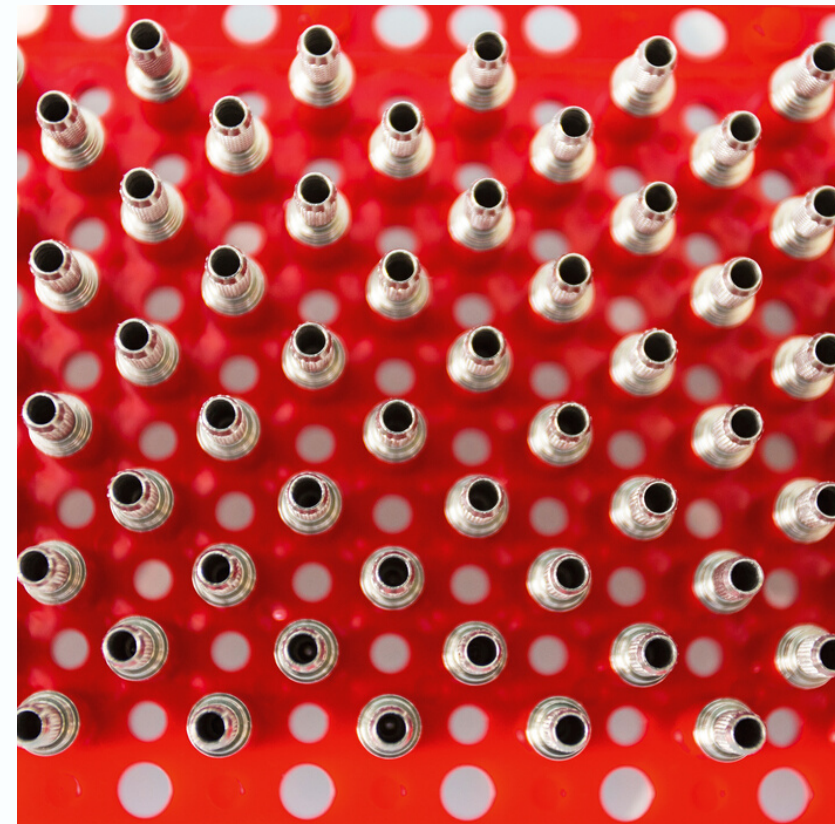
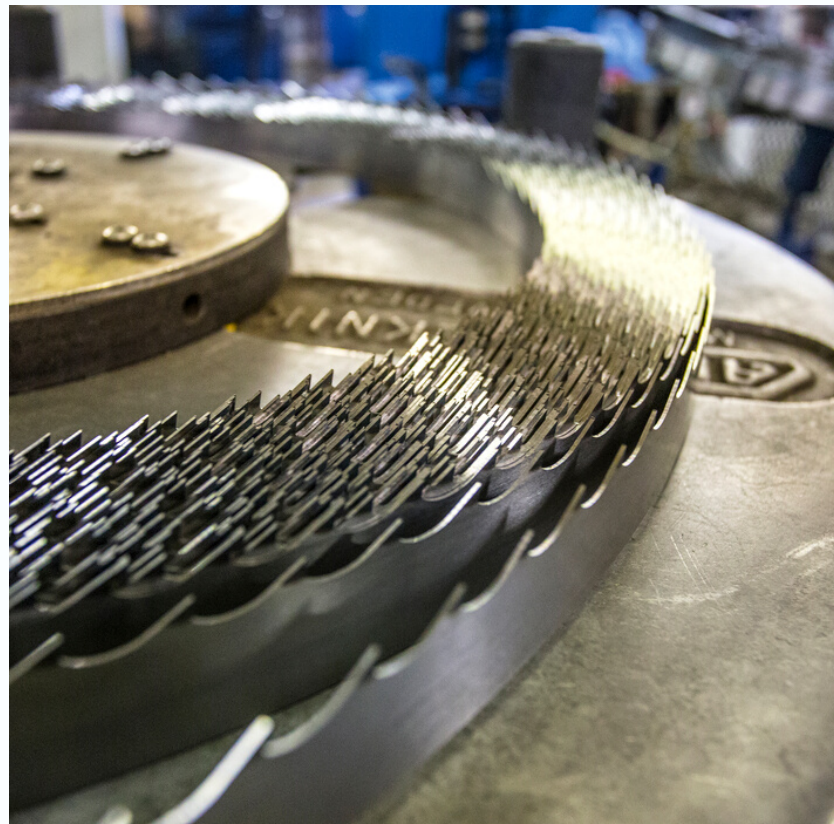
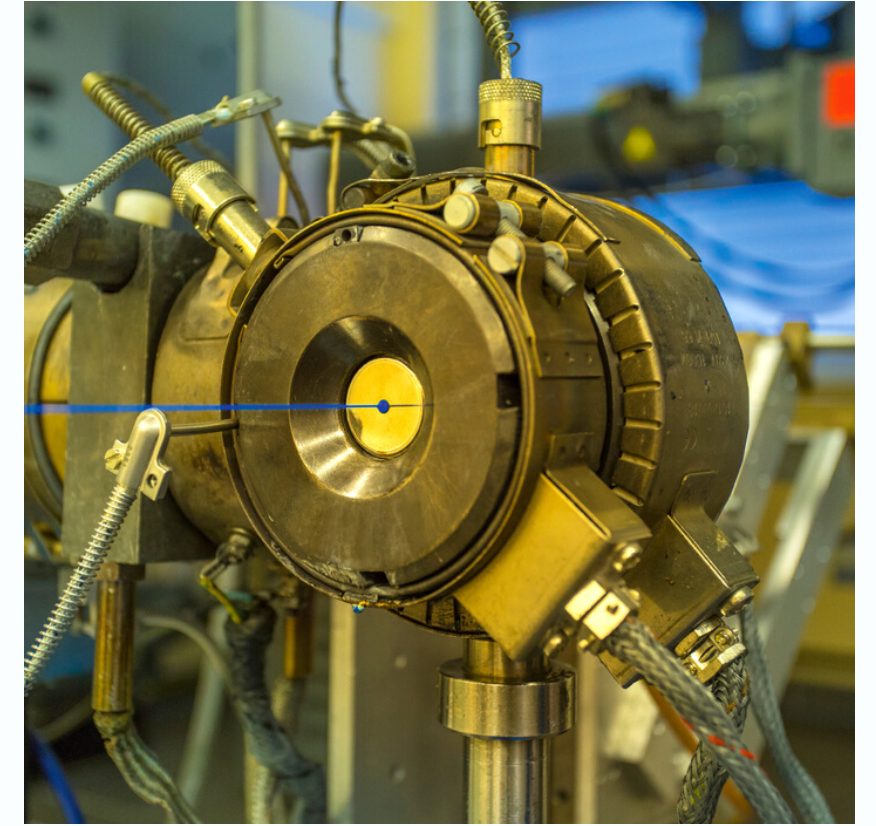
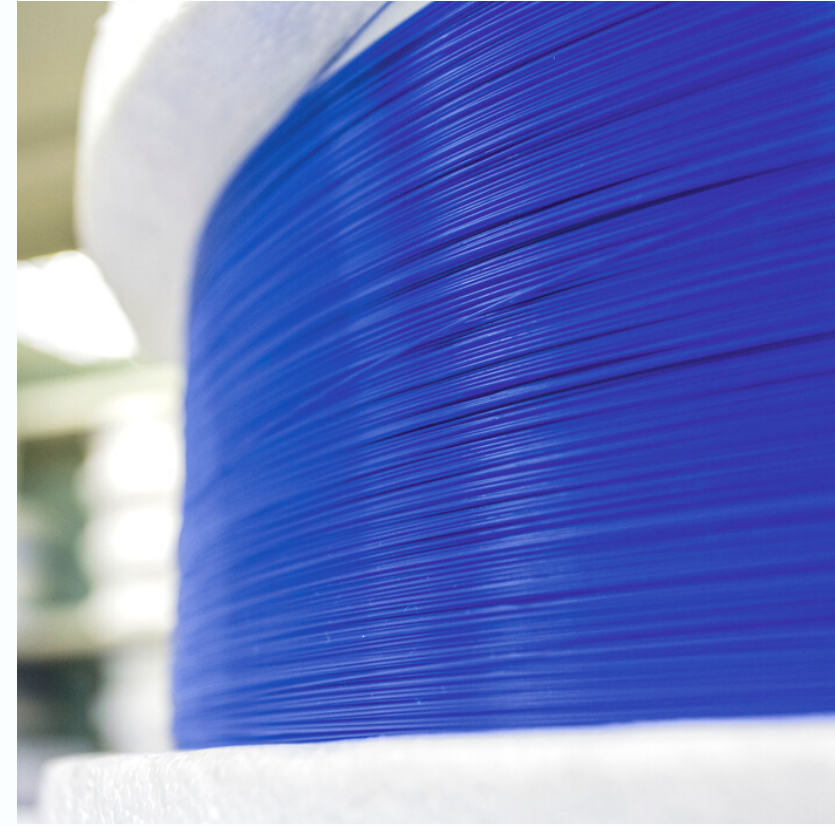


ADVANTAGES OF LATGALE SPECIAL ECONOMIC ZONE



LATGALES PLĀNOŠANAS
REĢIONS



LATGALE IN THE EUROPE



DEVELOPMENT OF THE LATGALE REGION

Degraded territories

Decrease until 2019



233 ha

Source: VARAM, LPR.

New workplaces

New workplaces until 2019



2006

Source: VARAM, LPR.

LPR project impact

Implemented 2009 - 2018

42 project
with overall budget of
19 640 627 €

Source: LPR.

The Latgale action programme 2012 - 2021

98,8 € million
funding obtained
2012 - 2013

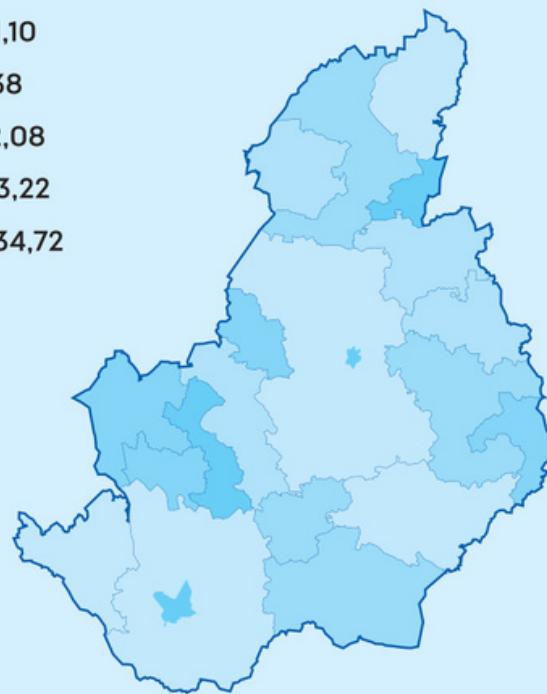
52,2 € million
funding obtained
2015 - 2017

29,5 € million
planned funding
2018 - 2021

Source: LPR.

Proportion (%) of SEZ* territory in total municipal territory

- 0,74 - 1,10
- 1,11 - 1,38
- 1,39 - 2,08
- 2,09 - 3,22
- 3,23 - 34,72



* SEZ - Special Economic Zone.
Source: VARAM.

Employment rate in Latgale (%)



Source: data.star.gov.lv

Unemployment rate (%)



Source: data.star.gov.lv

Traffic improvement

440 km*



* Traffic improved during 2007-2018 by ERDF.
Source: www.sam.gov.lv, LPR.

Optical cabling



Source: www.sam.gov.lv

Re-immigration 2018 - 2020

Could potentially return



101 families
288 people

Returned to Latgale



202 families
527 people

Source: VARAM, LPR.

Latgale Special Economic Zone, 2017 - 2021

Aim is to create
281
jobs until 2022



21
Capital companies

29 963 626 EUR
Total planned investment



86,79 ha
Latgale SEZ territory

Source: SEZ

Latgale Planning Region activities

19,64 € million
funding obtained &
22 projects directly
implemented by LPR

8,76 € million
available funding for development of
infrastructure by deinstitutionalization
plan for development of community-
based social services in Latgale

Source: LPR

HOW WILL THE INCLUSIVE TERRITORIES ARE EVALUATED?

- ✓ The **Latgale SEZ** territory consists of **public and privately** owned territories
- ✓ 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



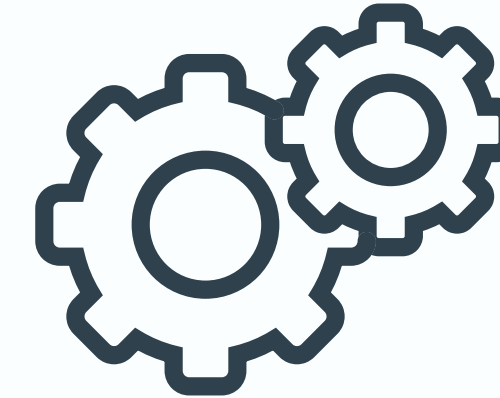
SUPPORTED INVESTMENTS:



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



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



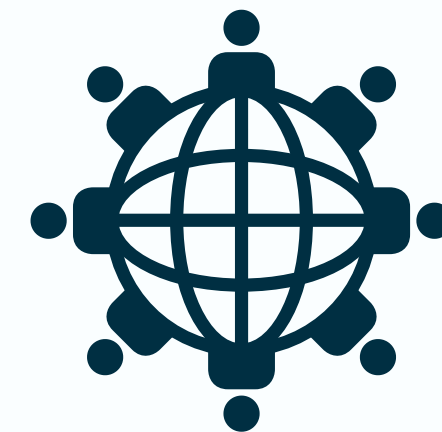
The acquired assets **must be new, except in the case of SMEs** (small and medium-sized enterprises)



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.

40%

the corporation corresponds to the category –
large company; (> 250 jobs, turnover > EUR 50 million)

B.

50%

the corporation meets the category –
medium company; (<250 jobs, turnover <EUR 50 million)

C.

60%

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 **(40%, 50% or 60%)** 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

UP TO

100%

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**

LATGALE SPECIAL ECONOMIC ZONE- SUMMARY

In accordance with the regulatory policy the status and the tax reliefs of the Latgale Special Economic Zone (LSEZ) can be granted to enterprises that are registered and operate in the Latgale region. Management of Latgale SEZ is centralized through the Latgale planning region.

Unlike in other special economic zones, the size and location of the territory that can be granted the status of LSEZ in each of the municipalities of the Latgale planning region is not predefined. LSEZ status can be granted to up to 5% of the total territory of the Latgale planning region, and is granted to the territory in which the entrepreneurs want to invest.



Territory of Latgale planning region occupies a total of 14 547 sq.km (or 22.52% of the total territory of Latvia) and includes 9 local municipality.

- 2 cities of state significance - Daugavpils and Rēzekne;
- 7 municipalities – Augšdaugava, Balvi, Krāslava, Līvāni, Ludza, Preiļi and Rēzekne county municipality

Tax relief:



80%

80% relief for company income (dividend) tax;

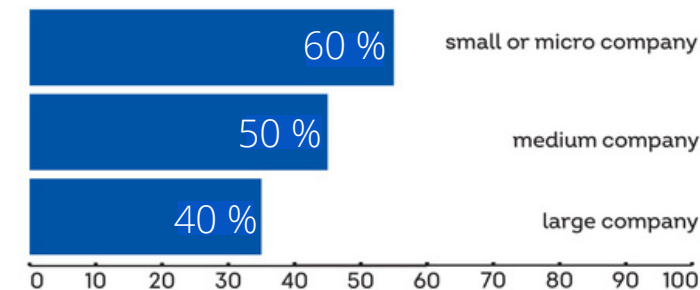
100%

Up to 100% relief for property tax.

The total amount of tax relief:

Maximum allowed support intensity from the investments (of the investment costs in tax relief – when the company conforms to category):

- **60%** of the investment costs in tax relief – when the company conforms to category of small or micro company;
- **50%** of the investment costs in tax relief – when the company conforms to category of medium company;
- **40%** of the investment costs in tax relief – when the company conforms to category of large company.



Investment is made in:

- establishment of a new capital company;
- increase in production or service capacity of an existing capital company;

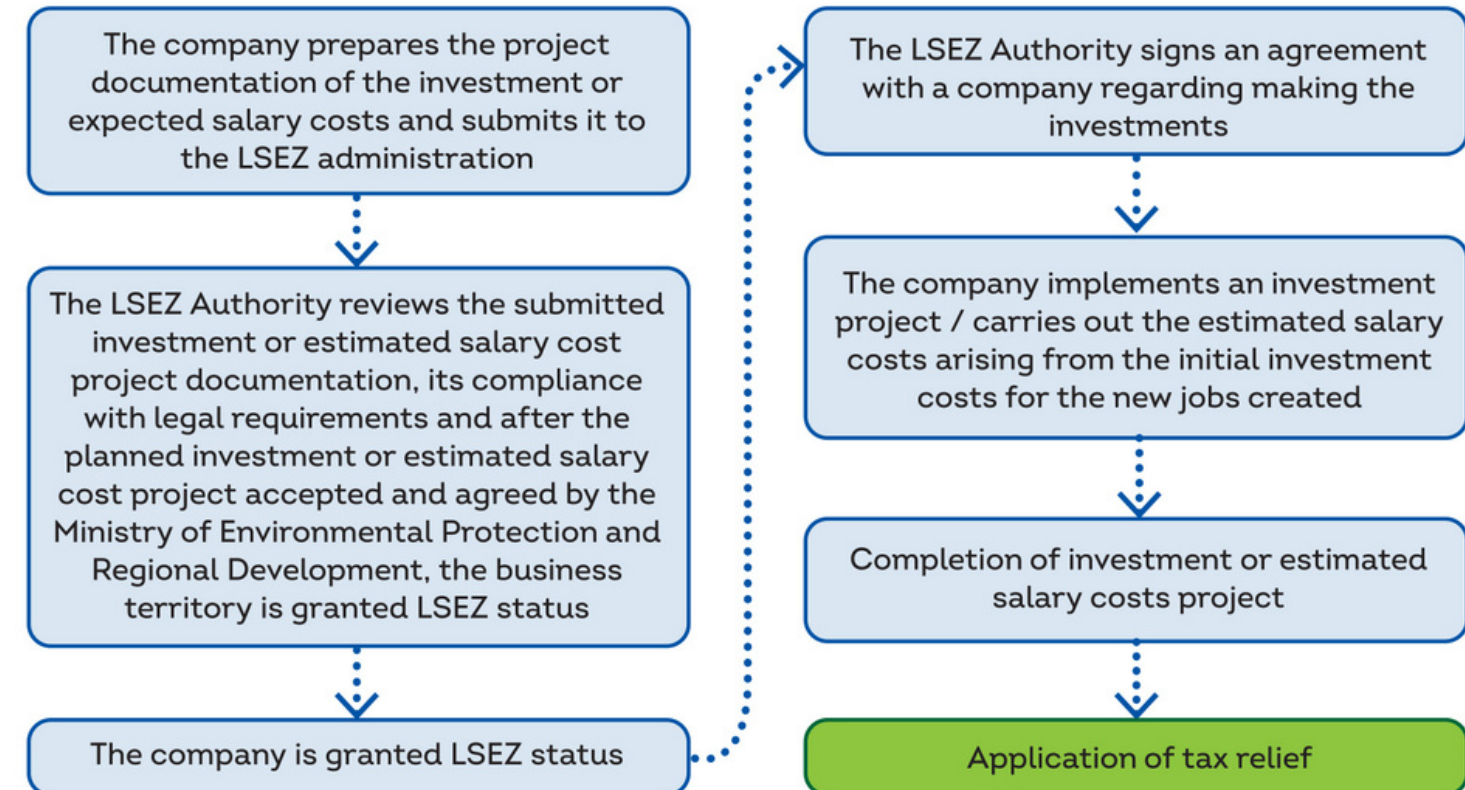
- diversification of the production of an existing capital company with products that have not been previously produced in capital company;
- fundamental change in the production processes of an existing capital company.

Eligible investments:

- Estimated salary costs - Includes gross salary before taxes and is calculated for a two-year period, including the employer's compulsory state social insurance contributions;
- Long-term tangible investments - buildings, structures, equipment, including energy

- production equipment costs, machinery;
- Long-term intangible investments – Licenses, patents, technology acquisition costs, information technology software acquisition costs;
- The assets acquired must be new, except in the case of SMEs (small and medium-sized enterprises)

The procedure of granting support:



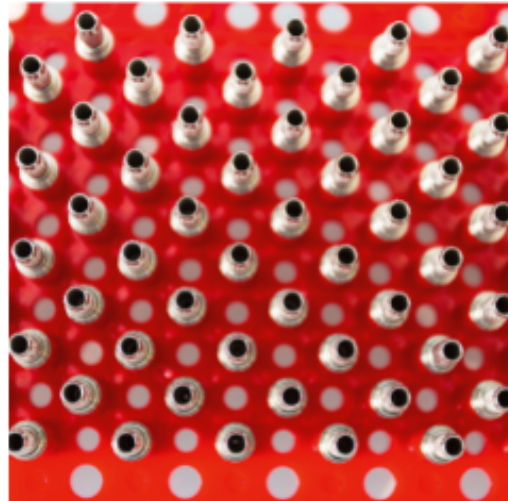
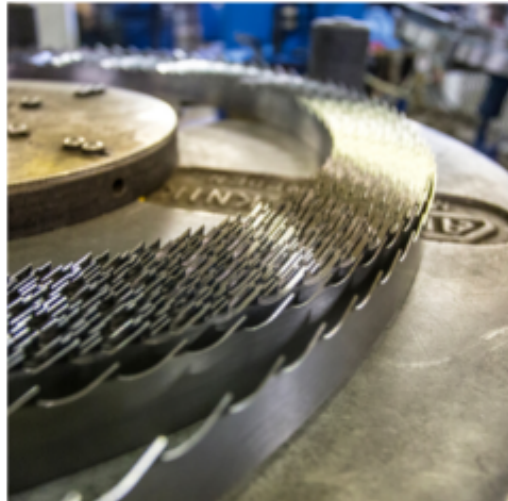
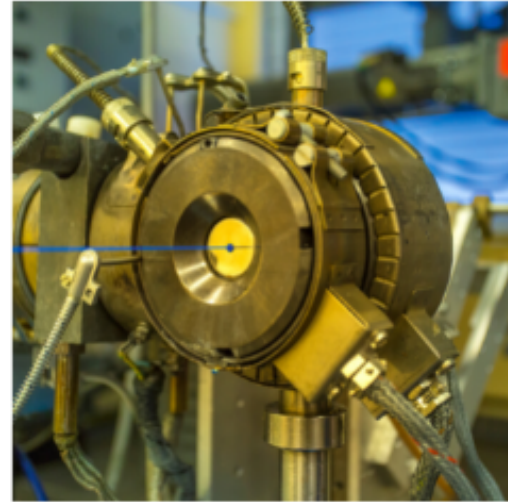
Unsupported industries:

- Transport sector companies and transport infrastructure;
- Steelmaking companies;
- Synthetic fibers sector industry;
- Agricultural industry companies;
- Fisheries and aquaculture industry companies;
- Coal production sector companies;
- Tobacco growing (NACE code: A01.15);
- Manufacture of beverages (NACE code: C11), except manufacture of soft drinks;

- manufacture of mineral waters and other bottled waters (NACE code: 11.07);
- Manufacture of tobacco products (NACE code: C12);
- Retail trade (NACE code: G), except for retail trade of manufactured products in production territories in Latgale special economic zone;
- Financial and insurance activities (NACE code: K);
- Gambling and betting (NACE code: R92);
- Other personal service activities (NACE code: S96).



LATGALES PLĀNOŠANAS
REĢIONS



LATGALE SPECIAL ECONOMIC ZONE



Saules street 15, Daugavpils, Latvia



+371 26511047



lsez@lpr.gov.lv



lpr.gov.lv/lsez