



LATGALES PLĀNOŠANAS
REĢIONS

Advantages of Latgale SEZ

LATGALE SPECIAL ECONOMIC ZONE

KURZEME

ZEMGALE

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



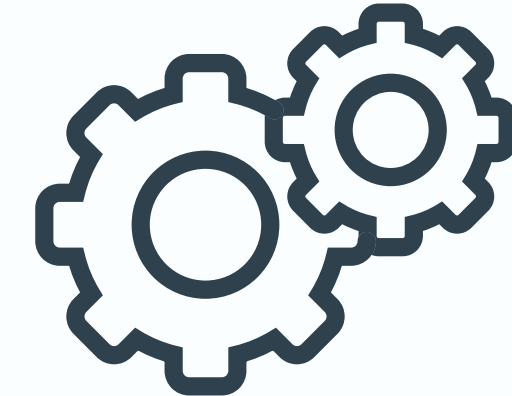
SUPPORTED INVESTMENTS:



Long-term tangible investments - buildings, structures, equipment and machinery



Long-term intangible assets - costs for obtaining patents and technology acquisition



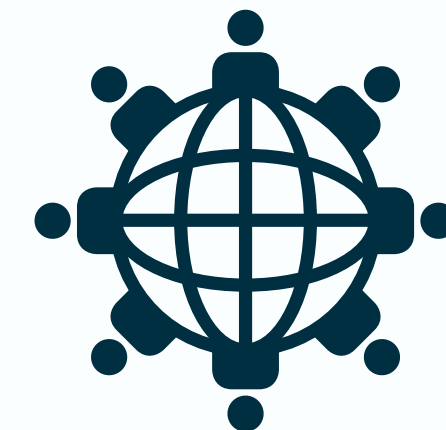
The acquired assets **must be new, except in the case of SMEs** (small and medium-sized enterprises)



Salaries for newly created working places as a 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**

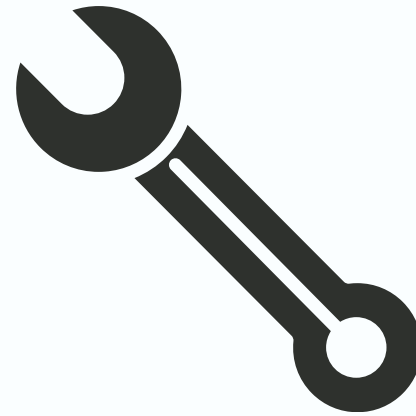


Investor has a right to choose whether the investments are **tangible / intangible** asset **or newly created working places**

SUPPORTED INVESTMENTS:



Stuff of the company that is planned for **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 investments made:

A.

35%

the corporation corresponds to the category –

large company; (> 250 jobs, turnover > EUR 50 million)

B.

45%

the corporation meets the category –

medium company; (<250 jobs, turnover <EUR 50 million)

C.

55%

the corporation corresponds to the category –

small or small (micro) companies (<50 jobs AND turnover <EUR 10 million)

COMBINING TAX RELIEF WITH OTHER STATE AID FOR 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 percent 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 relief to be received in future.** The 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 the area with state Customs control

VAT **0%** 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



- A** The company **prepares the investment project** documentation and submits it to Latgale SEZ management
- B** 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**
- C** The **company is granted Latgale SEZ status**
- D** The Latgale SEZ administration concludes a contract with the company for the performance of investments
- E** The company **carries out planned investments**
- F** Completion of the **investment project**
- G** **Application of tax relief**

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