. The replacement or substitution of obsolete or defective equipment with new equipment is not prohibited if the economic activity continues to take place in the respective territory for at least five years or three years if the capital company conforms to the status of a small or medium-sized capital company;

f) the assets related to the modernisation process conform to the requirements laid down in Article 14(7) of Commission Regulation No 651/2014;

13) [3 July 2014].

[*22 May 2003; 31 March 2004; 20 January 2005; 19 December 2006; 5 May 2011; 4 April 2013; 3 July 2014; 16 June 2016; 1 March 2018; 14 May 2020; 13 May 2021; 3 March 2022; 29 February 2024*]

**Section 2. Purpose of this Law**

This Law prescribes the procedures for the application of:

1) indirect taxes in the Free Port of Riga, the Free Port of Ventspils, the Latgale Special Economic Zone, the Liepāja Special Economic Zone, and the Rēzekne Special Economic Zone;

2) direct tax reliefs in the Latgale Special Economic Zone, the Liepāja Special Economic Zone, the Rēzekne Special Economic Zone, the Free Port of Ventspils, and the Free Port of Riga.

[*3 July 2014; 16 June 2022*]

**Section 2.1 Application of Tax Laws**

(1) Unless otherwise provided for by this Law, zone capital companies, licensed capital companies, zone authorities and port authorities shall apply, calculate, declare and pay taxes and also perform other activities necessary for ensuring the correct payment of taxes in accordance with tax laws and the laws and regulations in the field of customs matters.

(2) The tax reliefs provided for in this Law shall not be applied to a zone capital company and a licensed capital company the owner or holder of more than 25 per cent of the capital shares (stocks) of which is located, set up, or established in a low-tax or tax-free country or territory. A low-tax or tax-free country or territory shall be determined in accordance with the Enterprise Income Tax Law.

[*22 May 2003; 31 March 2004; 19 December 2006; 13 May 2021* / *See Paragraph 20 of Transitional Provisions*]

**Chapter II**

**Application of Indirect Taxes**

**Section 3. Application of Indirect Taxes to Supply of Goods and Services**

(1) Goods which are not intended for further export and which are supplied to a licensed capital company, zone capital company, zone authority, or free port authority by a registered payer of value added tax shall be taxable with the standard rate or reduced rate of value added tax in accordance with the Value Added Tax Law unless otherwise provided for in this Section.

(2) The following shall be subject to zero per cent rate of value added tax:

1) supply of goods to a licensed capital company, zone capital company, zone authority, or free port authority in the free zone within the territory of a free port or special economic zone (hereinafter – the free zone) by a registered payer of value added tax for further export;

2) supply of such goods to a licensed capital company, zone capital company, zone authority, or free port authority which conform to the requirements laid down in Section 1, Paragraph two, Clause 12 of this Law;

3) [20 January 2005];

4) [20 January 2005];

5) [20 January 2005].

(3) If the goods referred to in Paragraph two, Clause 1 of this Section are sold, they shall be taxable with the standard rate or reduced rate of value added tax in accordance with the Value Added Tax Law.

(4) If a licensed capital company, zone capital company, zone authority, or free port authority supplies the goods referred to in Paragraph two, Clause 2 of this Section to another person earlier than five years from the moment of its acquisition, the licensed capital company, zone capital company, zone authority, or free port authority shall calculate value added tax from the initial value and pay such tax into the State budget in the taxation period when the goods were supplied and this tax may not be deducted as the input tax.

(5) [20 January 2005]

(6) [20 January 2005]

(7) Oil products which are supplied to a licensed capital company, zone capital company, zone authority, or free port authority shall be exempt from excise duty while the they are in the territory of the free zone of the licensed capital company, zone capital company, zone authority, or free port authority.

(8) Oil products shall be exempt from excise duty when these products are used by a licensed capital company, zone capital company, zone authority, or free port authority:

1) in ships and other watercrafts which are not used for leisure and recreational needs;

2) in ships for their manufacture, testing, and maintenance needs;

3) in ships and other watercrafts which are used for works of excavation and enlargement of waterways;

4) for electricity generation or in combined equipment generating electricity and thermal energy.

(81) If diesel fuel, kerosene, or fuel oil the colorimetric index of which is less than 2.0 and the kinematic viscosity at 50oC is less than 25 cSt or the substitute products and components of such petroleum products is used in the cases referred to in Paragraph eight of this Section, then the relevant oil products shall be exempt from excise duty if they are labelled (marked) in accordance with the requirements of the law On Excise Duties.

(9) The rate specified in Section 14, Paragraph 2.3 of the law On Excise Duties shall be applied to the oil products (also if biodiesel fuel completely acquired from biomass or paraffin-enriched diesel fuel acquired from biomass is added to it) referred to in Section 14, Paragraph one, Clauses 3, 4, and 6 of the law On Excise Duties which are labelled (marked) in accordance with the requirements of the law On Excise Duties and which are used by a licensed capital company, zone capital company, zone authority, or free port authority in the territory of the free zone or in the territory of the free port for:

1) stationary installations;

2) cranes and other similar objects;

3) equipment which is used in construction works in the territory of the free zone or in the territory of the free port;

4) machines which structurally are not intended for participation in traffic on public roads.

(10) The Cabinet shall determine conditions for the circulation and control of those oil products which are subject to exemptions and reliefs from excise duty in accordance with Paragraphs seven, eight, 8.1 and nine of this Section, and also the conditions for the registration of the users of such oil products.

[*22 May 2003; 31 March 2004; 20 January 2005; 19 December 2006; 5 May 2011; 4 April 2013; 7 December 2023* / *See Paragraph 23 of Transitional Provisions*]

**Section 4. Restrictions on Retail Trade**

(1) In the territory of the free zone of licensed capital companies and zone capital companies, the supply of goods and provision of services to natural persons (hereinafter – the retail trade) is prohibited, except for:

1) the supply of food and medical goods;

2) public catering, medical, communications and financial transactions;

3) trade in duty-free shops which have been established in accordance with the Customs Law and operate in accordance with the procedures stipulated by the Cabinet.

(2) The retail goods supplied and services provided in the territory of the free zone of a licensed capital company and zone capital company which have been referred to in Paragraph one, Clauses 1 and 2 of this Section shall be taxable with the standard rate or reduced rate of value added tax in accordance with the Value Added Tax Law, except those goods and services which are exempt from value added tax in accordance with the Value Added Tax Law.

(3) The goods referred to in Paragraph one, Clause 1 of this Section may be supplied and the services referred to in Paragraph one, Clause 2 of this Section may be supplied to natural persons only by those licensed capital companies or zone capital companies which have concluded a contract for retail trade in the territory of the zone or the territory of the free port with a zone authority or a free port authority. The premises and other territories intended for retail trade, as well as storage of relevant goods shall be indicated in the contract.

[*22 May 2003; 31 March 2004; 19 December 2006; 5 May 2011; 4 April 2013*]

**Chapter III**

**Application of Direct Tax Reliefs**

[*3 July 2014 /* *Amendments shall come into force on 1 September 2014.* *See Paragraph 17 of Transitional Provisions*]

**Section 5. Permit to Apply the Direct Tax Reliefs**

(1) The permit to apply the direct tax reliefs shall be granted by a zone authority or free port authority in accordance with the procedures specified by the Law.

(2) The permit to apply the direct tax reliefs may be granted to a zone capital company or licensed capital company which conforms to both of the following conditions:

1) is located in the territory of a special economic zone or free port;

2) performs commercial activities only in the territory of a special economic zone or free port. The permit to apply the direct tax reliefs in the Latgale Special Economic Zone may be granted to a capital company which performs commercial activities in the territory of the Latgale Special Economic Zone or outside of the territory of the Latgale Special Economic Zone by conforming with the following conditions:

a) the location of the implementation of an investment project planned by the capital company is in the territory of the Latgale Special Economic Zone;

b) if the capital company has several units, it shall clearly separate the financial flow between the territories of activity in the Latgale Special Economic Zone for which the permit to apply the direct tax reliefs has been granted to the capital company and the territories of activity for which the permit to apply the direct tax reliefs has not been granted to it, and which are not included in the territory of the Latgale Special Economic Zone;

c) the capital company establishes a separated financial flow in respect of the activity that is performed in sectors to be supported in the territory of the Latgale Special Economic Zone and other units outside of the territory of the Latgale Special Economic Zone;

3) the following shall not be considered to be commercial activity outside of the territory of a special economic zone or free port:

a) the administrative body or representation office of a zone capital company or licensed capital company is located outside of the territory of a special economic zone or free port;

b) negotiations and the conclusion of contracts take place outside of the territory of a special economic zone or free port;

c) the transit of goods from or to the territory of a special economic zone or free port;

d) other activities which do not have the nature of the execution of a goods-money (also clearing) transaction.

(21) The permit to apply the direct tax reliefs may be granted to a capital company of the Rēzekne Special Economic Zone, a capital company of the Latgale Special Economic Zone, and a capital company of the Liepāja Special Economic Zone which meet the conditions of Paragraph two of this Section and which have chosen the type of eligible costs referred to in Section 1, Paragraph two, Clause 6, Sub-clause “a” or “b” of this Law.

(3) The permit to apply the direct tax reliefs shall no longer be in effect if at least one of the following conditions exists:

1) the term of operation of the special economic zone has expired or the free port has been abolished;

2) the term of validity of such permit has expired;

3) the zone authority or free port authority and the zone or licensed capital company agree to terminate the contract for the performance of commercial activities in the territory of the zone or free port;

31) the Latgale Special Economic Zone Authority and a capital company of the Latgale Special Economic Zone agree to revoke the contract for making investments or the settlement of the estimated wage costs;

4) a court gives the ruling to terminate the contract between a zone or free port authority and a zone or licensed capital company for the performance of commercial activities in the territory of the zone or free port and to cancel the permit issued to the capital company to apply the direct tax reliefs;

41) a court gives the ruling to revoke the contract between the Latgale Special Economic Zone Authority and a capital company of the Latgale Special Economic Zone for making investments or the settlement of the estimated wage costs and to cancel the permit issued to the capital company to apply the direct tax reliefs;

5) the zone capital company or the licensed capital company is liquidated or reorganised, as well as commercial activity is terminated as laid down in other cases by law;

6) the applicable maximum sum of direct tax rebates determined in contracts concluded for making investments or the settlement of the estimated wage costs has been reached in relation to the accumulated sum of eligible costs.

(4) The permit to apply the direct tax reliefs in respect of that specified in Section 1, Paragraph two, Clause 12 of this Law shall not be granted by a zone authority or free port authority to the following capital companies:

1) the capital companies of the transport sector referred to in Article 2(45) of Commission Regulation No 651/2014 and related transport infrastructure as defined in Article 13(b) of Commission Regulation No 651/2014;

2) the capital companies of the steel sector referred to in Article 2(43) of Commission Regulation No 651/2014 as defined in Article 13(a) of Commission Regulation No 651/2014;

3) [29 February 2024];

4) the capital companies of the agriculture sector referred to in Article 2(8)(9)(10) and (11) of Commission Regulation No 651/2014 as defined in Article 1(3)(b) and (c) of Commission Regulation No 651/2014;

5) the capital companies of the fishery and aquaculture sector referred to in Article 1(3)(a) of Commission Regulation No 651/2014;

6) the capital companies of the coal sector referred to in Article 2(13) of Commission Regulation No 651/2014 as defined in Article 13(a) of Commission Regulation No 651/2014;

61) the capital companies of the lignite sector referred to in point (a) of Article 2(43) of Commission Regulation No 651/2014 as defined in Article 13(a) of Commission Regulation No 651/2014;

7) [29 February 2024];

8) the capital companies in the energy generation, storage, transmission, and distribution sectors referred to in Article 13(b) of Commission Regulation No 651/2014 and energy infrastructure referred to in Article 2(130) of Commission Regulation No 651/2014, with the exception of zone capital companies or licensed capital companies which have included the cost of energy generating equipment in the calculation of the investment costs and meet all of the following conditions:

a) the principal objective of the project is not focused on energy generation and trade;

b) initial investments in energy generating equipment are planned in a smaller amount in respect of all initial investments to be made within the scope of the project. The costs of energy generating equipment are eligible in the amount not exceeding 30 per cent of the total investment value in the project;

c) energy has been generated for own consumption of a zone capital company or a licensed capital company, and energy generation capacity must be adjusted for ensuring the production or services of a zone capital company or a licensed capital company;

d) the investments are attributable to renewable energy sources or high-efficiency cogeneration;

9) the capital companies of the broadband sector referred to in Article 13(b) of Commission Regulation No 651/2014.

(41) The permit to apply the direct tax reliefs in respect of that specified in Section 1, Paragraph two, Clauses 4.1 and 12 of this Law shall not be granted by the Latgale Special Economic Zone Authority, in addition to the provisions of Paragraph four of this Section, to capital companies implementing the investment project in the following sectors:

1) growing of tobacco (NACE Code: A01.15);

2) manufacture of beverages (NACE Code: C11), except for the manufacture of soft drinks; production of mineral waters and other bottled waters (NACE Code: 11.07);

3) manufacture of tobacco products (NACE Code: C12);

4) retail trade (NACE Code: G), except for the retail trade of the manufactured products in the territories of the Latgale Special Economic Zone;

5) financial and insurance activities (NACE Code: K);

6) gambling and betting activities (NACE Code: R92);

7) other personal service activities (NACE Code: S96).

(42) The permit to apply the direct tax reliefs in respect of that specified in Section 1, Paragraph two, Clause 4.1 of this Law shall not be granted by the Rēzekne Special Economic Zone Authority, in addition to the provisions of Paragraph four of this Section, to capital companies implementing the investment project in the following sectors:

1) growing of tobacco (NACE Code: A01.15);

2) manufacture of beverages (NACE Code: C11), except for the manufacture of soft drinks; production of mineral waters and other bottled waters (NACE Code: 11.07);

3) manufacture of tobacco products (NACE Code: C12);

4) retail trade (NACE Code: G), except for the retail trade of the manufactured products in the territories of the Rēzekne Special Economic Zone;

5) financial and insurance activities (NACE Code: K);

6) gambling and betting activities (NACE Code: R92);

7) other personal service activities (NACE Code: S96).

(43) The permit to apply the direct tax reliefs in respect of that specified in Section 1, Paragraph two, Clauses 4.1 and 12 of this Law shall not be granted by the Liepāja Special Economic Zone Authority, in addition to the provisions of Paragraph four of this Section, to capital companies implementing the investment project in the following sectors:

1) growing of tobacco (NACE Code: A01.15);

2) manufacture of beverages (NACE Code: C11), except for the manufacture of soft drinks; production of mineral waters and other bottled waters (NACE Code: 11.07);

3) manufacture of tobacco products (NACE Code: C12);

4) retail trade (NACE Code: G), except for the retail trade of the manufactured products in the territories of the Liepāja Special Economic Zone;

5) financial and insurance activities (NACE Code: K);

6) gambling and betting activities (NACE Code: R92);

7) other personal service activities (NACE Code: S96).

(5) If a capital company is operating in both of the sectors referred to in Paragraphs four, 4.1, and 4.2 of this Section and in other sectors, a zone authority or free port authority shall grant the permit to apply the direct tax reliefs if the capital company clearly separates the financial flows for the implementation of a project in the sector to be supported from the financial flow of other operational sectors during investing and throughout the period of application of tax reliefs until the maximum applicable amount of direct tax rebates in relation to the accumulated sum of eligible costs is reached. Within the meaning of this Law, financial flow is the flow of the expenditures and revenues of economic transactions where the revenues and expenditures in the sector to be supported of the principal activity, investment activity, and financing activity of a zone capital company or a licensed capital company are separated from the revenues and expenditures of a capital company of other operational sectors.

(6) When applying the direct tax reliefs, a zone authority or free port authority shall not grant the permit if:

1) the conditions of Article 1(2)(c) and (d) and (4)(a) and (c) of Commission Regulation No 651/2014 are fulfilled;

2) a capital company has not provided any certification stating that within the past two years before the submission of the application for the conclusion of a contract for making investments, except for the period from 1 January 2020 until 30 June 2021, it has not carried out relocation as defined in point (a) of Article 2(61) of Commission Regulation No 651/2014 (hereinafter – the relocation) to the respective territory of the zone or free port where the initial investment for which aid is requested shall be made and undertakes not to do so for two years after completion of the initial investment for which aid is requested.

[*22 May 2003; 31 March 2004; 19 December 2006; 3 July 2014; 16 June 2016; 1 March 2018; 14 May 2020; 13 May 2021; 3 March 2022; 29 February 2024*]

**Section 5.1 Right to Apply the Direct Tax Reliefs**

(1) The permit issued by a zone authority or a free port authority shall certify the right to receive the direct tax reliefs laid down in this Law, but the contract concluded for making investments or the settlement of the estimated wage costs shall determine the conditions for the application of direct tax reliefs to the investments provided for in the particular contract for making investments or the coverage of the estimated wage costs for the estimated wage costs.

(2) A contract for making investments is an agreement concluded between a capital company and the free port authority or zone authority for making investments in the free port or special economic zone. The contract shall include at least the following information:

1) the name of the investment project;

2) investment objects and investment amount;

3) the time limit for investments which does not exceed five years from the conclusion of the contract;

4) the aid percentage applicable to the investment which is in effect on the day of concluding the contract, in addition taking into account the provisions of Sections 8.1 and 8.2 of this Law for determining the aid percentage;

5) certification of the capital company that it will ensure the financial investment in the amount of at least 25 per cent from the total investment project costs provided for in the contract for making investments for which State aid has not been received, that is, financing in the amount of at least 25 per cent from own economic resources or external financial resources for which no public aid has been received, including State or local government guarantee or State or local government loan with preferential conditions has not been received;

6) the maximum applicable sum of direct tax rebates for the investments provided for in the contract;

7) application of the aid percentage determined in the contract until the moment when the maximum applicable sum of direct tax rebates laid down in the contract for making investments in relation to the accumulated sum of eligible costs is reached;

8) application of the aid percentage determined in the contract to the enterprise income tax reliefs and immovable property tax rebates laid down in this Law.

(21) The contract for the settlement of the estimated wage costs is an agreement concluded between a zone capital company and a zone authority for the settlement of the estimated wage costs in a special economic zone. At least the following information shall be included in the contract:

1) the name of the investment project;

2) investment objects and the amount of initial investments;

3) the planned number of newly created workplaces;

4) the amount of estimated wage costs;

5) the aid percentage applicable to the estimated wage costs which is in effect on the day of concluding the contract for the settlement of the estimated wage costs, in addition taking into account the provisions of Section 8, Paragraphs one and two, Section 8.1, and Section 8.2, Paragraph four of this Law;

6) the certification of a zone capital company that the investment project will create a net increase in the number of employees within the meaning of Article 2(32) of Commission Regulation No 651/2014 compared with the average over the previous 12 months and that the capital company will provide the workplace within three years after completion of the initial investment, taking into account that in accordance with Article 14(9) of Commission Regulation No 651/2014 the number of workplaces lost during the period shall be deducted from the number of workplaces created, expressed in annual work units. The declared place of residence of an employee in relation to a capital company of the Rēzekne Special Economic Zone and the Latgale Special Economic Zone is in the Latgale planning region, and in relation to a capital company of the Liepāja Special Economic Zone – in the local government of Liepāja State city, Dienvidkurzeme municipality or Alsunga rural territory of Kuldīga municipality that are part of the Kurzeme planning region, and the workplace will be secured for at least five years in a large capital company and for at least three years in a small or medium-sized capital company from the day on which the workplace was first ensured;

7) the certification of a zone capital company that it would ensure the financial investment in the amount of at least 25 per cent from the total estimated wage costs within the scope of an investment project provided for in the contract for the settlement of the estimated wage costs for which State aid has not been received, that is, the financing in the amount of at least 25 per cent from own economic resources or external financial resources for which no public aid has been received, including State or local government guarantee or State or local government loan with preferential conditions has not been received;

8) the certification of a zone capital company that work on the project, in accordance with Section 1, Paragraph two, Clause 12 of this Law, will commence only after the entry into effect of the contract for the settlement of the estimated wage costs;

9) the maximum applicable sum of direct tax rebates in the contract for the settlement of the estimated wage costs;

10) application of the aid percentage determined in the contract until the moment when the maximum applicable sum of direct tax rebates laid down in the contract for the settlement of the estimated wage costs in relation to the accumulated sum of eligible costs is reached;

11) application of the aid percentage determined in the contract to the enterprise income tax reliefs and immovable property tax rebates laid down in this Law.

(3) For the conclusion of a contract for making investments, a capital company shall submit at least the information indicated in Annex 8 to this Law to a zone authority or free port authority.

(31) For the conclusion of the contract for the settlement of the estimated wage costs, a zone capital company shall submit to a zone authority at least the information indicated in Annex 9 to this Law.

(4) The right to apply the direct tax reliefs to the investments provided for in a contract for making investments may be exercised if the capital company has made investments only after the contract for making investments has entered into effect. If the capital company wishes to cumulate the aid laid down in this Law in the form of tax reliefs with other aid for making initial investments, the contract for making investments which has been concluded with the zone authority or free port authority shall enter into effect and the capital company shall commence making investments only after all the authorities involved have taken the decision to provide aid to the investment project. In the cases referred to in Section 8.1, Paragraph five of this Law, the contract for making investments shall enter into effect only after receipt of the decision of the European Commission.

(5) The right to receive the direct tax reliefs for the estimated wage costs provided for in the contract for the settlement of the estimated wage costs shall apply if a zone capital company has commenced work on the project in accordance with Section 1, Paragraph two, Clause 12 of this Law only after the entry into effect of the contract for the settlement of the estimated wage costs.

[*3 July 2014; 14 May 2020; 13 May 2021; 29 February 2024*]

**Section 6. Immovable Property Tax Rebate**

(1) A zone or licensed capital company is entitled to receive an immovable property tax rebate in the amount of 80 per cent of the calculated tax amount (not receiving other rebates) for the immovable property located in the territory of the zone or free port which is in its ownership, legal possession, or which has been granted for use thereto, unless otherwise provided for in the binding regulations of the local government issued in accordance with Paragraphs 2.1 and 2.2 of this Section.

(2) By the decision of a local government, a zone or licensed capital company is entitled to receive an immovable property tax rebate up to the amount of 20 per cent of the calculated tax amount (not receiving other rebates) for the immovable property located in the territory of the zone or free port which is in its ownership, legal possession, or which has been granted for use thereto.

(21) A local government is entitled, by issuing binding regulations, to reduce the percentage amount of the immovable property tax rebate referred to in Paragraph one of this Section, determining the amount thereof not less than 10 per cent of the calculated tax amount (not applying other rebates). When exercising the right provided for in this Paragraph of this Section, a local government is not entitled to concurrently apply Paragraph two of this Section.

(22) A local government shall, by issuing the binding regulations provided for in Paragraph 21 of this Section, comply with the conditions of this Law and also the principles for determining tax reliefs provided for in Section 3.1, Paragraph one and Paragraph two, Clause 2 of the law On Immovable Property Tax and shall publish the adopted binding regulation by 1 November of the pre-taxation year.

(3) In the immovable property tax payment notification, a local government shall state the sum of immovable property tax to be paid within the taxation period, taking into account the tax rebate determined in accordance with the provisions laid down in this Section.

(4) The immovable property tax rebate referred to in Paragraph one of this Section shall be taken into account when making the immovable property tax forecast to be used by local governments for the calculation of local government financial equalisation account for the next financial year.

(5) A zone authority or the Free Port of Rīga Authority shall not pay the immovable property tax or any other tax which may be introduced in place of the aforementioned tax for the immovable property which is located in the territory of the zone or free port and belongs to the State or local government, and which has been granted for use to the zone authority or free port authority in accordance with law and has not been transferred further to another user.

[*19 December 2006; 16 June 2016; 14 May 2020*]

**Section 7. Enterprise Income Tax Reliefs**

(1) A zone capital company or licensed capital company is entitled to receive the enterprise income tax rebate in the amount of 80 per cent of the calculated tax amount.

(2) [1 March 2018]

(3) [3 July 2014]

(4) [3 July 2014]

[*19 December 2006; 3 July 2014; 1 March 2018; 14 May 2020*]

**Section 8. Restrictions on the Application of Direct Tax Rebates**

(1) A zone capital company or licensed capital company is entitled to receive the tax rebates prescribed in Section 6, Paragraph one, Paragraphs one and two or Paragraph 2.1, and Section 7, Paragraph one of this Law within a taxation period if the accumulated sum of direct tax rebates and the rebates calculated for the taxation period in accordance with Section 6, Paragraph one, Paragraphs one and two or Paragraph 2.1 and Section 7, Paragraph one of this Law together do not exceed the following percentage of the accumulated sum of eligible costs to be applied to the capital company:

1) in the case of a zone capital company or licensed capital company which does not conform to the criteria set out in Annex I to Commission Regulation No 651/2014 – 30 per cent of the accumulated sum of eligible costs in the Free Port of Rīga and 40 per cent of the accumulated sum of eligible costs in the Free Port of Ventspils, the Liepāja Special Economic Zone, the Rēzekne Special Economic Zone, and the Latgale Special Economic Zone;

2) in the case of a zone capital company or licensed capital company which conforms to the status of a medium-sized capital company set out in Annex I to Commission Regulation No 651/2014 – 40 per cent of the accumulated sum of eligible costs in the Free Port of Rīga and 50 per cent of the accumulated sum of eligible costs in the Free Port of Ventspils, the Liepāja Special Economic Zone, the Rēzekne Special Economic Zone, and the Latgale Special Economic Zone;

3) in the case of a zone capital company or licensed capital company which conforms to the status of a small capital company set out in Annex I to Commission Regulation No 651/2014 – 50 per cent of the accumulated sum of eligible costs in the Free Port of Rīga and 60 per cent of the accumulated sum of eligible costs in the Free Port of Ventspils, the Liepāja Special Economic Zone, the Rēzekne Special Economic Zone, and the Latgale Special Economic Zone.

(2) [14 May 2020]

(3) [19 December 2006]

(4) [3 July 2014]

(5) If a zone capital company or a licensed capital company which has made investments in accordance with Section 1, Paragraph two, Clause 12 of this Law or settled the estimated wage costs in accordance with Section 1, Paragraph two, Clause 4.1 of this Law is liquidated or the acquired assets are alienated prior to the expiry of the time limit referred to in Article 14(5) of Commission Regulation No 651/2014 or the workplaces created as a result of the investments are not maintained until the expiry of the time limit specified in Article 14(9) of Commission Regulation No 651/2014, or within two years after the completion of the initial investment for which aid in the form of the direct tax reliefs is claimed, relocates or has infringed other requirements of Commission Regulation No 651/2014, it shall recalculate the direct taxes for the taxation periods in which the direct tax reliefs were granted and pay into the State and local government budgets respectively the entire amount by which the taxes due were reduced as a result of the application of the direct tax reliefs.

(6) If a zone capital company or licensed capital company is reorganised prior to the end of the time limit referred to in Article 14(5) of Commission Regulation No 651/2014 in conformity with Section 1, Paragraph three, five or nineteen of the Enterprise Income Tax Law and its investments which have been made in accordance with Section 1, Paragraph two, Clause 12 of this Law transfer into the ownership of another capital company:

1) the reorganised (acquiring, acquired, to be acquired or to be divided) capital company has the right to receive the direct tax reliefs specified in this Law in relation to the unused accrued rebate sum in proportion to the retained or taken over amount of investments (the initial value of the investments shall be taken as the basis for the calculation thereof), if the reorganised capital company has acquired the status of a zone capital company or licensed capital company under the following conditions:

a) the value of the investments retained or taken over by the reorganised capital company forms more than 75 per cent of the total value of the investments made thereby in accordance with Section 1, Paragraph two, Clause 12 of this Law;

b) the basic type of commercial activity of the reorganised capital company which comprises at least 75 per cent of the net turnover of the capital company conforms to the basic type of commercial activity of the capital company to be reorganised and is preserved for the entire period of validity of the permit to receive the direct tax reliefs;

c) the commercial activity of the reorganised capital company takes place in same territory of the special economic zone or free port in which the zone capital company or licensed capital company to be reorganised performed commercial activities prior to reorganisation;

2) which has not acquired the status of a zone capital company or licensed capital company, the capital company to be reorganised shall recalculate the direct taxes for the taxation periods in which direct tax reliefs were applied, and shall pay into the budget the sum by which the taxes to be paid were reduced as a result of the application of such reliefs.

(7) In the cases referred to in Paragraph five and Paragraph six, Clause 2 of this Section, the reduced sum of direct taxes which has formed as a result of the application of direct tax reliefs shall be deemed to be a late tax payment, and late payment charge shall be calculated for it in accordance with the procedures laid down in the law On Taxes and Fees.

(8) If unlawful State aid is to be recovered for the period exceeding the time limit specified in Section 23, Paragraph two of the law On Taxes and Fees, a zone capital company or licensed capital company shall, in addition to the amount referred to in Paragraphs five and seven of this Section, pay the unlawfully received State aid, together with interest, into the State and local government budgets respectively. The interest shall be calculated at the rates published by the European Commission in accordance with Article 10 of Commission Regulation (EC) No 794/2004 of 21 April 2004 implementing Council Regulation (EU) 2015/1589 laying down detailed rules for the application of Article 108 of the Treaty on the Functioning of the European Union by adding 100 basis points to the interest, following the method for applying the interest rate laid down in Article 11 of Commission Regulation (EC) No 794/2004 of 21 April 2004 implementing Council Regulation (EU) 2015/1589 laying down detailed rules for the application of Article 108 of the Treaty on the Functioning of the European Union.

(9) The Cabinet shall determine the procedures for the calculation and collection of the illegal State aid and interest referred to in Paragraph eight of this Section and the authorities responsible for the recovery of the illegal State aid and their obligations.

[*22 May 2003; 31 March 2004; 19 December 2006; 12 September 2013; 3 July 2014; 16 June 2016; 1 March 2018; 14 May 2020; 3 March 2022*]

**Section 8.1 Application of Tax Rebates to Large Investment Projects**

(1) For the application of this Law, a project by a zone capital company or licensed capital company the amount of the eligible costs of which exceeds EUR 50 million shall be considered a large investment project. The maximum permissible percentage laid down in Section 8, Paragraph one of this Law shall not be applied to a large investment project.

(2) When determining the amount of the planned project and the permissible percentage for the application of tax reliefs, all initial investments of the capital company (at group level) which are related to the same or similar activities and which are commenced by the capital company within three years from the day when the works on the new initial investment which were performed at the same Level III region of the Nomenclature of Territorial Units for Statistics (NUTS) (single investment project), and for the making of which the capital company has received or is planning to receive aid are commenced. The actual initial investments and investments provided for in the relevant projects, but not been made yet, shall be taken into account when determining the amount of all initial investments.

(3) For large investment projects the sum of eligible costs of which exceeds EUR 55 million, regardless of whether investments are made by a small, medium-sized, or large capital company, a zone authority or free port authority shall determine in the contract for making investments or the contract for the settlement of the estimated wage costs the permissible percentage which may be reached by the sum of direct tax rebates accumulated by a zone capital company or licensed capital company over a taxation period in relation to the accumulated sum of eligible costs of the zone capital company or licensed capital company, in conformity with the following conditions:

1) 30 per cent of the accumulated sum of eligible costs is applied to a project in the amount of up to EUR 55 million;

2) 15 per cent of the accumulated sum of eligible costs is applied to the part of the project in the amount from EUR 55 to 110 million;

3) zero per cent of the accumulated sum of eligible costs is applied to the part of the project which exceeds EUR 110 million.

(4) For large investment projects the sum of eligible costs of which exceed EUR 55 million, the maximum applicable sum of direct tax rebates shall not exceed EUR 24.75 million.

(5) For a large investment project the estimated eligible costs of which exceed EUR 110 million and the sum of direct tax rebates exceeds EUR 24.75 million, a zone authority or free port authority may, in the contract for making investments or for the settlement of the estimated wage costs, determine the maximum applicable sum of direct tax rebates which exceeds EUR 24.75 million if:

1) the Cabinet has taken the decision to support a large investment project and on the maximum applicable sum of direct tax rebates which exceeds EUR 24.75 million;

2) the decision of the European Commission on the compatibility of aid with the common market has been received.

(6) In case of exceeding the sum of direct tax rebates specified in Paragraph five of this Section, the Ministry of Transport shall submit the necessary information to the Cabinet. After receipt of the Cabinet decision, the Ministry of Transport shall submit a State aid notification to the European Commission in accordance with the procedures laid down in the laws and regulations regarding control of aid to commercial activities.

[*14 May 2020; 3 March 2022; 29 February 2024*]

**Section 8.2 Cumulation of Tax Reliefs with Other Aid to Initial Investments**

(1) If a zone capital company or licensed capital company receives or is planning to receive another aid for making initial investments for the same costs in addition to the aid laid down in this Law, then the maximum permissible percentage specified in Section 8, Paragraph one of this Law shall not be applied, but the zone authority or free port authority shall, in the contract for making investments, determine the maximum permissible percentage for the investments specified in the contract for making investments.

(2) When determining the maximum permissible percentage, it must be ensured that, as a result of cumulating aids, the percentage applicable to the respective capital company does not exceed the permissible percentage laid down in Section 8, Paragraph one and Section 8.1, Paragraph three of this Law for the application of tax reliefs.

(3) [14 May 2020]

(4) If aid for the estimated wage costs is applied to a zone capital company, this aid may not be combined with regional aid within the scope of the same or other regional aid projects or programmes, including in respect of aid for wage costs or initial investment costs, and also with other aid for the settlement of wage costs within the scope of other aid projects or programmes.

[*3 July 2014; 14 May 2020*]

**Section 9. Conditions for the Application of Direct Tax Reliefs**

(1) A zone capital company or licensed capital company shall acquire the right to receive the direct tax reliefs as of the taxation period in which the permit to apply the direct tax reliefs has been issued and the contract for making investments or for the settlement of the estimated wage costs has been concluded.

(2) The right to receive the direct tax reliefs shall expire as of the taxation period in which the permit to apply the direct tax reliefs has lost its validity.

(3) The taxation period of the enterprise income tax and immovable property tax for a zone capital company or licensed capital company and a zone authority or free port authority is the calendar year. The first taxation period may be shorter than a calendar year, but may not exceed 12 months.

[*19 December 2006; 3 July 2014; 14 May 2020*]

**Section 10. Procedures for the Application of the Enterprise Tax Rebates**

[14 May 2020]

**Section 11. Application of the Enterprise Income Tax Rebates**

[14 May 2020]

**Section 12. Provision of Information on the Application of Direct Tax Rebates**

(1) The following information shall be submitted to the State Revenue Service:

1) by a zone capital company or licensed capital company which receives the direct tax rebates concurrently with the annual statement of the company within the time limit laid down in the Law on Annual Statements and Consolidated Annual Statements:

a) a report on the application of the enterprise income tax rebate within the taxation period;

b) information on other aid received for the making of initial investments, including de minimis aid granted for making initial investments for the same eligible costs, and a report on the accumulated sum of direct tax rebates and accumulated sum of eligible costs;

2) by a local government by 1 May of the post-taxation year – a report on the application of the immovable property tax rebates in the taxation period.

(2) The submission of the reports and information referred to in Paragraph one of this Section, sample forms and the procedures for their filling in shall be determined by the Cabinet.

(3) The State Revenue Service shall submit the information laid down in Article 9(1)(c) and 9(2) of Commission Regulation No 651/2014 to the zone authority and free port authority by 1 October of the post-taxation year.

(4) A zone authority or free port authority shall, by 1 March of the post-taxation year, submit to the State Revenue Service, the local government, the Ministry of Transport, the Ministry of Environmental Protection and Regional Development and the Ministry of Finance information on zone capital companies or licensed capital companies:

1) to which the permit to apply the direct tax reliefs has been issued within the taxation period;

2) with which a new contract for making investments has been concluded in the taxation period, indicating the total amount of investments, investment periods, the maximum applicable sum of direct tax rebates, the aid percentage applicable to investments determined in conformity with the conditions of Section 8, Paragraph one, Section 8.1 or Section 8.2, Paragraphs one and two of this Law;

21) with which a new contract for the settlement of the estimated wage costs has been concluded in the taxation period, indicating the total sum of estimated wage costs, start and end date, the maximum applicable amount of direct tax rebates and the applicable aid percentage determined in conformity with the conditions of Section 8, Paragraphs one and two, Section 8.1, and Section 8.2, Paragraph four of this Law;

3) whom the issued permit to apply the direct tax relief has lost its validity within the taxation period;

4) which discontinue commercial activity or whose activity has been terminated in accordance with the Commercial Law.

(5) A zone authority or free port authority shall, upon request of the State Revenue Service, local government, the Ministry of Transport, or the Ministry of Finance, submit a copy of the contract for making investments or the settlement of the estimated wage costs concluded between it and a zone capital company or licensed capital company and the annex to the contract, i.e. the planned investment schedule.

(6) A zone capital company or licensed capital company shall, by 1 March of the post-taxation year, inform the zone authority or free port authority of the year when it received direct tax rebates in accordance with the conditions of this Law for the last time.

[*3 July 2014; 16 June 2016; 14 May 2020*]

**Section 12.1 Storage of Information on the Application of Direct Tax Rebates**

(1) A zone capital company or licensed capital company which receives direct tax rebates within the scope of this Law shall store data on the investments made, wage costs settled, and direct tax rebates received for 10 years from the year when the direct tax rebates were received by the zone capital company or licensed capital company in accordance with the conditions of this Law for the last time.

(2) The State Revenue Service and the local government shall store reports on the application of direct tax rebates in the taxation period which have been received in accordance with Section 12, Paragraph one of this Law for 10 years from the year when the direct tax rebates were received by the zone capital company or licensed capital company for the last time in accordance with the conditions of this Law.

(3) A zone authority or free port authority shall store the contracts for making investments and for the settlement of the estimated wage costs concluded with a commercial company for 10 years from the year when the direct tax rebates were received by a zone capital company or licensed capital company in accordance with the conditions of this Law for the last time.

[*14 May 2020*]

**Section 12.2 Publishing Information on Aid for Commercial Activity by Applying Direct Tax Reliefs**

Publication of information on aid for commercial activity provided within the framework of this Law by applying direct tax reliefs shall be ensured by the respective zone authority or free port authority in conformity with Article 9(1), (2) and (4) of Commission Regulation No 651/2014. Information shall be published in conformity with the requirements laid down in Annexes II and III to Commission Regulation No 651/2014.

[*16 June 2016*]

**Section 12.3 Control of the Sum of the Tax Reliefs Applied**

(1) In order to ensure the enforcement of the restriction laid down in Article 1(2)(a) of Commission Regulation No 651/2014, the State Revenue Service shall, by 1 October of the post-taxation year, inform the Ministry of Transport whether the total sum of the direct tax rebates applied in the taxation period in accordance with this Law exceeds the restrictions for the annual State aid expenditures laid down in Article 1(2)(a) of Commission Regulation No 651/2014.

(2) In case of exceeding the restriction for the annual State aid expenditures laid down in Article 1(2)(a) of Commission Regulation No 651/2014, the Ministry of Transport shall, within 20 working days after receipt of information from the State Revenue Service, submit an evaluation plan to the European Commission.

[*3 July 2014*]

**Section 13.**[3 July 2014 / See Paragraph 17 of Transitional Provisions]

**Section 14. Legal Basis for Providing Aid**

Within the scope of this Law, aid shall be provided in accordance with Chapter III, Section 1 (Regional aid) of Commission Regulation No 651/2014 (published in the Official Journal of the European Union L 187/1, 26.6.2014), as amended by Commission Regulation (EU) 2017/1084 of 14 June 2017 amending Regulation (EU) No 651/2014 as regards aid for port and airport infrastructure, notification thresholds for aid for culture and heritage conservation and for aid for sport and multifunctional recreational infrastructures, and regional operating aid schemes for outermost regions and amending Regulation (EU) No 702/2014 as regards the calculation of eligible costs (published in the Official Journal of the European Union L 156/1, 20.6.2017), as amended by Commission Regulation (EU) 2020/972 of 2 July 2020 amending Regulation (EU) No 1407/2013 as regards its prolongation and amending Regulation (EU) No 651/2014 as regards its prolongation and relevant adjustments (published in the Official Journal of the European Union L 215/3 of 7.7.2020), and as amended by Commission Regulation (EU) 2021/1237 of 23 July 2021 amending Regulation (EU) No 651/2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty (published in the Official Journal of the European Union L 270/39 of 29.7.2021), and also as amended by Commission Regulation (EU) 2023/1315 of 23 June 2023 amending Regulation (EU) No 651/2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty and Regulation (EU) 2022/2473 declaring certain categories of aid to undertakings active in the production, processing and marketing of fishery and aquaculture products compatible with the internal market in application of Articles 107 and 108 of the Treaty (published in the Official Journal of the European Union L 167/1, 30.06.2023).

[*3 March 2022; 29 February 2024*]

**Transitional Provisions**

1. Until 30 April 2004, construction services provided to a zone capital company or licensed capital company, a free port authority or zone authority by a person taxable with value added tax in the free zone shall be taxable with the zero per cent rate of value added tax. The zero per cent rate of value added tax shall, until 30 April 2004, also be applied to those construction services which are provided by taxable persons to a free port authority or zone authority outside of the territory of free zones.

[*22 May 2003; 19 December 2006*]

2. Permits to apply the direct tax reliefs that are issued to zone capital companies until 31 December 2001 shall be considered to be in effect.

[*19 December 2006*]

3. As of 1 January 2003, the restrictions on the application of direct tax rebates specified in this Law shall be applicable to zone capital companies which have acquired the status of a zone capital company until 31 December 2001 and to which the permit to apply the direct tax reliefs has been issued until 31 December 2001, and to capital companies licensed by the Free Port of Riga.

[*19 December 2006*]

4. Section 6 of this Law shall not apply to the licensed capital companies to which the licence has been issued by the Free Port of Ventspils Authority until the day of coming into force of this Law.

[*19 December 2006*]

5. Capital companies of the Liepāja Special Economic Zone and the Rēzekne Special Economic Zone which, until the day of coming into force of this Law, have calculated the depreciation of fixed assets used for economic activities for the purposes of calculating the enterprise income tax on the basis of rates which differ from those specified in the law On Enterprise Income Tax in relation to fixed assets which have been acquired until the day of coming into force of this Law shall continue to apply the previously applied fixed asset depreciation rates until the final writing off of the relevant fixed asset or fixed asset category depreciation. The writing off of the depreciation of the fixed assets used in economic activity which are acquired after the day of coming into force of this Law shall be performed in accordance with the general procedures specified in the law On Enterprise Income Tax.

[*19 December 2006*]

6. A licensed capital company, zone capital company, and port authority is entitled to apply the direct tax reliefs provided for in Sections 6, 7, 8, 9, 12, and 13 of this Law to such investments and wage costs which are made and settled until 31 December 2035 (inclusive), not exceeding the permissible State aid intensity specified in this Law and the contract for the making of investments or for the settlement of estimated wage costs for the accumulated direct tax rebates in relation to the accumulated sum of eligible costs.

[*29 February 2024*]

7. [3 July 2014]

8. [4 April 2013]

9. Until 31 December 2003, a zone capital company or licensed capital company which pays the immovable property tax for buildings and structures shall calculate the amount of tax to be paid into the budget for the taxation year by taking into account the rebate specified in Section 6, Paragraphs one and two of this Law, as well as the procedures for the application of the immovable property tax rebate specified in Section 10 of this Law.

[*22 May 2003; 19 December 2006*]

10. [31 March 2004]

11. Amendments to Section 1, Paragraph two of this Law (the terms used in this Law in relation to the Rēzekne Special Economic Zone) shall come into force simultaneously with the relevant amendments to the Law on the Rēzekne Special Economic Zone.

[*20 January 2005*]

12. Section 3, Paragraph ten of this Law shall come into force on 1 July 2005.

[*20 January 2005*]

13. A zone capital company or licensed capital company which operates in the fishery sector referred to in Annex 5 to this Law shall, after 1 January 2007, continue to receive the direct tax reliefs for the investments which were made until 31 December 2006 in accordance with the norms of the Law which were in force until 31 December 2006.

[*19 December 2006; 14 May 2020*]

14. A zone capital company or licensed capital company which operates in the fishery sector referred to in Annex 5 to this Law shall, after 1 January 2007, continue to receive the direct tax reliefs for the investments which were made after 1 January 2007 in accordance with a contract for making investments which has been concluded between the zone authority and the zone capital company or the free port authority and the licensed capital company until 30 December 2006. In order for the capital company operating in the fishery sector to receive tax reliefs for the investments made after 1 January 2007, the concluded contract must precisely indicate the investment plans, the investment sums and periods in which the investments shall be made. The direct tax reliefs shall be applied to the investments made after 1 January 2007 in accordance the norms of the Law which were in force until 31 December 2006.

[*19 December 2006; 14 May 2020*]

15. A zone capital company or licensed capital company which has not concluded a contract with a zone authority or free port authority in accordance with Section 1, Paragraph two, Clause 13 of this Law shall apply to the investments actually made until 31 December 2013 the percentage referred to in Section 8 of this Law until the taxation period when the maximum amount of the percentage of the accumulated investment amount applicable to the capital company which is determined in the contract is reached.

[*4 April 2013*]

16. Amendments shall be made until 31 December 2014 to the contracts for making investments concluded until 30 June 2014 by determining the maximum sum of direct tax rebates applicable to investments provided for in the contract in relation to the accumulated sum of investments.

[*3 July 2014*]

17. Amendments to Section 1, Paragraph two, Clause 1 of this Law in relation to deletion of the words “and the special procedure for making State social insurance payments”, amendments to Section 2, Paragraph two, the title of Chapter III and in relation to deletion of Section 13 shall come into force on 1 September 2014.

[*3 July 2014*]

18. Contracts for making investments which have been concluded in the period from 10 January 2018 until the date of the entry into force of amendments to Section 5, Paragraph six, Clause 2 of and Paragraph 22 of Annex 8 to this Law regarding the obligation to provide a certification shall be effective if the capital company has, prior to concluding the contract for making investments, submitted to the zone authority or free port authority certification stating that within the last two years before the submission of the application for the conclusion of the contract for making investments it has not carried out relocation to the respective territory of the zone or free port where the initial investment for which aid is requested shall be made and undertakes not to do so for two years after completion of the initial investment for which aid is requested, and the zone authority or free port authority has verified the compliance of such certification with Article 14(16) of Commission Regulation No 651/2014 and also other requirements laid down in this Law have been complied with.

[*1 March 2018*]

19. The Cabinet shall, by 31 December 2020, issue the regulations referred to in Section 8, Paragraph nine of this Law.

[*14 May 2020*]

20. The provisions of Section 2.1, Paragraph two of this Law shall apply to the contracts of zone capital companies and licensed capital companies for making investments or the settlement of the estimated wage costs in the territory of the zone or free port which are concluded with the zone authority or free port authority starting from the date on which Section 2.1, Paragraph two of this Law enters into force.

[*13 May 2021*]

21. Until the first meeting of the council of Liepāja local government, Dienvidkurzeme municipality, and Kuldīga municipality (in respect of the Alsunga rural territory) elected in the local government election of 2021, the provisions of this Law regarding the State aid in the form of direct taxes for the newly created workplaces as a result of initial investments in respect of the Liepāja Special Economic Zone shall be applicable to such employees of a zone capital company whose declared place of residence is in the city of Liepāja, Aizpute municipality, Alsunga municipality, Durbe municipality, Grobiņa municipality, Nīca municipality, Pāvilosta municipality, Priekule municipality, Rucava municipality, and Vaiņode municipality.

[*13 May 2021*]

22. The Ministry of Transport shall ensure the fulfilment of the notification requirement laid down in Article 11 of Commission Regulation No 651/2014 regarding the application of State aid in the form of direct taxes to newly created workplaces as a result of initial investment to the Liepāja Special Economic Zone.

[*13 May 2021*]

23. When applying Section 3, Paragraph nine of this Law until the date on which the rate referred to in Section 14, Paragraph 2.3 of the law On Excise Duties shall be commenced to be applied pursuant to Paragraph 168 of the Transitional Provisions of the law On Excise Duties, the provisions of Paragraph 169 of the Transitional Provisions of the law On Excise Duties shall be taken into account.

[*7 December 2023*]

**Informative Reference to Commission Regulations**

[1 March 2018]

This Law shall come into force on 1 January 2002.

This Law has been adopted by the *Saeima* on 27 July 2001.

President V. Vīķe-Freiberga

Riga, 10 August 2001

Law On the Application of Taxes in Free Ports and Special Economic Zones

**Annex 1**

**Transport Sector Capital Companies**

[3 July 2014]

Law On the Application of Taxes in Free Ports and Special Economic Zones

**Annex 2**

**Steel Industry Sector Capital Companies**

[3 July 2014]

Law On the Application of Taxes in Free Ports and Special Economic Zones

**Annex 3**

**Synthetic Fibre Manufacturing Sector Capital Companies**

[3 July 2014]

Law On the Application of Taxes in Free Ports and Special Economic Zones

**Annex 4**

**Agricultural Sector Capital Companies**

[3 July 2014]

Law On the Application of Taxes in Free Ports and Special Economic Zones

**Annex 5**

**Fishery Sector Capital Companies**

[3 July 2014]

Law On the Application of Taxes in Free Ports and Special Economic Zones

**Annex 6**

**Coal Industry Sector Capital Companies**

[3 July 2014]

Law On the Application of Taxes in Free Ports and Special Economic Zones

**Annex 7**

**Ship Building Sector Capital Companies**

[3 July 2014]

Law On the Application of Taxes in Free Ports and Special Economic Zones

**Annex 8**

**Information to be Provided to the Zone Authority or Free Port Authority for the Conclusion of a Contract for Making Investments**

[*3 July 2014; 1 March 2018; 14 May 2020; 3 March 2022; 29 February 2024*]

1. Name, registration number of the capital company, registration number, contact information of the taxpayer.

2. The zone authority or free port authority to which the application was submitted.

3. Level III region of the Nomenclature of Territorial Units for Statistics (NUTS), in which investments will be made.

4. Title of the investment project.

5. Description of the planned initial investments, indicating whether investments are planned in relation to:

a) the establishment of a new capital company;

b) the increase in the production or service capacity of an existing capital company;

c) the diversification of the production of an existing capital company with products, which have not been previously produced in the capital company;

d) fundamental change in production processes of a capital company.

6. Amount of the planned initial investments (euros).

7. Start date of the planned initial investments.

8. End date of the planned initial investments.

9. In relation to other initial investment projects commenced by the capital company for the implementation of which aid is received, including de minimis aid, the following information shall be indicated:

a) title of the project;

b) Level III region of the Nomenclature of Territorial Units for Statistics (NUTS), in which investments will be made;

c) investment objects and their relation to the planned investments for receipt of tax reliefs;

d) the maximum aid interest rate applied;

e) amount of investments (euros);

f) start and end date for making investments;

g) legal basis for providing aid (law, Cabinet regulation, etc.);

h) date of the decision of the authority providing aid to assign aid.

10. In relation to other planned initial investment projects of the capital company for the implementation of which aid, including de minimis aid, is planned to be received, the following information shall be provided:

a) title of the project;

b) Level III region of the Nomenclature of Territorial Units for Statistics (NUTS), in which investments will be made;

c) investment objects and their relation to the planned investments for receipt of tax reliefs;

d) the maximum aid interest rate applied;

e) amount of investments (euros);

f) start and end date for making investments;

g) legal basis for providing aid (law, Cabinet regulation, etc.);

h) date of the decision of the authority providing aid to assign aid.

11. The following information shall be provided in relation to other implemented and completed initial investment projects of the capital company which are related to the same or similar activities and for the implementation of which aid was received, including de minimis aid:

a) title of the project;

b) Level III region of the Nomenclature of Territorial Units for Statistics (NUTS), in which investments were made;

c) investment objects and their relation to the planned investments for receipt of tax reliefs;

d) the maximum aid interest rate applied;

e) amount of investments (euros);

f) start and end date for making investments;

g) legal basis for providing aid (law, Cabinet regulation, etc.).

12. If the capital company provides the information referred to in Paragraphs 9, 10 and 11 of this Annex, it shall be indicated whether the initial investment projects implemented and planned by the capital company do not qualify as a single investment project as defined in Section 8.1, Paragraph two of this Law.

13. The planned aid interest for the application of tax reliefs (determined in accordance with Section 8, Paragraph one, Section 8.1, Paragraph three or Section 8.2, Paragraphs one and two of this Law).

14. Status of the capital company at the time of submitting the project application as defined in Annex I to Commission Regulation No 651/2014 (large, medium-sized or small capital company).

15. Certification of the capital company that it will ensure financial investment in the amount of at least 25 per cent from the total investment project costs provided for in the contract for making investments for which State aid has not been received, that is, financing in the amount of at least 25 per cent from own economic resources or external financial resources for which no public aid has been received, including State or local government guarantee or State or local government loan with preferential conditions has not been received.

16. Taking into account the sectoral restrictions laid down in Section 5, Paragraphs four and 4.1 of this Law, the goods manufactured or services provided within the scope of the investment project shall be determined according to PRODCOM/NACE/CPA (CPA – in case of service projects) classifications where:

PRODCOM – production statistics for mining and manufacturing products;

NACE – general classification of economic activities;

CPA – Statistical Classification of Products by Activity of the European Union.

17. Certification that investments will remain in the respective district for at least five years (or in case or small or medium-sized capital companies – three years) since their making.

18. Certification of the capital company that an order on the recovery of unlawfully assigned aid according to a previous decision of the capital company does not apply to the capital company.

19. Information that the capital company does not conform to the status of a capital company in difficulty in accordance with Article 2(18) of Commission Regulation No 651/2014, except for the capital companies which were not in difficulty on 31 December 2019, but became the capital companies in difficulty in the period from 1 January 2020 to 31 December 2021 and continue to be such after 31 December 2021.

20. Certification that the capital company has not commenced and will not commence works on the project prior to entering into effect of the contract for making an investment.

21. If tax reliefs are planned to be cumulated with other aid to investments within the scope of this Law, certification of the capital company that making of investments has not been commenced.

22. Certification that a capital company, within the past two years prior to the submission of the application for the conclusion a contract for making investments, has not carried out relocation to the respective territory of the zone or free port where the initial investment for which aid is requested shall be made and undertakes not to do so for two years after completion of the initial investment for which aid is requested.

Law On the Application of Taxes in Free Ports and Special Economic Zones

**Annex 9**

**Information to be Provided to a Zone Authority for the Conclusion of a Contract for the Settlement of the Estimated Wage Costs**

[*14 May 2020; 13 May 2021; 3 March 2022; 29 February 2024*]

1. Name, registration number, taxpayer registration number and contact information of a zone capital company.

2. The zone authority to which the application has been submitted.

3. Level III region of the Nomenclature of Territorial Units for Statistics (NUTS) in which initial investments will be made.

4. Title of the investment project.

5. Description of the planned initial investments by indicating whether initial investments are planned in relation to:

a) the establishment of a new capital company;

b) the increase in the production or service capacity of an existing capital company;

c) the diversification of the production of an existing capital company with products, which have not been previously produced in the capital company;

d) fundamental change in production processes of a capital company.

6. The planned number of newly created workplaces.

7. The estimated amount of wage costs (in euros).

8. The start and end dates of the settlement of estimated wage costs.

9. The following information shall be provided on the sums of eligible costs (initial investments or estimated wage costs) settled by the zone capital company in the last three years within the same or similar activity for which the zone capital company has received aid and also the estimated sums of eligible costs:

a) title of the project;

b) Level III region of the Nomenclature of Territorial Units for Statistics (NUTS) in which the sums of eligible costs were settled;

c) investment objects and their relation to the planned sums of eligible costs for the receipt of tax reliefs;

d) the maximum aid interest rate applied;

e) the sum of eligible costs (in euros);

f) the start and end time period for the settlement of eligible costs;

g) legal basis for providing aid (law, Cabinet regulation, etc.).

10. The planned aid interest for the application of tax reliefs for the estimated wage costs (determined in accordance with Section 8, Paragraphs one and two, Section 8.1, Paragraph three, or Section 8.2, Paragraph four of this Law).

11. Status of the zone capital company at the time of submitting the project application as defined in Annex I to Commission Regulation No 651/2014 (large, medium-sized, or small capital company).

12. Certification of a zone capital company that the investment project will create a net increase in the number of employees within the meaning of Article 2(32) of Commission Regulation No 651/2014 compared with the average over the previous 12 months and that the capital company will provide the workplace within three years after completion of the initial investment, taking into account that in accordance with Article 14(9) of Commission Regulation No 651/2014 the number of workplaces lost during the period shall be deducted from the number of workplaces created, expressed in annual work units. The declared place of residence of an employee in relation to a capital company of the Rēzekne Special Economic Zone and the Latgale Special Economic Zone is in the Latgale planning region, and in relation to a capital company of the Liepāja Special Economic Zone – in the local government of Liepāja State city, Dienvidkurzeme municipality or Alsunga rural territory of Kuldīga municipality which is part of the Kurzeme planning region, and the workplace will be secured for at least five years in a large capital company and for at least three years in a small or medium-sized capital company from the day on which the workplace was first ensured.

13. Certification of a zone capital company that it would ensure the financial investment in the amount of at least 25 per cent from the total estimated wage costs within the scope of an investment project provided for in the contract for the settlement of estimated wage costs for which State aid has not been received, that is, financing in the amount of at least 25 per cent from own economic resources or external financial resources for which no public aid has been received, including State or local government guarantee or State or local government loan with preferential conditions has not been received.

14. Certification of a zone capital company that work on the project, in accordance with Section 1, Paragraph two, Clause 12 of this Law, will commence only after the entry into effect of the contract for the settlement of the estimated wage costs.

15. Taking into account the restrictions on the type of economic activity for zone capital companies set out in Section 5, Paragraphs four, 4.1, and 4.2 of this Law, the estimated wage costs within the investment project shall be determined for zone capital companies with the type of economic activity according to NACE – the General Classification of Economic Activities. A zone capital company shall specify the relevant code of its economic activity.

16. Certification of a zone capital company that an order on the recovery of an illegal and incompatible State aid in accordance with a previous decision of the European Commission does not apply to it.

17. Information that the zone capital company does not conform to the status of a zone capital company in difficulty in accordance with Article 2(18) of Commission Regulation No 651/2014, except for the capital companies which were not in difficulty on 31 December 2019, but became the capital companies in difficulty in the period from 1 January 2020 to 31 December 2021 and continue to be such after 31 December 2021.

18. Certification that a zone capital company, within the past two years prior to the submission of the application for the conclusion a contract for the settlement of the estimated wage costs, has not carried out relocation to the relevant territory of the zone where the settlement of estimated wage costs for which aid is requested shall be made, and undertakes not to do so for two years after completion of the initial investment.