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Latvia

Legal Environment for Philanthropy in Europe 2026

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I. Legal framework for foundations

1. Does the jurisdiction recognise a basic legal definition of a foundation? (please describe) What different legal types of foundations exist (autonomous organisations with legal personality, non-autonomous without legal personality, civil law, public law, church law, corporate foundations, enterprise foundations, party political foundations, family foundations, foundations of banking origin as a specific type, companies limited by liability, trusts)? Does your jurisdiction recognise other types of philanthropic organisations?

Yes, a foundation is recognised as a legal person consisting of property allocated to achieve a purpose defined by the founder that does not have a profit-making character.

The Law on Associations and Foundations does not formally classify foundations into different legal types. However, in practice, foundations may differ depending on their purpose, such as public benefit or private interest.

Foundations may also be established by public persons (state or municipalities). While specific regulations may apply in certain cases, they generally operate within the same legal framework and may also pursue philanthropic objectives.

Associations and foundations can act as philanthropic organisations depending on their mission and statutes. Organisations may also obtain public-benefit status, which recognises their activities as serving the public good and provides certain tax benefits.

2. If your jurisdiction provides for different laws for different foundations/philanthropic organisations, please indicate this here, and then specify under further relevant questions whether a different answer applies to these types of foundations/philanthropic organisations.

All associations and foundations are primarily governed by the Law on Associations and Foundations. However, additional legal frameworks may apply depending on the organisation's status or activities. For example, organisations that obtain public-benefit status are subject to the Law on Public Benefit Organisations, which provides specific requirements and tax advantages.

Furthermore, general tax laws and, in certain cases, regulations applicable to entities established by public persons (state or municipalities) may also apply. Therefore, while there is a single core legal framework, different rules may apply in specific contexts depending on the organisation's status and activities (such as sports, education).

3. What purposes can foundations legally pursue?[1]

☐ Only public-benefit

☑ Both public- and private-benefit

However, "no profit" is a condition for foundations.

4. What are the requirements for the setting up of a foundation (procedure, registration, approval)? What application documents are required? Are there any other specific criteria for registration?

Foundations are registered with the Register of Enterprises of the Republic of Latvia, which maintains the Register of Associations and Foundations.

[1] This question focuses only on public-benefit foundations (see the definition in the glossary developed for this project.

To establish a foundation, an application must be submitted to the Register together with the required documents. These typically include:

- The founding decision
- The statutes (articles of association)
- Information on the members of the management board
- Proof of the initial property allocated to the foundation
- Consent of board members to serve

The foundation must have a lawful, non-profit purpose and allocated property for achieving that purpose.

The Register examines the application and adopts a decision, usually within seven days after receiving all required documents. Registration may be refused if the submitted documents do not comply with legal requirements.

5. Is state approval required? (approval by a state supervisory authority with/without discretion)

☐ Approval by a state authority with discretion
☐ Approval by a state authority without discretion
☐ Approval by a court
☑ Notarisation by a notary public

There is no institution that would allow or forbid the registration of the foundation. Only a notarial act of the State Register is needed to verify that documents are legally correct and that the foundation can be registered.

6. Are foundations required to register?

a) If foundations must register, in what kind of register?

☑ Company register
☐ Foundation register at national level
☐ Foundation register at the regional/county level
☐ Beneficial ownership register
☐ Any other public register (other than a foundation/charity one)

b) If foundations are registered, what information is kept in the register?

Name, legal address, purpose/aim of the foundation, date of setting up the foundation, names and identification numbers (or other identification data for foreigners) of members of the executive body (governing board) and their rights of representation (single, together with a certain number of members etc.), period of time the foundation is set up for; data about legal procedures, court decisions, reorganisation, dissolution, etc.

c) If foundations are registered, is the register publicly available?

☑ Yes, all information publicly accessible
☐ Yes, some information publicly accessible
☐ Yes, accessible upon request
☐ No

7. Is a minimum founding capital/endowment required?

☑ No
☐ Yes, amount:

8. Is the foundation required to maintain these assets or any other specified asset level throughout its lifetime? Are spend-down foundations allowed?

N/A

9. What governance requirements are set out in the law? Is it a one-tier or two-tier foundation governance model?

a) Is it mandatory to have a:

☐ Supervisory board - Yes, if governing board is less than 3 people. Otherwise, no.

☑ Governing board

b) What are the requirements concerning board members? Is a minimum/maximum number of board members specified? Does the law regulate the appointment of board members and their resignation/removal, or can this be addressed in the statutes/bylaws?

The foundation must have a management board (governing body). The law does not prescribe a fixed minimum or maximum number of board members, and a board may consist of one or more persons.

Board members must be natural persons with legal capacity (i.e. adults). Certain legal restrictions may apply (for example, a person may be prohibited from holding such a position by a court decision). The establishment of additional supervisory bodies is not mandatory but may be provided for in the statutes.

The appointment, resignation, and removal of board members are generally regulated by law, but the statutes may further specify the procedures and conditions. Typically, board members are appointed and dismissed by the founder or the body defined in the statutes.

Therefore, while the law provides a basic framework, significant flexibility is left to the statutes of the foundation.

c) What are the duties and what are the rights of board members, as specified by national legislation or case law?

The management board is the executive body responsible for managing and representing the foundation. Board members must act in the foundation's interests, ensure compliance with the law and statutes, and are liable for damages caused by unlawful or negligent actions. Their powers may be further specified or limited by the statutes.

d) What are the rights of founders during the lifetime of the foundation? Can fundamental decisions, such as change of purpose, be made at the discretion of the founder? What are the legal requirements in such circumstances?

Founders do not have automatic rights after establishment unless these are reserved in the statutes. Amendments, including changes of purpose, are subject to legal restrictions and must respect the founder's original intent. Amendments are typically decided by the governing body or another body defined in the statutes.

e) Can the board or the founder amend the statutes including the purpose of the foundation? If yes, please indicate any particularities. What is the relationship between the powers of the founders, the statutes of the foundation and the power of the board members?

Statutes may be amended in accordance with the law and the provisions of the statutes. The competent body is determined by the statutes (often the board). Founders have no automatic powers unless reserved. Changes of purpose are restricted and must respect the founder's intent.

f) What are the rights of third parties (e.g. right of information)?

Basic data is publicly available in the Register of Enterprises, while certain personal data is protected. Third parties, including donors, do not have a general right of access to internal documents, unless provided by law, the statutes, or specific legal arrangements. Public-benefit organisations are subject to increased transparency requirements.

g) What rules are in place to ensure against conflict of interest? What is the legal definition of a conflict of interest under your legislation? How is self-dealing prohibited?

Conflicts of interest arise where a board member's personal interests conflict with those of the foundation; such members must abstain from decision-making. The use of foundation assets for personal benefit is restricted. Self-dealing is not separately defined but is limited through conflict-of-interest rules and duties of loyalty.

h) Can staff (director and/or officers) participate in decision-making? How and to what extent?

The law does not regulate directors as separate bodies; decision-making lies with the board. Staff may participate in decision-making only if they are members of governing bodies. The statutes may further define their role.

10. What is the liability of the foundation and its organs? What is the general standard of diligence for board members? (e.g. duty of obedience, duty of care/prudence, duty of loyalty)? In what type of rule are these criteria established: fiscal, administrative, civil, commercial? Is there a solid case law, if any, regarding the duty of due diligence? Does your country differentiate between voluntary (unpaid) and paid board members? Who is allowed to bring a complaint about breaches of such duties: the other members of the board, the founder/s, the public authorities? If a complaint is brought, which authority has competence in such cases: administrative, tax authority, only the judiciary power (attorney general) or beneficiaries/general public?

The foundation is liable with its assets. Board members are collectively liable for damages caused by unlawful or negligent conduct. While not explicitly defined, duties of care and loyalty are reflected in the law. No distinction is made between paid and unpaid board members. Claims may be brought by the foundation, creditors, or public authorities, depending on the case.

11. Who can represent a foundation towards third parties? Is this specified in law or is it up to the statutes of the organisation? Do the director and officers have powers of representation based on legislation?

The foundation is represented by the board. Each board member may represent it unless the statutes require joint representation. Directors or officers have no representation rights unless they are board members or entitled to these rights.

12. Are purpose-related/unrelated economic activities allowed? If so, are there other types of limitations on economic activities (related/unrelated)?

Foundations may carry out economic activities, including both purpose-related and other income-generating activities. However, economic activity must not become the primary objective of the foundation and must serve or support its non-profit purpose. Any income generated must be used to achieve the objectives specified in the statutes and may not be distributed to founders, board members, or other persons. There is no strict legal distinction between "related" and "unrelated" activities as such, but the overarching requirement is that all activities remain subordinate to the foundation's purpose.

Additional limitations apply to organisations with public-benefit status under the Law on Public Benefit Organisations, including stricter requirements on the use of funds and reporting obligations.

13. Is there any legal/fiscal framework for grantmakers to be able to fund legal entities that are conducting economic activities in addition to their public-utility activities? If any, what are the limitations for funding those kinds of legal entities?

There is no separate legal framework specifically regulating grantmakers when it comes to funding entities that also conduct economic activities. However, organisations with public-benefit status are subject to restrictions under the Law on Public Benefit Organisations regarding the use of donated funds. Such funds must be used exclusively for public-benefit purposes and may not be used to support the economic (commercial) activities of other entities as such.

At the same time, funding may be provided to organisations that engage in economic activities, provided that the granted funds are clearly allocated to public-benefit activities and are not used to subsidise commercial operations. In practice, this requires a clear separation and traceability of funds to ensure that donations are used in accordance with their intended public-benefit purpose.

14. Are foundations permitted to be major shareholders in a company? Are there any limitations to voting rights? Is this considered as an economic activity? Are foundations allowed to engage in active ownership of companies that they own (for example through board representation, informal strategy discussions or the right to be consulted on key issues such as CEO succession)?

Foundations are permitted to hold shares in companies and may act as shareholders. There are no specific legal prohibitions on foundations being majority shareholders or exercising voting rights. However, such activities must remain consistent with the foundation's non-profit purpose. Investments in companies are generally treated as part of asset management and must serve the foundation's objectives.

Foundations are also allowed to engage in active ownership, including exercising voting rights, appointing representatives to company boards, and participating in strategic decisions, provided that these activities are in line with the foundation's purpose and comply with conflict-of-interest rules.

For organisations with public-benefit status, additional restrictions apply under the Law on Public Benefit Organisations. In particular, the use of donated funds must comply with public-benefit requirements, and administrative expenses are subject to limitations. While investments may form part of asset management, they must not undermine the requirement that resources are used for public-benefit purposes.

15. Are there any rules/limitations in civil and/or tax law regarding foundations' asset management (only secure investments/bonds/investments with a certain return)? What, if any, types of investment are prohibited? Are there any limitations on mission-related investments?

There are no detailed statutory rules on investment types. However, board members must manage assets prudently and in line with the foundation's purpose. No specific investments are prohibited, but misuse of assets is not allowed. Public-benefit organisations must ensure funds are used for public-benefit purposes.

16. Are foundations legally allowed to allocate grant funds towards furthering their public-benefit purpose/programmes which (can) also generate income – impact investing? (recoverable grants; low interest loans; equities)

Impact investing is not specifically regulated but is generally allowed if it serves the foundation's public-benefit purpose. Instruments like loans or equity are not prohibited, but donated funds must not be used for private benefit or purely commercial purposes.

17. Are there any limitations (in civil law/tax law) to political party related or general lobby/advocacy activities?

Advocacy is generally allowed if it aligns with the foundation's purpose. Public-benefit organisations may not support political parties or election campaigns. Activities must remain non-partisan and not serve private interests.

18. What are the requirements for an amendment of statutes/amendment of foundations' purpose?

Statutes may be amended by the body specified in the statutes, and amendments take effect upon registration. Changes of purpose are restricted and allowed only if the original purpose can no longer be achieved, while respecting the founder's intent.

19. What are requirements with regard to reporting, accountability, auditing?

a) What type(s) of report must be produced?

☑ Annual financial report/financial accounts
☑ Annual activity report - only for foundations that apply dual entry accountancy (it is mandatory from certain turnover)
☑ Public-benefit/activity report - only for foundations with public-benefit status
☐ Tax report/tax return
☐ Other reports e.g. on 1% schemes
☐ Reports on governance changes (e.g. new board members)
☐ Report on conflict of interest (self-dealing and conflict of interest breach cases)

b) Must all/any of the reports produced by the foundation be submitted to supervisory authorities? If so, to which authorities (e.g. foundation authority, tax authority)?

Foundations are required to prepare annual reports, including financial statements. These reports must be submitted to the State Revenue Service.

Foundations with public-benefit status are subject to additional reporting requirements and must submit specific reports on their activities and use of funds to the State Revenue Service.

c) Are the reports checked/reviewed? By whom (supervisory/tax authorities)?

Annual reports are formally checked by the State Revenue Service for tax purposes. Public-benefit organisations are additionally overseen by the Public Benefit Commission.

d) Do any or all of the reports and/or accounts of foundations need to be made publicly available? If so, which reports and where (website, upon request)?

Yes. Annual reports are publicly available via the Register of Enterprises. Public-benefit organisations are subject to additional disclosure through the State Revenue Service.

e) Is external audit required by law for all foundations?

No.

f) By whom should audits be undertaken? Do requirements/guidelines exist regarding international and national auditing agencies and standards?

No.

20. Supervision: Which authority, what measures?

a) What type of body is the supervisory authority? (multiple answers possible)

☑ A public administrative body
☐ A public independent body
☑ A combination of a governmental body and a court
☐ A court
☐ A public administrative body and an independent body
☑ A tax authority
☐ Other

b) Does the supervisory body review reports?

☑ Yes
☐ No

c) Are foundations subject to inspection?

☑ Yes
☐ No

d) Is approval from the authority required for certain decisions of the governing board?

☐ Yes, formal approval is needed
☐ Yes, needs just to be informed
☑ No

If yes, please specify which type of decisions:

e) Is it mandatory to have a state supervisory official on the governing board?

☐ Yes
☐ No
☐ Can a government official be appointed to the governing board by a state authority, if so please mention:

f) What enforcement measures are in place (including compliance measures and sanctions for non-compliance) concerning registrations, governance, reporting, and public-benefit status?

Enforcement includes supervision by the Register of Enterprises and the State Revenue Service, which can impose administrative penalties, loss of public-benefit status, and, in serious cases, dissolution of the foundation.

21. When and how does a foundation dissolve?

A foundation may be dissolved on the basis of a decision by the competent body specified in the statutes (typically the management board), in accordance with the procedures set out therein.

In addition, a foundation is dissolved if:

- The period of its operation, if specified in the statutes, has expired
- The purpose of the foundation has been achieved or can no longer be achieved
- Other grounds for dissolution provided by law or the statutes occur

A foundation may also be dissolved by a court decision, for example in cases of serious legal violations, insolvency, or other cases. Such proceedings may be initiated by public authorities, including the Register of Enterprises of the Republic of Latvia or the State Revenue Service.

Upon dissolution, a liquidation process is carried out. A liquidator is appointed to settle the foundation’s obligations, distribute remaining assets in accordance with the law and statutes, and complete the closure of the foundation.

22. Is there a maximum that can be spent on office/administration costs in civil law and/or tax law? If yes, what is the amount?

Yes, limitations on administrative expenses apply to organisations with public-benefit status under the Law on Public Benefit Organisations. In general, administrative costs may not exceed 25% of the funds received from donations and certain other income sources within a reporting period.

The law does not set a fixed monetary (euro) cap, but rather a proportional limit based on the relevant income. Other sources of funding (such as project funding or earmarked grants) may be used in accordance with their purpose, provided that the overall use of funds complies with public-benefit requirements.

Foundations without public benefit status are not subject to specific statutory limits on administrative expenses, but they must still comply with general principles of proper and lawful management.

23. Does civil and/or tax law require a foundation to spend a certain percentage of its overall assets within a certain period of time (e.g. within the next financial year)? In particular, can a foundation accumulate these expenses over a period of time (and if so, what kind of authorisation is required to do so)?

No.

24. Under what conditions does the civil law in your country recognise a foreign foundation? Do they have to register? Does your law recognise the concept of trusts?

Latvian law does not provide a specific regime for the recognition of foreign foundations as such. In order to operate on a permanent basis in Latvia, a foreign foundation typically must either establish a legal entity under Latvian law or register a representative office.

Foreign organisations may also engage in certain cross-border activities without registration, depending on the nature and scope of their operations, but this does not amount to full legal recognition as a domestic foundation.

Latvian law does not recognise the concept of trusts as a domestic legal form. Legal relationships are instead structured through civil law institutions such as foundations, associations, and contractual arrangements.

25. Does the law in your country allow a foundation to conduct (some or all) activities (grantmaking, operating, asset administration, fundraising) abroad? Is there any limitation?

Foundations may operate abroad without specific legal restrictions, provided their activities comply with their purpose and applicable laws. Public-benefit organisations must ensure funds are used for public benefit purposes.

26. Does the law in your country impose any restrictions on ability to receive donations from abroad? If so, please describe.

No specific restrictions apply to foreign donations, but AML/CFT and sanctions rules apply. Foundations must verify donors and ensure lawful use of funds.

27. Does the civil law in your country allow the transfer of the seat of a foundation (in the EU) and/or cross-border mergers?

The law does not address such cases.

II. Tax treatment of foundations

1. What are the requirements to receive tax exemptions?

- ☑ Pursuing public-benefit purposes
- ☑ Non-distribution constraint
- ☐ Being resident in the country
- ☐ Other

2. What are reporting/proof requirements to claim tax exemptions? What does the foundation have to submit to the authorities (statutes, financial reports, activity reports, other)?

Tax benefits depend on public-benefit status. Foundations must submit statutes, activity information, and annual financial and public-benefit reports. No recurring exemption applications are generally required.

3. Is specific reporting required for the use of public funds (grants received from public bodies/state/municipality/etc.)?

Reporting on the use of public funds is primarily contract-based and depends on the specific requirements of the funding body (e.g. state institutions, municipalities, or EU programmes). Typically, narrative and financial reports are required.

However, Latvian law does provide standardised templates for general reporting. Annual financial reports must be prepared in accordance with the Regulations on Annual Reports of Associations and Foundations, which define their structure and content.

In addition, specific templates exist for activity reports, particularly in the context of public-benefit organisations.

These standardised reports may include information on the use of public funds, but there is no single universal template specifically governing all public funding arrangements.

4. Is there an obligation to report to public authorities on donors and beneficiaries? If so, to which authority and what type of information?

Donors must be listed in the annual report to the State Revenue Service.

5. Is there a statutory definition of what a public-benefit purpose (charitable purpose) is in the civil law (foundation law, trust law) of your country? If yes, please give us the definition. If so, is the determining definition that subsequently links to tax benefits?

Yes, Latvian law provides a statutory definition of public-benefit (charitable) purpose in the Law on Public Benefit Organisations.

Public-benefit activity is defined as activity that provides a benefit to society or a significant part of it, particularly if it is directed towards charity; protection of human and civil rights; development of civil society; promotion of education, science, culture, health and disease prevention; support for sports, environmental protection, assistance in disasters and emergency situations; or improvement of social welfare, especially for disadvantaged groups.

This definition is directly linked to the granting of public-benefit status, which in turn provides access to specific tax benefits. Only organisations whose activities meet this definition may obtain and maintain such status.

6. **Is there a statutory definition of what a public-benefit purpose is in the tax law of your country? If yes, please give us the definition.**

   No, Latvian tax law does not contain a separate statutory definition of public-benefit purpose. Instead, it refers to the definition provided in the Law on Public Benefit Organisations.

   This definition is used for tax purposes, as eligibility for tax benefits depends on obtaining and maintaining public-benefit status under that law.

7. **Please indicate whether the following purposes would or would not be accepted for tax privileges in your country (noting that the tax status often depends on additional requirements):**

Public-benefit purpose	Accepted in tax law (for tax privileges)			
	Yes	Probably yes	Probably no	No
Arts, culture or historical preservation	x			
Environmental protection	x			
Civil or human rights	x			
Elimination of discrimination based on gender, race, ethnicity, religion, disability, sexual orientation or any other legally prescribed form of discrimination	x (human rights)			
Social welfare, including prevention or relief of poverty	x			
Humanitarian or disaster relief	x			
Development aid and development cooperation			x	
Assistance to refugees or immigrants		x		
Protection of, and support for, children, youth or elderly	x			
Assistance to, or protection of, people with disabilities	x			
Protection of animals		x (environment)		
Science, research and innovation	x			

Education and training	X			
European and international understanding (e.g. exchange programmes/ other activities aimed at building bridges between nations)			X	
Health, well- being and medical care	X			
Consumer protection			X	
Assistance to, or protection of, vulnerable and disadvantaged persons	X			
Amateur sports	X			
Infrastructure support for public-benefit purpose organisations		X		
Party political activity				X
Advocacy		X		
Advancement of religion				X
Other – please list other purposes accepted in tax law for tax privileges in your country (see answer to Section 2, question 5).				

8. Support of "the public at large"

a) Do the activities of a foundation with public-benefit status for tax purposes generally have to benefit "the public at large"?

Yes, but this does not always imply large numbers.

b) If yes, can a foundation with public-benefit status for tax purposes support a closed circle in a sense that beneficiaries can be identified based on legal or family affiliations?

Yes.

9. Non-distribution constraint

a) Does a foundation with public-benefit status for tax purposes generally have to follow a "non-distribution constraint" which forbids any financial support of the foundation board, staff, etc.?

Yes.

b) What happens with the foundation's assets in case of dissolution? Can the assets revert to private ownership, or do they have to stay in the public-benefit sphere?

The statutes should define what happens in this case. However, assets cannot be distributed among founders, members of the board and other bodies, or their relatives. The law says that assets after dissolution may be transferred to a similar organisation.

10. "Altruistic" element

a) Is remuneration of board members allowed in **civil law** and in **tax law**? If remuneration is allowed, are there any limits in **civil law** and/or in **tax law**?

Yes, it is allowed. For public-benefit organisations, civil law stipulates that remuneration must be reasonable.

b) Does **tax law** allow a donor/funder to receive some type of benefit in return for a donation? (e.g. postcards, free tickets for a concert)

Theoretically, no. Such insignificant gifts as postcards would not be controlled, however.

c) Is there a maximum amount that can be spent on office/administration costs in **civil law** and in **tax law**? If yes, how are "administration costs" defined? Please indicate which of the following types of expenditures would/would not be considered as "administration costs":

See Q21 in section I: Foundations with public-benefit status are limited to use up to 25% of spent general donations for administrative costs

☑ Personnel costs (staff salaries/payroll costs)
☑ Board remuneration
☑ Costs of external audit
☑ Other legal/accounting costs
☑ General office overheads (rent/mortgage payments, utilities, office materials, computers, telecommunications, postage)
☑ Insurance
☑ Publicity and promotion of the foundation (e.g. website, printed promotional materials) - except if some activities could be interpreted as promotion of values/awareness raising
☑ Asset administration costs
☐ In the case of an operating foundation – costs related to programmes/institutions run by the foundation
☐ Costs related to fundraising - If fundraising can be interpreted as means of promoting giving culture, then no. Otherwise – yes.

11. Hybrid structures (elements of private benefit in public-benefit foundations)

a) Does the **civil law** of your country accept the following provisions/activities of a public-benefit foundation?

	Yes	Probably yes	Unclear	Probably no	No
The founder restricts the use of the endowment by specifying that the foundation is required to maintain the founder, their spouse and descendants.					x

The founder retains a beneficial reversionary interest in the capital of a property or other asset for their own continuing use.				X	
The gift consists only of the *freehold reversion* (residuary interest) in a residence that is subject to an existing lease (for a term of years, or even for life) in favour of the founder (or another member of their family) as tenant.				X	
A foundation distributes a (small) part of its income to the founder or their family.					X

b) Does the **tax law** of your country accept the following provisions/activities of a tax-exempt foundation?

	Yes	Probably yes	Unclear	Probably no	No
The founder restricts the use of the endowment by specifying that the foundation is required to maintain the founder, their spouse and descendants.					X
The founder retains a beneficial *reversionary* interest in the capital of a property or other asset to retain for their own continuing use.				X	
The gift consists only of the *freehold reversion* (residuary interest) in a residence that is subject to an existing lease (for a term of years, or even for life) in favour of the founder (or another member of their family) as tenant.				X	
A foundation distributes a (small) part of its income to the founder or their family.					X

12. Distributions and timely disbursement

a) Are foundations allowed to spend down their endowment?

If the endowment is described and regulated by the statutes, spending down may be permitted in line with what the statutes prescribe. The law does not describe endowment as such.

b) Are they allowed to be set up for a limited period of time only? If so, is there a minimum length of time for which the foundation must exist?

Yes, a particular period of time or a particular achievable aim/purpose can be stated in the statutes. No limitations are set by the law.

c) Does the **civil law** and/or **tax law** of your country require a foundation to spend its income (or a certain amount of the income) within a certain period of time, e.g. within the next financial year? If yes, is there a specific amount/percentage of the income that must be spent within this time? Which resources would be considered as income? E.g.

would donations/contributions designated for building up the endowment be included in/excluded from the income to be spent? What expenditures would count towards the disbursement of income (e.g. would administration costs be included/excluded?)?

No limits are set.

d) Does the **civil law** and/or **tax law** of your country require a foundation to spend a percentage of its overall assets in the form of a "pay-out rule"?

Example: Does the **civil law** of your country require the following of a public-benefit foundation?

	Yes	Probably yes	Unclear	Probably no	No
A foundation accumulates its income for 5 years, only in the 6th year are there distributions for the public-benefit purpose of the foundation.	x				

Example: Does the **tax law** of your country require the following of a public-benefit foundation?

	Yes	Probably yes	Unclear	Probably no	No
A foundation accumulates its income for 5 years, only in the 6th year are there distributions for the public-benefit purpose of the foundation.	x				

13. Are activities abroad in another country compatible with the public-benefit tax status?

Yes. The law does not have any geographic restrictions.

14. Can public-benefit organisations with a tax-exempt status also support/give grants to for-profit organisations (such as a small green start-up)?

Generally, not, because public-benefit foundations are not allowed to use their income for commercial activities.

15. Corporate income tax treatment. How are the following types of income treated for corporate income tax purposes? Are they taxable or exempt?

Foundations are not subject to corporate income tax, so none of the items below are relevant to foundations in Latvia.

a) Grants and donations

b) Investment income (asset administration)

☐ Interest from fixed rate bonds
☐ Equities
☐ Income from leasing of a property that belongs to the foundation

c) Economic activities (related/unrelated)

☐ Income from running a hospital/museum/opera
☐ Income from producing/selling books (e.g. art books sold by a cultural foundation)

- ☐ Income from running a bookshop inside a museum/opera run by the foundation
- ☐ Income from running a café in the hospital/museum run by the foundation
- ☐ Income from selling merchandise (activity not related to the pursuance of the public-benefit purpose)
- ☐ Income from intellectual property (e.g. royalties and licence fees)

Extensive (very active or dominant over other activities and income sources) economic activities may be a reason to initiate examination of whether the foundation should be considered a non-profit organisation, or whether it should re-register as a company.

d) Income deriving from grant expenditure towards public-benefit purpose/programme activities (such as loans, guarantees, equities)?

e) Is major shareholding in a business undertaking considered as an economic activity and taxed accordingly?

Again, this could be a reason to initiate examination of whether the foundation should be considered a non-profit organisation, or whether it should re-register as a company.

16. Are capital gains subject to tax? If so, are they liable to corporate income tax or to a separate tax?

No, not for foundations.

17. Does any kind of value added tax (VAT) refund scheme for the irrecoverable VAT costs of public-benefit foundations exist in your country?

Foundations are in the same position as other companies in regard to VAT.

Foundations must register as VAT payers if income from economic activities (excluding grants, donations, budgetary subsidies, etc.) in the last 12 months has reached the limit of €50,000.

Foundations are exempt from paying VAT if their income from economic activities does not exceed this limit. There are no additional schemes or exemptions available specifically to public-benefit foundations.

18. Is capital tax levied on the value of assets, where applicable?

No.

19. Are there taxes on the transfer/sale of assets by foundations?

No.

20. Are there any other taxes to which public-benefit foundations are subject (e.g. real property tax)?

Real estate tax. The same rules apply as for others.

Public-benefit foundations may apply for tax exemption if their real estate is used for public-benefit purposes.

21. Can a foreign foundation (EU and other) get the same tax benefits as a national foundation according to the wording of the tax law in your country? If yes, under what conditions? If they have to fulfil exactly the same requirements as locally based public-

benefit foundations, please refer to above but indicate which documents need to be provided and translated:

Most probably not. A new legal entity (association or foundation) must be set up in Latvia with its own statutes, accountancy etc. The statutes may be related to an international “mother-organisation” without any legal bindings.

- ☐ Statutes (translation required?)
- ☐ Last annual financial report (translation required?)
- ☐ Documents providing evidence for certain tax law requirements e.g. that income was actually spent for public-benefit purposes, which may not be required by the organisation’s country of seat but are required according to the legislation of the country from which tax benefits are sought?
- ☐ Other

22. Does your country have signed bi-lateral tax treaties, which provide for reciprocal tax treatment of public-benefit organisations? If so, with which countries?

N/A

23. Does your country apply withholding tax to the income from local investments held by domestic and/or foreign-based foundations? If so, can domestic or foreign-based foundations reclaim all or part of the withholding tax under domestic law?

No.

III. Tax treatment of donors

1. **Is there a system of tax credit or tax deduction or other mechanisms such as tax allocation systems or matching grants?**

   Individuals who donate to a public-benefit organisation can receive an income tax deduction when submitting their annual income declaration. A corporate donor giving to public-benefit organisations may receive a tax credit.

2. **Tax treatment of individual donors**

   a) What tax relief is provided for individual donors? Is there a minimum and/or a ceiling to a contribution on which tax incentives can be claimed?

   Annual taxable income is reduced by the amount of donations. There is no minimum ceiling, but there is a maximum ceiling: The total sum of all deductions (health, education, life insurance and donations) may not exceed €600 per year.

   b) Which assets qualify for tax deductibility (e.g. cash, real estate, in kind or other)?

   Cash and physical assets (real estate, goods, products etc.) do qualify. Service is under debate: According to a technical reading of the law, it does not qualify.

3. **Tax treatment of corporate donors**

   a) What tax relief is provided for corporate donors? Is there a minimum and/or a ceiling to a contribution on which tax incentives can be claimed?

   Latvian law provides several alternative tax relief mechanisms for corporate donors under the Corporate Income Tax Law. No minimum donation threshold is required, but ceilings apply depending on the option chosen.

   Companies may choose one of the following options:

   1. A reduction of the corporate income tax base (on distributed profits) by the amount of donations, up to 5% of the previous year's profit.
   2. A reduction of the corporate income tax base by the amount of donations, up to 2% of the total gross salaries paid in the previous year.
   3. A reduction of the corporate income tax payable (tax credit) equal to 75% of the donated amount, not exceeding 20% of the calculated corporate income tax.

   In practice, due to the Latvian corporate income tax system (where profits are taxed only upon distribution), companies may have limited incentives to use donation-related tax reliefs if profits are reinvested rather than distributed.

   b) Which assets qualify for tax deductibility (e.g. cash, real estate, in kind, or other)?

   The same: Cash and physical assets (real estate, goods, products etc.) do qualify. Service is under debate: According to a technical reading of the law, it does not qualify.

4. **Tax treatment of donations to non-resident public-benefit foundations: Do donors get the same tax incentive?**

   Equal tax incentives are available for donations to non-resident foundations based in European Union and EEA countries, as are offered for local donations. However, the donor must prove recipient's compatibility with Latvian public-benefit regulations.

5. **Other frameworks such as percentage law systems, whereby the donating taxpayer may assign part of the tax due to a public-benefit organisation?**

   No.

6. **What are the requirements that the donor must fulfil and/or what is the information they must provide in order to claim tax benefits? What information must donors provide to their tax authority in order to receive tax incentives for their donation (e.g. submitting details on the organisation they support: statutes, annual financial report, documents providing evidence for certain tax law requirements, for instance to show that income was actually spent for public-benefit purposes)?**

   For companies: Donations must be included in the annual report. Sometimes, the Revenue Service requests additional documentation, but it depends on the individual case.

   For individuals: The income declaration must be submitted with donations included. Payment documents must be added (photo, scanned or copies).

   All donations appear in annual reports of foundations, thus the Revenue Service can easily compare the data given by donors and by public-benefit organisations.

7. **Are there any different or additional requirements to be fulfilled when a donor is giving to a foreign-based foundation? What information must donors to foreign-based organisations provide in order to receive tax incentives for their donation (e.g. statutes, annual financial report, documents providing evidence for certain tax law requirements, for instance to show that income was actually spent for public-benefit purposes)? Are translations of documents required?**

   Companies and individuals must include with their annual report/declaration documents that confirm the following:

   - The recipient is resident of an EU/EEA country
   - The recipient has equal/analogue status to public-benefit status in Latvia
   - The recipient works in public-benefit areas according to Latvian law
   - 75% of the gift has been used for public-benefit purposes

   Translations of any foreign-language documents may be required as Latvian is the only official language in communication with state institutions.

8. **Do donors get tax incentives when donations are done via specific tools such as**:

   It does not matter how the gift was initiated, but document (proof of payment) is mandatory. Phone and street gifts may not qualify. Crowdfunding may qualify if payment is done via bank account and the recipient is a public-benefit organisation.

   ☐ Requesting money in public (street, door-to-door)
   ☐ Via TV and radio campaigns
   ☐ Via sms
   ☐ Crowdfunding

   Do they have to follow any kind of particular process? If so, which one?

IV. Tax treatment of beneficiaries

(i.e. those receiving a grant or other benefit from a foundation)

1. **Individuals: Are individual beneficiaries of grants required to pay taxes or are the grants tax exempt?**

   Individuals do not pay income tax on financial and material aid received from public-benefit organisations up to €1000 per year. An exception is aid for medical treatment: This is fully tax exempt if proofs of payments are held with the organisation.

   Scholarships for education have separate regulations, and they can be tax-exempt if a foundation has gained special permission to pay scholarships.

2. **Legal entities: Is there any legal/fiscal framework for beneficiaries conducting economic activities so that they can be eligible for foundation funding? Are there any limitations on the economic activities of the beneficiaries?**

   Non-profit organisations (associations and foundations) do not pay any taxes from grants that they receive from other organisations (including from other foundations).

   Companies would be subject to regular corporate income tax.

3. **Are there any different or additional requirements that must be fulfilled by a beneficiary receiving funding from abroad?**

   No. However, the person must be prepared that banks or state institutions may ask questions if the transaction seems suspicious (in the context of money laundering and terrorism).

V. Gift and inheritance tax

There is no separate gift and inheritance tax. Legacies can be part of a person's income, and foundations again are not subject to the corporate income tax.

1. **Does gift and inheritance tax/transfer tax exist in your country and, if yes, who has to pay the tax in the case of a donation/legacy to a public-benefit organisation (the donor or the recipient organisation)?**

   No. But there is a certain state fee regarding inherited real estate.

2. **What are the tax rates? Is there a preferential system for public-benefit organisations (PBOs)? Which PBOs qualify? Is there a difference according to the region or the legal status of the PBO?**

   Rate of state fee varies depending on legal status and relation to donor. Legal entities (including foundations) have higher rates to pay, and there is no preferential system for PBOs.

3. **Is there a threshold (non-taxable amount) from gift and inheritance tax for donations/legacies to public-benefit organisations?**

   There is no tax to be paid as such, therefore this threshold is also not defined.

4. **Is there a legal part of the estate that is reserved for certain protected heirs and which a donor cannot give to third parties?**

   Yes, there is, but the amount depends on the number of appropriate relatives (spouse and children, or parents if the person has no children). Each protected heir has rights for half of the legacy they would get by law.

5. **What is the tax treatment (inheritance and gift tax) of legacies to non-resident public-benefit foundations?**

   Not defined.

VI. Trends and developments

1. **Are there current discussions about the question of whether cross-border activities of foundations or other non-profit organisations and their donors are protected by the fundamental freedoms of the EC Treaty? Have there been any changes to your country's legislation, resulting from the Persche, Stauffer, Missionswerk or other relevant ECJ judgments, or are changes being discussed? Any changes being discussed with regard to the free movement of trust structures resulting from the Panayi Trust and Olsen and Others cases?**

   There is no significant public or legislative debate in Latvia specifically addressing the application of EU fundamental freedoms to cross-border activities of foundations or non-profit organisations.

   However, Latvian legislation has been adapted in line with European Union law, and tax relief for donations is extended to organisations established in other EU/EEA countries, provided that they meet criteria equivalent to those required for public-benefit status in Latvia.

   At the same time, recent European Commission initiatives, such as proposals concerning cross-border associations, have also attracted some attention in Latvia and contributed to broader discussions on the cross-border activities of non-profit organisations.

   Latvian law is relatively open with regard to cross-border activities of non-profit organisations, both in receiving and granting funds, which has limited the need for extensive national debate in this area.

2. **Has the fight against terrorism and financial crime led to the introduction in recent years of new laws/rules affecting the foundation sector (e.g. implementation of EU Anti Money Laundering Directive, or reactions to recommendations of the Financial Action Task Force)? Has it for example become more difficult to:**

   ☐ Set up a public-benefit foundation
   ☐ Obtain permission to transfer funds across borders
   ☑ If able to transfer of funds across borders, has the process become more burdensome administratively
   ☑ Open a new bank account
   ☑ Maintain a bank account - some organisations have faced closing of their account; most of organisations experience more complex questionnaires and interviews with bank etc.
   ☐ Fund certain activities
   ☐ Fund certain regions/countries
   ☐ Fund certain organisations (please explain the reason - foreign funding restriction?)
   ☐ Report to authorities/deal with administration
   ☐ Other

3. **Does the national law consider foundations as obliged entities as defined by the Anti-Money Laundering Directive?**

   No, foundations are not generally considered obliged entities under Latvian anti-money laundering legislation.

   Under the Law on the Prevention of Money Laundering and Terrorism and Proliferation Financing, obliged entity status depends on the type of activities carried out, not on the legal form.

A foundation would be considered an obliged entity only if it engages in activities falling within the scope of the law (for example, certain financial or intermediary services).

Otherwise, foundations are not subject to the full set of AML obligations applicable to obliged entities, although general legal requirements (such as sanctions compliance and transparency obligations) still apply.

4. Does the national law define/specify who is considered as a beneficial owner (BO) of a foundation?

Yes, and it has been an issue, mostly because of low understanding of this term. The beneficial owner of the foundation by default is the governing board (all members), unless the foundation provides strong justification that such a designation is not applicable and a beneficial owner cannot be identified.

5. Does your country have a specific register for BO of legal entities/foundations or does the foundation/company/association register serve as a BO register?

No, there is no separate register. The State Register of Enterprises collects information on beneficial owners.

6. Are there any other recent trends or developments affecting the legal and fiscal environment for public-benefit foundations in your country such as one or more of the following?

a) Law revision in the pipeline

b) Discussion about the role of supervisory authorities (civil law, charity regulator, tax authority) and collaboration among them? Decentralisation or centralisation of supervisory structures? Use of watchdog/rating agencies?

c) Tendency towards more transparency requirements?

d) Tendency towards more self-regulation? Self-regulation replacing hard law regulation?

e) Tendency to use alternative forms to classic public-benefit foundations?

f) Other?

Recent trends include increased transparency and reporting requirements; continued AML/CFT and beneficial ownership focus; EU-level discussions on cross-border associations; and greater attention to donation flows; as well as the rights of PBOs to implement economic activities.

7. Public fundraising: Are there any specific laws that regulate fundraising, and do they affect foundations?

No, fundraising is only partly regulated within the Law on Public-Benefit Organisations.

VII. Further information

Useful contacts

Civic Alliance - Latvia: www.nvo.lv; alianse@nvo.lv

Selected law texts online

- Associations and foundations
- Public-benefit status
- Personal income tax
- Corporate income tax

VIII. About

About Philea

Our vision is for philanthropy to use its full potential to co-shape and support a pluralistic, just and resilient society that centres people and planet. To achieve this, our mission is to enable, encourage and empower the philanthropic community to build a better today and tomorrow.

We nurture a diverse and inclusive ecosystem of foundations, philanthropic organisations and networks in over 30 countries that work for the common good. With individual and national-level infrastructure organisations as members, we unite almost 9,000 public-benefit foundations that seek to improve life for people and communities in Europe and around the world.

We galvanise collective action and amplify the voice of European philanthropy. Together we:

→ **Co-create knowledge and learn** from effective practices

→ **Collaborate** around current and emerging issues

→ **Promote enabling environments** for doing good

In all we do, we are committed to enhancing trust, collaboration, transparency, innovation, inclusion and diversity.

philea.eu

Policy and advocacy at Philea

Philea champions the interests of its members vis-à-vis the EU and multilateral organisations. Through our policy and advocacy work, we strive towards an enabling operating environment for European philanthropy by monitoring and analysing policy and regulatory trends at national, European, and international level, and engaging around this agenda with policymakers and other stakeholders. We position philanthropy as a key actor on societal issues and facilitate strategic engagement and collaboration opportunities, including public-private partnerships.

About this project

This country profile is part of a larger analysis project, ongoing since 2002, which includes regularly updated profiles on the legal and fiscal landscape for philanthropy in some 40 countries across the wider Europe; and a comparative overview of the profiles compiled in our "Comparative Highlights of Foundation Laws".

Legal Affairs Committee

Philea's Legal Affairs Committee consists of legal and public affairs experts from Philea members, composed of both national associations and foundations, across Europe. The members of the LAC advise on Philea's policy and advocacy work.

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