



Prime Minister of Latvia, Krisjanis Karins

Director of Investment and Development Agency of Latvia, Kaspars Rozkalns

Saeima Budget and Finance Committees Chairman, Janis Reirs

Economic, Agricultural, Environmental and Regional Policy Committee Chairperson, Linda Matisone

Saeima Foreign Affairs Committee Secretary and Chairperson of Saeima group for cooperation with the diaspora, Irma Kalnina

Minister of Finance of Latvia, Arvils Aseradens

Minister of Economics of Latvia, Ilze Indriksone

Ministry of Foreign Affairs of Latvia, Ambassador-at-Large for the diaspora, Elita Gavele

June 30, 2023

**Joint statement on the need to balance the tax burden for foreign and resident investors
in order to grow Latvia's economy**

Our organizations represent both foreign and domestic investors, business and tax representatives, various professionals within Latvia and its diaspora. We call on the Latvian government to amend the laws and regulations that hinder Latvia's competitiveness and ability to attract and retain investment.

When Latvia changed its corporate tax system in 2018, the new system resulted in adverse tax treatment for individual investors who live abroad or who may be liable for tax in other jurisdictions. Non-resident individual investors and resident investors who may also be liable to tax in other jurisdictions are currently subject to effective economic double taxation on dividends paid by a Latvian company because tax treaty benefits do not avail to an individual investor. As a result, profits earned by investors are subject to tax both in Latvia and the investor's country of tax residence. This significantly hurts Latvia's ability to attract and retain investment compared to other jurisdictions in the region.

The issue negatively affects not only non-residents who invest in Latvian businesses, but also Latvian investors who move abroad to find new markets and expand their businesses. It may affect Latvians who repatriate to Latvia but may remain subject to tax in another jurisdiction. It is therefore crucial that Latvia takes every step possible to attract and to allow its own investors to go abroad to expand markets without subjecting them to an increased tax burden.



Since 2020, the Foreign Investors Council in Latvia, AmCham and other organizations have called on Latvian government institutions including the Ministry of Finance and the Ministry of Economics to fix this problem, recommending a fiscally neutral solution, which would allow taxpayers to make an election to treat up to 10% of the corporate income tax paid on dividends to be reclassified as a withholding tax or personal income tax for the purpose of applying tax treaty benefits. To date no action has been taken to either implement the recommendation or find an alternate solution.

The organizations co-signing this statement urge the Latvian government to address this matter immediately and:

- 1) Examine the viability of our recommendation to balance the tax burden for non-residents and the possibility to implement the necessary changes in the Latvian tax laws and relevant regulations; or
- 2) Propose a viable solution in case the said recommendation is found to be non-viable for a valid legal basis.

It is imperative that Latvia can attract and retain each and every investor possible whether institutional or individual to grow our economy. Latvia cannot afford to disregard its competitiveness for an entire class of potential and existing investors thereby allowing the country to fall further behind its neighbors in economic growth and development.

List of co-signatories:

The American Chamber of Commerce in Latvia

The American Latvian Association

The British Chamber of Commerce in Latvia

The Foreign Investors Council in Latvia

The Latvian Electrical Engineering and Electronics Industry Association

The Latvian American Chamber of Commerce (U.S.)

The Norwegian Chamber of Commerce in Latvia

The Red Jackets Association

The World Federation for Free Latvians