



LATGALES PLĀNOŠANAS
REĢIONS

Advantages of Latgale SEZ

KURZEME

ZEMGALE

LATGALE SPECIAL ECONOMIC ZONE

LATGALE

HOW WILL THE INCLUSIVE TERRITORIES ARE EVALUATED?

- ✓ The **Latgale SEZ** territory consists of **public and privately** owned territories.
- ✓ Latgale SEZ status can be set up to **5% of the territory of the Latgale region**, which together amounts to **72750 ha**
- ✓ The Latgale SEZ management is carried out **centrally with the Latgale Planning Region**, which means that the Latgale Planning Region Development Council approves the **Latgale SEZ Supervisory Board's regulations**, developed in accordance with the statutory management functions, **approves and cancels the members** of the Supervisory Board.

TAX RELIEF

The contract with Latgale SEZ management should be signed in case when the **entrepreneur** wishes to **qualify for direct tax relief** in accordance with the Law "On Taxation in Free Ports and Special Economic Zones".

In case the **entrepreneur already operates** in the Latgale SEZ territory, before it has SEZ status, an agreement with Latgale SEZ management can be signed **if it is planned to invest** and qualify for direct tax relief. In other cases, the **entrepreneur does not have to conclude a contract** for commercial activities in the Latgale SEZ. It was also determined that Latgale SEZ merchants must establish and carry out commercial activities in the Latgale SEZ territory, but this does not exclude the possibility that the merchant's legal address is located elsewhere.

INVESTMENTS ARE MADE FOR

Creation of a **new capital company**

Increase in the production capacity of the existing capital company or services

Diversification of the existing capital company's products with products not previously produced in the capital company

A substantial **change in the production process** of an existing capital company



SUPPORTED INVESTMENTS AND REQUIREMENTS



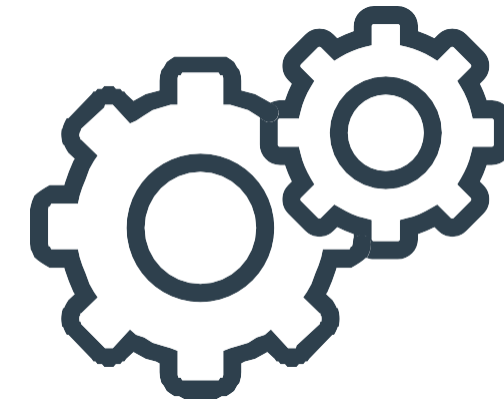
Long-term tangible investments

buildings, structures, equipment and machinery



Long-term intangible assets

costs for obtaining assets



Acquired assets must be new

except for SMEs



Salaries for newly created working places as the result of a new investment project.



Salaries with taxes are calculated for the **2 year period** and the total costs are basically the sum of the investment



Investor has the right to choose whether the investments are tangible / intangible asset or newly created working places

SUPPORTED INVESTMENTS



Employees of the company who will take up **newly created working places** should be with **declared dwelling place in Latgale region**



The costs of the salaries are not allowed to be cumulated with any other state support instrument



Newly created working places should be kept for **3 years** in the case of **SME's** and for **5 years** in case investor is a big company

APPLICATION OF DIRECT TAX RELIEF IN LSEZ

LSEZ companies will receive **direct tax relief** from the accumulated amount of investments, applying the maximum allowable aid intensity for the investments made:

35%

—

large company

(>250 employees,
turnover >50 млн евро)

45%

—

medium company

(<250 employees,
turnover <50 млн евро)

55%

—

small and micro company

(<50 employees,
turnover <10 млн евро)

COMBINING TAX RELIEF WITH OTHER STATE AID FOR THE INITIAL INVESTMENT

If a LSEZ company, **in addition to the SEZ statutory aid**, receives or is planning to receive other (public) aid for initial investment for the same costs, then **the aid received is deducted** and the maximum amount of aid is adjusted.

LSEZ company must provide **financing of at least 25% of its own economic resources** or external financial resources for which no public support has been received, including the state or municipal guarantee or a state or municipal loan on preferential terms.

APPLICATION OF DIRECT TAX RELIEF IN LSEZ

The application of the percentage of the specified aid (35%, 45% or 55%) **is used for calculating a maximum amount of corporate income tax relief and real estate tax.**

Companies that will receive the status of a LSEZ capital company are entitled to the following direct tax reliefs.



80%

**DISCOUNT ON CORPORATE INCOME
TAX (DIVIDENDS)**

80%

DISCOUNT ON REAL ESTATE TAX

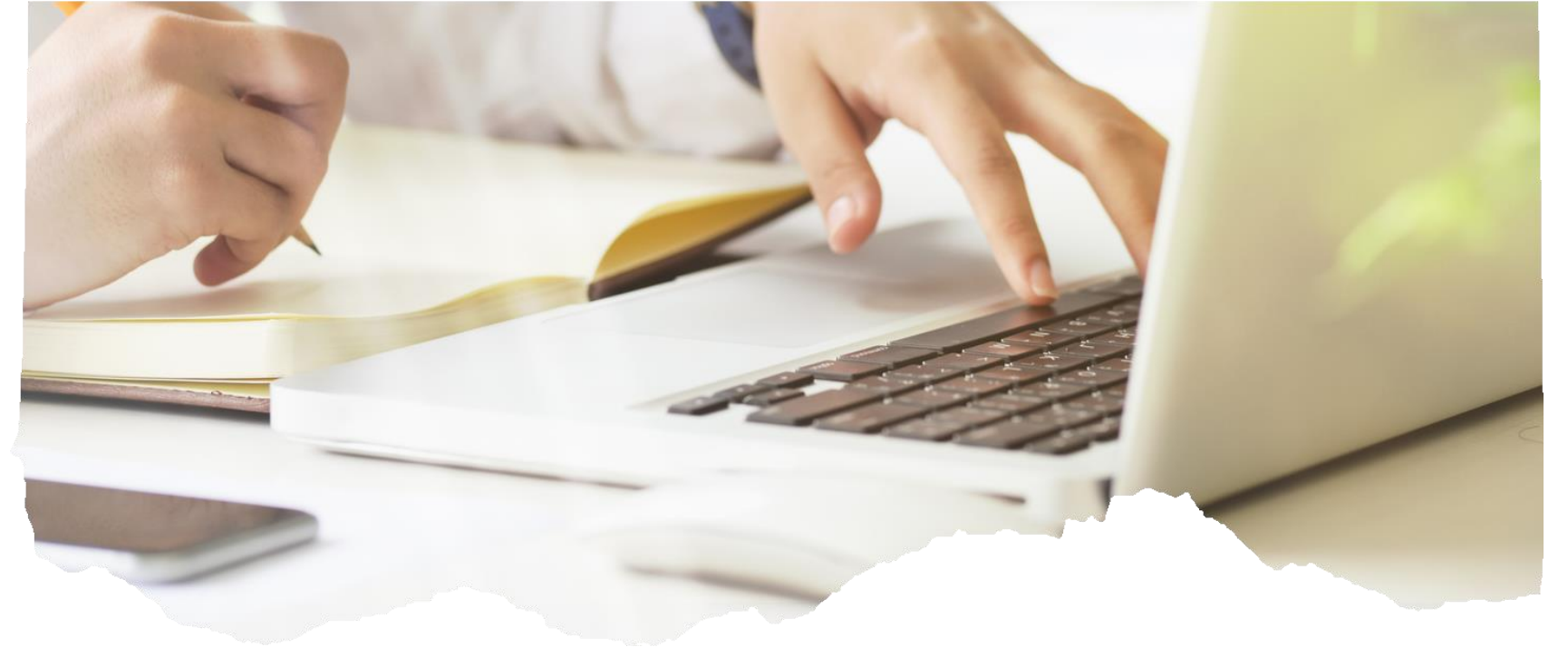


APPLICATION OF INDIRECT TAX INCENTIVES IN THE SEZ

In certain cases when production is operated inside of the area with state Customs control.

0% VAT RATE

EXEMPT FROM EXCISE DUTY



NON-SUPPORTED INDUSTRIES

- Transport industry corporations and transport infrastructure
- Steelmaking companies
- Corporations of the synthetic fiber industry
- Agricultural industry corporations
- Fisheries and aquaculture industry corporations
- Coal industry corporations

LATGALE SEZ SUPPORT SCHEME



1. The company prepares the investment **project** documentation and submits it to Latgale SEZ management.
2. The Latgale SEZ **examines the investment project**, its compliance with the requirements of the law and upon approval of the planned investment the LSEZ status is granted to the business territory.
3. The **company is granted Latgale SEZ status.**
4. The Latgale SEZ administration **concludes the investment contract with the company.**
5. The company **carries out planned investments.**
6. Completion of the **investment project and application of tax relief.**

LATGALE SPECIAL ECONOMIC ZONE



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