

The *Saeima* has adopted and the President has proclaimed the following Law:

The Freeport of Riga Law

Chapter I

General Provisions

Section 1. Terms used in this Law

The following terms are used in this Law:

1) **territory of the Freeport** – a part of the territory of the Republic of Latvia, corresponding to the port of Riga borders determined by the Cabinet;

2) *(excluded with the law of 14 October 2010)*;

3) **licensed capital company** – a capital company, that has entered into a contract with the Freeport of Riga Authority regarding licensed commercial activity on the Freeport of Riga territory and has obtained permission of the Port Authority for such activity;

4) **free zone regime** – a set of tax relief and special customs control measures, that are to be applied to capital companies whose territories have obtained the status of free zones in the Freeport of Riga, as well as to the Port Authority;

5) **free zone** – a demarcated part of the territory of the Freeport, where imported goods in respect of the application of customs duties and trade policy measures are treated as equivalent to goods, that are outside the customs territory of the Republic of Latvia;

6) **territory of a licensed capital company** – a territory, wherein land is used by a licensed capital company on the basis of property rights, a lease agreement or other legal basis; and

7) **port clients** – consignees, consignors, their authorised representatives – forwarding agents, ship-owners, their authorised representatives – shipping agents and other persons, who on a legal basis utilise the services of the Port Authority and licensed capital companies but who do not have their own territory in the Freeport.

(with amending law of 14 October 2010, that comes into effect on 10 November 2010).

Section 2. Purpose of this Law

This Law determines the principles of operation and management procedures for the Freeport of Riga (hereinafter – the Freeport) in order to promote the participation of Latvia in international trade, attract investments, develop manufacturing and services, as well as create new jobs.

Section 3. Basic Provisions regarding Commercial Activities Carried out at the Freeport

(1) Commercial activities in the territory of the Freeport may be carried out by licensed capital companies, as well as commercial companies that have entered into a contract with the Port Authority regarding operation in the Freeport territory in compliance with p.7 Paragraph three Section 7 of the Law on Ports and observing provisions of the Paragraph three Section 10 of the present Law.

(2) (*excluded with the law of 14 October 2010*)

(3) The importation of goods into the territory of the existing licensed capital company free zone in the Freeport and the exportation of them from the referred zones may only be effected through the customs border entry and exit points in accordance with the procedures provided by the legal acts.

(*with amending law of 14 October 2010, that comes into effect on 10 November 2010*).

Section 4. Legal Relations in the Territory of the Freeport Pertaining to Land

(1) State and local government land within the territory of the Freeport may not be sold, gifted or otherwise alienated.

(2) The water area (aquatorium) of the Freeport is the property of the State.

(3) The land in the Freeport owned by natural persons and legal persons may be sold, gifted, exchanged or otherwise alienated only for the benefit of the State or local government.

(4) With this Law, a personal servitude on the land owned by natural persons and legal persons that, pursuant to this Law, is occupied by the Freeport, is established for the benefit of the Port Authority. The Port Authority is entitled to use the land owned by natural persons and legal persons in its territory for the needs of the port, as well as to lease it to merchants, that operate in the territory of the Freeport, without any right to sublet it. The land leased by the Port Authority may be subleased exclusively with the Port Authority permission

(5) The user of the servitude may construct such buildings and structures as are necessary for the operation of the port on the land in its territory, as well as allow the construction of such by merchants to which the land has been leased out, providing in the contract for action with such buildings and structures in the case of termination of the land lease contract.

(6) Upon the cessation of servitude rights, the owner of the land may not request that the land be returned to him or her until he or she has paid compensation for the buildings and structures.

(7) The Port Authority shall pay the taxes and cover the expenses relating to the maintenance of the land referred to in Paragraph four of this Section, whereas the other burdens resting upon the land shall be attached to and fulfilled by the owner of the land.

(8) The user of the land shall pay compensation for the servitude to its owner in accordance with their agreement, however, such compensation shall not exceed five per cent annually of the cadastral value of the land.

(9) The Port Authority has the right to unilaterally enter the servitude rights established by this Law into the Land Register.

(with amending laws of 22 May 2003 and of 14 October 2010, that comes into effect on 10 November 2010).

Chapter II

Management Organisation of the Freeport

Section 5. Management of the Freeport

(1) Management of the Freeport shall be carried out by the Port Authority, whose status is determined by the Law On Ports, the By-laws of the Freeport of Riga Authority and the Riga Freeport Regulations, that regulate the internal regime of the Freeport.

(2) The Port Authority shall enjoy the same customs duty relief as licensed capital companies.

(with amending law of 14 October 2010, that comes into effect on 10 November 2010).

Section 6. The Board of the Port

(1) The Board of the Port shall be the highest decision-making institution of the Port Authority. Its members shall be appointed to and released from their positions in accordance with the procedures set out in Section 8 of the Law On Ports.

(2) The administrative staff of the Port Authority shall be managed by a Chief Executive Officer who is appointed to and released from his or her position by the Port Authority after co-ordination with the Minister for Transport.

Chapter III

Customs Regime in the Freeport

Section 7. Importation of Goods into Licensed Capital Companies' Free Zones and Exportation from Them

Procedures as to how goods are to be imported into licensed capital companies' free zones located in the Freeport territory and exported from them shall be in accordance with the EU customs legislation on imports in the free zone territories and out of them.

(in compliance with the formulation of the law of 14 October 2010, that comes into effect on 10 November 2010).

Section 8. Registration of Goods in the Freeport

Licensed capital companies shall ensure the registration of the goods imported and produced within their territory and of the goods exported from it.

(with amending law of 14 October 2010, that comes into effect on 10 November 2010).

Section 9. Natural Persons Subject to the Control of Customs

Natural persons crossing a free zone territory border are subject to customs control.

(in compliance with the formulation of the law of 14 October 2010, that comes into effect on 10 November 2010).

Chapter IV

Commercial Activity in the Freeport

(Chapter title in compliance with amending law of 14 October 2010, that comes into effect on 10 November 2010).

Section 10. Regulations regarding Commercial Activities Carried Out in the Freeport

(1) The loading, supply, storage, processing of goods (freight) and other services, and the production of goods under a free zone regime shall be carried out by capital companies, that are registered in the Republic of Latvia, have entered into a contract regarding licensed commercial activity under a free zone regime and have obtained a permit from the Port Authority for the carrying out of such activities.

(2) The Port Authority shall establish a register of licensed capital companies.

(3) Merchants, that have not been granted licensed capital company status may, within the territory of the Freeport, carry out commercial activity without the application of the relief prescribed for a licensed capital company and subject to the control of the Port Authority within the scope of its competency.

Those merchants and licensed capital companies that do not apply the free zone regime cannot carry out commercial activities in the free zone areas, with the exception of providing services to a licensed capital company, that applies the free zone regime, or the Port Authority.

(4) *(Deleted by the law of 22 May 2003)*

(with amending laws of 27 July 2001, of 22 May 2003 and 14 October 2010, that comes into effect on 10 November 2010).

Section 11. Conditions for the Application of the Freeport Regime

(1) A free zone regime shall apply only to such capital companies whose territory in the Freeport is demarcated and secured by one or more adequately organised customs border entry and exit points and by guards who ensure that the movement of goods and persons to and from the territory of the licensed capital company complies with customs requirements. Each licensed capital company shall ensure the security of its territory.

(2) Licensed capital companies may not carry out commercial activities outside the territory of the Freeport, except for the activities referred to in Paragraph three of this Section.

(3) The following shall not be considered as a commercial activity outside the territory of a licensed capital company:

- 1) the location of the administrative body or an agency of a capital company outside the demarcated territory;
- 2) the negotiation of transactions and contracting outside the demarcated territory;
- 3) other activities that do not have goods-money transaction characteristics; and
- 4) the transit of goods through the demarcated territory.

(with amending law of 14 October 2010, that comes into effect on 10 November 2010).

Section 12. Procedures of Entering into a Contract regarding Licensed Commercial Activity in the Freeport and the Issue of Permits

(1) A capital company that has already been established or will be established in the future (the applicant is the founder) in the Freeport is entitled to apply for entering into a contract and obtaining of a permit, in observation of the following prerequisites:

- 1) the profile of activities and the development prospects of the capital company shall conform to the development programme of the Freeport that has been approved by the Board of the Port; and
- 2) the founders, the shareholders, the Board members and the Council members (if the capital company has a Council) satisfy the following prerequisites:
 - a) have a good reputation,
 - b) have a stable financial position,
 - c) have experience in the field of commercial activities (such information shall not be requested in respect of local governments and the State as founders and shareholders).

(2) Contracts regarding licensed commercial activity in the Freeport may be entered into regarding several types of activity.

(3) A commercial company shall submit to the Board of the Port the following documents for entering into a contract and obtaining a permit:

- 1) an application;
- 2) a notarially certified extract of the capital company registration certificate issued by the Register of Enterprises;

- 3) a notarially certified copy of a capital company By-laws;
 - 4) the annual accounts for two last years approved by sworn auditors (auditors) (or – with the consent of the Board of the Port – an extract of abridged accounts);
 - 5) a programme of operations, including an investment programme; and
 - 6) a statement issued by the State Revenue Service regarding the capital company territory compliance with the introduction of the free zone regime, if a capital company wants to enter a contract on licensed commercial activity in the free zone regime
- (4) A decision regarding the entering into of a contract with an applicant shall be taken by the Board of the Port within a three-month period after the submission of the documents referred to in Paragraph three of this Section. The application of an applicant shall be rejected if the prerequisites referred to in Paragraph one of this Section are absent.
- (5) If an applicant is the founder of a capital company to be founded, a decision regarding the entering into of a contract with the applicant may be taken by the Board of the Port on the basis of the documents of incorporation and a draft programme of operations, issuing simultaneously a temporary permit. The decision regarding the entering into of a contract shall be in effect for six months. If, during this time, the capital company is not founded, the decision shall cease to be in effect.
- (6) A contract regarding licensed commercial activity shall be entered into for a term that is not less than five years.
- (7) A contract regarding licensed commercial activity under a free zone regime shall be the basis to issue a permit for the carrying out of licensed commercial activities in the Freeport. The permit shall be issued for the term of the contract after the readiness of the capital company for operations in the Freeport has been checked. The Port Authority shall ensure the registration of permits.

(in compliance with the formulation of the law of 14 October 2010, that comes into effect on 10 November 2010).

Section 13. Procedures as to How a Contract regarding Licensed Commercial Activity in the Freeport is to be Terminated Prior to the Expiration of its Term and the Cancellation of Permits

- (1) A contract regarding commercial activity in the Freeport may be terminated prior to the expiration of its term by a decision of the Board of the Port, if it is determined that the licensed capital company violates laws, other regulatory enactments or the contract that has been entered into.
- (2) Concurrently with a decision on the early termination of a contract, the Board of the Port shall take a decision on the cancellation of the permit and specify the date by that the decision is to be executed. That decision execution term shall not be less than 60 days. The Freeport Authority within five working days shall notify the State Revenue Service of the Board of the Port decisions regarding permit cancellation.
- (3) A capital company for that a permit for licensed commercial activity is to be cancelled, is entitled to carry out entrepreneurial activities in accordance with general provisions unless, due to the nature of the violation, it is prohibited from commercial activities in accordance with the procedures prescribed by law.

(4) prior to decision-making referred to in the first and second part of the present section, the Board of the Port shall ask a capital company to provide a written explanation. The relevant request shall contain explanation submission term, that shall not be shorter than two weeks. Failure to submit explanation shall not be an obstacle to decision making.

(in compliance with the formulation of the law of 14 October 2010, that comes into effect on 10 November 2010).

Section 14. The Procedure for Appealing against Decisions taken by the Board of the Port Regarding Permit Issuance, Revocation of a Permit, Entering into a Contract, and Early Termination of a Contract and the Adjudication of Disputes

(1) According to Section 12 and 13 of this Law, the Board of the Port decisions on issuing and revocation of a permit, contracting, and the early termination of a contract regarding the capital company operation in the free-zone regime shall be subject to appealing in compliance with the procedure stipulated by the Administrative Procedure Law.

(2) An appeal against the Board of the Port decision shall not suspend the enforcement of the said decision.

(3) Disputes concerning entering into a contract with the commercial companies regarding operation in the Freeport territory in compliance with the p.7 Paragraph three Section 7 of the Law on Ports and early termination of such contract shall be adjudicated by a court according to procedure stipulated by the Civil Law.

(in compliance with the formulation of the law of 14 October 2010, that comes into effect on 10 November 2010).

Section 15. Duty-Free Shops

(deleted with the Law of 27 July 2001, that comes into effect on 1 January 2001)

Section 16. Issue of a Certificate of Origin of Goods

The Port Authority, in accordance with procedures determined by the Cabinet, is entitled to issue a certificate of general form (non-preferential) that certifies the manufacture or processing of goods by a licensed capital company, as well as a certificate, that certifies the fact that the goods transported through the territory of a licensed capital company located in the Freeport have not been processed in this territory.

(with amending law of 14 October 2010, that comes into effect on 10 November 2010).

Section 17. Tax Payment Regime

(deleted with the Law of 27 July 2001, that comes into effect on 1 January 2001)

Section 18. Liquidation of the Freeport

The *Saeima* shall decide on the liquidation of the Freeport by adopting a special law.

Transitional Provisions

1. With the coming into force of this Law the Riga Commercial Freeport Law is repealed (*Latvijas Republikas Saeimas un Ministru Kabineta Ziņotājs*, 1996, No.23).

2. To ensure the operation of this Law in all the territory of the Freeport and the continuity of operations of the undertakings and companies located in the territory of the Riga Commercial Freeport, to settle the financial relations between the Port Authority, the State joint stock company *Rigas tirdzniecības osta* [Riga Trade Port] and the subjects of economic activities of the Riga Commercial Freeport, as well as to adopt decisions concerning property and other questions, the Cabinet shall, within a one-month period from the date of the coming into force of this Law:

1) establish and approve the reorganisation commission of the State joint stock company *Rigas tirdzniecības osta*;

2) determine the procedures as to how the State joint stock company *Rigas tirdzniecības osta* is to transfer to the Port Authority berths, surface and underground communications systems and other objects of property in its possession, including immovable property together with all the encumbrances associated with it, as well as the credit liabilities guaranteed by the State, and other rights and obligations; and

3) determine the status of further actions of the State joint stock company *Rigas tirdzniecības osta*.

3. The Port Authority shall, within a six-month period from the date of the coming into force of this Law, take over the administration of the Riga Commercial Freeport and berths, surface and underground communications systems and other objects of property in its possession, including immovable property together with all the encumbrances against it, as well as credit liabilities guaranteed by the State and other rights and obligations, and renew contracts with licensed companies that operate in the Riga Commercial Freeport.

(with amending law of 14 October 2010, that comes into effect on 10 November 2010).

4. *(deleted with the Law of 27 July 2001, that comes into effect on 1 January 2001)*

This Law has been adopted by the *Saeima* on 9 March 2000.

President

V.Vīķe-Freiberga

Riga, 28 March 2000