

# System of economic activities in the Republic of Latvia

Economic activities are any systematic, independent activities for remuneration performed by individual person or legal person.

<p><b>Commercial activity</b> is an open economic activity, which is performed by merchants in their name for the purposes of gaining a profit</p>	<p><b>Agricultural company, Fishermen's household</b></p>	<p><b>Cooperative activity</b> – economic activity which is performed by community of the persons in order to meet economical requirements of its membership</p>	<p><b>Non-governmental organizations</b>  <b>(Associations and Foundations)</b></p>
<p>Governed by: the Commercial Law.</p>	<p>Governed by: the Law "On Individual (Family) Company and Farm or Fishing Farm".</p>	<p>Governed by: the Co-operative Societies Law.</p>	<p>Governed by: the Associations and Foundations Law, Public Benefit Organization Law, The Law of coming into effect of Associations and Foundations Law.</p>

## I Types of Commercial activity

### 1. Capital Companies

- a) Limited Liability Company - a limited liability company is a private company, the shares of which are not publicly tradable objects.
- b) Joint stock Company - a stock company is a public company, the shares (stock) of which may be publicly tradable objects.

### 2. Partnership Companies

- a) General Partnership - a general partnership is a partnership, the purpose of which is the performance of commercial activities utilising a joint firm name, and in which two or more persons (members) have united, on the basis of a partnership agreement, without limiting their liability against creditors of the general partnership.
- b) Limited Partnership - a limited partnership is a partnership, the purpose of which is the performance of commercial activities utilising a joint firm name, and in which two or more persons (members) have agreed on the basis of a partnership agreement, if the liability of at least one of the members of the partnership (limited partner) in relation to the creditors of the partnership is limited to the amount of their contribution, but the liability of the other personal liability members of the partnership (general partners) is not limited.

3. Individual Merchant - a natural person who performs economic activities has a duty to register himself or herself in the Commercial Register as an individual merchant, if the yearly turnover from economic activities performed by him or her exceeds 284 600 EUR, or the economic activities performed by him or her conforms to the following features:

1) the yearly turnover from these activities exceeds 28 500 EUR; and

2) he or she, to perform his or her economic activities, provides employment simultaneously to more

than five employees.

4. Representative Office - foreign merchants are entitled to open in the Republic of Latvia their representative offices. A Representative office is not a legal person and is not entitled to perform economic activities in the Republic of Latvia, their functions are limited to market research, promotion of the parent company and other limited marketing activities.

5. Branch - a branch is an organisationally independent part of an undertaking, which is territorially or otherwise separated from the principle undertaking and at the location of which commercial activities are systematically performed in the name of the merchant. The branch can be opened by

Latvian merchant or foreign merchant. A branch is subject to the same reporting obligations as registered companies, and the head office of the branch is fully liable for activities carried out by the branch. The registration duty for branches (of both local and foreign merchants) is 28,46 EUR plus 18,50 EUR for the publication of an announcement in the official newspaper.

6. **Commercial Agent** – a commercial agent is a merchant who has been authorised to permanently conclude transactions with third persons in the name and to the benefit of another person (principal) or also to prepare transactions for concluding.
7. **Broker** – a broker is a merchant who engages in intermediation for concluding transactions for the benefit of another person, not being permanently associated with such person through contractual relations. A broker is not considered authorised to receive payments or any other specified performance of a transaction concluded with his or her intermediation. A broker is liable to each of the parties to the transaction for losses which have been incurred due to his/her fault. The right to remuneration of a broker arises at the moment of the concluding of a transaction.

	<b>Individual Merchant</b>	<b>General Partnership</b>	<b>Limited Partnership</b>	<b>Limited Liability Company</b>	<b>Joint Stock Company</b>
<b>Incorporation</b>	An individual merchant must register as a merchant with the Commercial Register if the criteria mentioned in Paragraph 1 subsection 3 of this Report are met. The basis for the registration of an individual merchant is an application by a natural person to the Commercial Register Office. The application shall indicate: 1) the given name, surname; 2) personal identity number; 3) the legal address of the individual merchant; 4) the firm name of the individual merchant;	General partnership must be registered with the Commercial Register. In respect of a partnership the following information shall be recorded in the Commercial Register: 1) firm name; 2) type of partnership; 3) amount of contribution by each limited partner and the total amount of limited partner contributions; 4) given name, surname and personal identity number of the members and limited partners personally liable for the partnership, but for legal persons – name, registration number and legal address;	In an application to register a partnership in the Commercial Register in addition to the information referred to in the Chapter regarding General Partnership the following shall be indicated for every limited partner: 1) their given name, surname, and personal identity number, but for legal persons – name, registration number and legal address; and 2) the amount of contribution and the total contributions of the limited partner(s)	A company shall be deemed to be founded and shall acquire the status of a legal person from the date when it is recorded in the Commercial Register. In founding a company, the founders shall perform the following activities: 1) prepare and sign the documents of incorporation of the company; 2) set up the administrative institutions of the company and appoint an auditor if such is foreseen; 3) pay up the equity capital in the specified amount, organize the deposit of the monetary payments of the founders into a bank, and receive a notice regarding the making of the	A company shall be deemed to be founded and shall acquire the status of a legal person from the date when it is recorded in the Commercial Register. In founding a company, the founders shall perform the following activities: 1) prepare and sign the documents of incorporation of the company; 2) set up the administrative institutions of the company and if it is intended in the company, appoint an auditor; 3) pay up the equity capital in the

		<p>5) the given name, surname and personal identity number of those members of the partnership, but for legal persons – name, registration number and legal address, who are specially authorised to represent the partnership, indicating whether they have the right to represent the partnership individually, jointly or jointly with authorized person; or who have been excluded from representation;</p> <p>6) legal address;</p> <p>7) if the partnership has been established for a specific time period – the time period for which it was established; and</p> <p>8) branch firm name, if it is different from the firm name of the partnership, and its legal address.</p>		<p>contribution;</p> <p>4) organize the valuation of material contributions (if material contributions are made);</p> <p>5) pay the State fee for recording in the Commercial Register and the payment for the publication concerning the registration in the Register; and</p> <p>6) submit an application to the Commercial Register Office.</p>	<p>specified amount, organize the deposit of the monetary payments of the founders into a bank, and receive a notice regarding the making of the contribution;</p> <p>4) organize the valuation of material contributions (if material contributions are made);</p> <p>5) pay the State fee for registration with the Commercial Register and the payment for the publication concerning the registration in the Register; and</p> <p>6) submit an application to the Commercial Register Office.</p>
<b>Registration fees *</b>	28,46 EUR for registration with the Commercial Register + 18,50 EUR for the publication of an announcement in the official	142,29 EUR for registration with the Commercial Register + 27,03 EUR for the publication of an announcement in the official	142,29 EUR for registration with the Commercial Register + 27,03 EUR for the publication of an announcement in the official newspaper	142,29 EUR for registration with the Commercial Register + 27,03 EUR for the publication of an announcement in the official newspaper.	355,72 EUR for registration with the Commercial Register + 27,03 EUR for the publication of an

	newspaper	newspaper		For companies the equity capital of which is less than 2800 EUR the registration duty is 21,34 EUR plus 14,23 EUR for the publication of an announcement.	announcement in the official newspaper
* the Commercial Register undertakes to review applications and register companies within one working day instead of three, if a three times larger registration fee is paid.					
<b>Share capital</b>	no	no	no	Minimum 2800 EUR	May not be less than 35 000 EUR.
<b>Administration</b>	The decisions shall be adopted by individual merchant himself (the employees can be employed)	According to conditions of the agreement. To take a decision, the consent of all the members of the partnership who have the right to take the relevant decision shall be necessary. If a partnership agreement specifies that a decision shall be taken by a majority of votes, then, in case of doubt, a majority shall be determined according to the number of members in the partnership. According to the partnership agreement the management of the partnership shall be entrusted to one member of the partnership or to several members of the partnership (managers), the rest of the	Limited partners do not have the right to participate in the management of the partnership or to represent the partnership in relation to third parties. Limited partners do not have the right to object to the actions of a general partner, except for cases when these actions exceed the scope of the usual commercial activities of the partnership.	The administrative institutions of a company are the meeting of shareholders and the board of directors, as well as the council (if such has been formed). Shareholders may simultaneously be the only member of the board of directors and the only employee. It is not required that shareholders are permanently present in Latvia, although the board must be reachable at the address of the registered office.	A company is administered by three entities: stockholders' meetings, a council and a board of directors. Only shareholders' meetings may make decisions concerning a number specific issues, such as: annual accounts of the company, election and recall of council members, auditors, company's controllers and liquidators, as well as increasing or reducing equity capital. The council is the supervisory institution of a company, which

		members shall not participate in the management of the partnership.			represents the interests of stockholders during the time periods between the meetings of stockholders. A board of directors is the executive institution of a company, which manages and represents it.
<b>Profit distribution</b>	An individual merchant obtains all income (shall pay taxes to the state)	After payment of taxes the profits and losses of a partnership shall be divided between members in proportion to their contribution (capital shares) in the partnership.	After payment of taxes the profits and losses of a partnership shall be divided between members in proportion to their contribution (capital shares) in the partnership.	Only shareholders' meetings may amend the articles of association, and perform other activities, such as increase or reduce share capital, or approve the annual accounts and the distribution of profits.	The meeting of stockholders shall decide on use of the profit from the previous year of activities.
<b>Responsibility</b>	An individual merchant shall be liable for his or her obligations with the whole of his or her property.	The members of the partnership are jointly personally responsible for the liabilities of the partnership with all their property.	Limited partners shall be liable, to the creditors of the partnership, in the amount of their contribution up to the making of the contribution. Such liability shall be excluded as soon as the contribution has been performed.	The shareholders are liable only in the scope of invested capital.	The stockholders are liable only in the scope of invested capital.

## II Agricultural Farm

An Agricultural farm represents a specific individual company producing agricultural products utilizing land for this purpose as the main means of production. A businessman shall be liable for the obligations of

its company to the extent of his/her entire property. Generally, the law "On Individual (Family) Company and Farm or Fishing Farm" regulates the business. An Agricultural Farm needs to be registered with the Commercial Register

### **Fisherman's household**

Fishermen's household is a specific individual company that performs commercial activities utilizing the fish resource limits appropriated to it for this purpose. A fisherman may also carry out farming on land. A businessman shall be liable for the obligations of its company to the extent of his entire property. Generally, the law "On Individual (Family) Company and Farm or Fishing Farm " regulates the business. A Fisherman's household needs to be registered with the Commercial Register.

### **III Co-operative Societies:**

A co-operative society is a voluntary association of natural persons and legal persons the aim of which is to provide services in order to increase the effectiveness of the commercial activity of its members. A co-operative society is a legal person and needs to be registered with the Commercial Register.

A co-operative society is liable regarding its liabilities with its entire property, but a member of a co-operative society is not liable regarding the liabilities of the co-operative society. The basic principles of the activity of co-operative societies are the following:

- 1) a co-operative society is a voluntary organisation in which any natural person and legal person with the capacity to act may join without any social, gender, political and religious discrimination if such a person wishes to receive the services of this organisation and to undertake its membership duties in conformity with the articles of association of the society;
- 2) the activity of a co-operative society is managed by its members, by actively and democratically participating in the management of the society;
- 3) each co-operative society member has one vote at the general meeting of members;
- 4) the capital of a co-operative society is formed and controlled, and the profit gained (in an agricultural services co-operative society – surplus) shall be distributed by its members;
- 5) the activity costs of a co-operative society shall be financed by the members themselves, by creating savings and covering losses.

### **IV Non - governmental organizations:**

There are two types of non-governmental organizations in the Republic of Latvia - associations and foundations.

An association is a voluntary union of persons founded to achieve the goal specified in the articles of association, which shall not have a profit-making nature.

A foundation, also a fund, is an aggregate of property that has been set aside for the achievement of a goal specified by the founder, which shall not have a profit-making nature.

An association and a foundation obtain the status of a legal person at the moment when it is entered into the Register of Associations and Foundations. An association and a foundation are liable to the extent of all its own property. A member is not liable for the obligations of an association and a founder is not liable for the obligations of a foundation.