

Text consolidated by Valsts valodas centrs (State Language Centre) with amending laws of:

7 October 2004 [shall come into force from 27 October 2004];

17 July 2008 [shall come into force from 13 August 2008];

17 December 2009 [shall come into force from 1 January 2010].

If a whole or part of a section has been amended, the date of the amending law appears in square brackets at the end of the section. If a whole section, paragraph or clause has been deleted, the date of the deletion appears in square brackets beside the deleted section, paragraph or clause.

The *Saeima*¹ has adopted and
the President has proclaimed the following Law:

Public Benefit Organisation Law

Section 1. Purpose of this Law

The purpose of the Law is to promote the public benefit activities of associations and foundations, as well as religious organisations and the institutions thereof.

Section 2. Public Benefit Activities

(1) A public benefit activity is an activity, which provides a significant benefit to society or a part thereof, especially if it is directed towards charitable activities, protection of civil rights and human rights, development of civil society, education, science, culture and promotion of health and disease prophylaxis, support for sports, environmental protection, provision of assistance in cases of catastrophes and extraordinary situations, and raising the social welfare of society, especially for low-income and socially disadvantaged person groups.

(2) The following shall not be deemed to be public benefit activities:

1) activity, which is directed to the support of political organisations (parties) or the election campaign thereof;

2) activity of such a scope as it is directed only to the members or founders of the association and foundation and persons associated with them for the satisfaction of private interests and needs, except activity which promote an association or foundation, which is founded and is engaged in order to protect of the rights and interests of socially disadvantaged person groups and low-income persons and families; and

3) activity, which is directed to the collection of donations for third parties, withholding payment therefor which exceeds the administration expenses.

(3) Low-income persons within the meaning of this Law shall be deemed persons the income and material circumstances of whom does not exceed the level specified by the Cabinet on the basis of the Social Services and Social Assistance Law.

(4) Socially disadvantaged person groups shall be determined by the Cabinet by analysis of the socio-economic situation in the State and the influence thereof upon individual person groups.

[17 July 2008]

Section 3. Public Benefit Organisations

Public benefit organisations are associations and foundations, the aim indicated in the articles of association, constitution or by-laws of which is public benefit activities, as well as religious organisations or the institutions thereof (hereinafter – religious organisations), which

¹ The Parliament of the Republic of Latvia

perform public benefit activities if such associations, foundations and religious organisations have been granted public benefit organisation status and if they use their income for activities of non-commercial nature and directed to ensuring public benefit activities, taking into account the restrictions referred to in Sections 11 and 12 of this Law.

[17 July 2008]

Section 4. Tax Rebates in Relation to Public Benefit Organisation Activities

[17 December 2009]

(1) A public benefit organisation has the right to receive tax rebates specified by law, and it shall have other rights specified by law.

(2) Persons who donate to a public benefit organisation are entitled to receive tax rebates specified by law, except in the cases if they recall their donation.

[17 December 2009]

Section 5. Register of Public Benefit Organisations

The Register of Public Benefit Organisations shall be kept by the State Revenue Service and published on the Internet home page thereof. The Register shall contain the following information:

1) the date of taking and publishing the decision on granting of the public benefit organisation status and the decision on withdrawal of the public benefit organisation status, the number allocated thereto;

2) the fields of the public benefit activities indicated in the decision on granting of the public benefit organisation status;

3) the reports on activities of the public benefit organisation for the previous years (starting from the report on activities of the year when the public benefit organisation status has been granted);

4) a plan of further activities of the public benefit organisation.

[17 December 2009]

Section 6. Public Benefit Commission

(1) The Public Benefit Commission (hereinafter – Commission) is a collegial institution, which equal numbers shall include officials, as well as representatives of associations and foundations.

(2) The Commission shall provide the State Revenue Service with a justified opinion on the conformity of associations, foundations or religious organisations to the essentials of public benefit organisation activities, as well as the conformity of the use of property and financial means thereof to the provisions of this Law.

(3) The work of the Commission shall be ensured by the State Revenue Service.

(4) The Cabinet shall approve the by-law of the Commission and the composition of the Commission.

(5) The procedures by which representatives of associations and foundations are nominated and included in the composition of the Commission shall be determined by the Cabinet.

[17 July 2008; 17 December 2009]

Section 7. Procedures for Granting of the Public Benefit Organisation Status

(1) An association, foundation or religious organisation wishing to acquire the public benefit organisation status shall file to the State Revenue Service a submission regarding granting of the public benefit organisation status, indicating in the submission the preferable way of being

notified by the State Revenue Service of the decision on granting of the public benefit organisation status.

(2) An association, foundation or religious organisation shall append to the submission a report on activities of the previous year and a plan of further activities in accordance with the form to be approved by the Cabinet.

(3) In order for a decision on granting of the public benefit organisation status to be taken, the following documents and information shall be assessed:

1) the decision of the Register of Enterprises on entering into the relevant register and information included therein;

2) only for associations and foundations – the decision on founding of the association or foundation or – in the case of a testamentary foundation – the will;

3) only for religious organisations – information regarding officials of the religious organisation (members of boards of directors and audit commissions), indicating the given name, surname, personal identity number and position thereof;

4) the articles of association, constitution or by-law;

5) the annual account, if the association, foundation or religious organisation has a duty to prepare it in conformity with the requirements of regulatory enactments;

6) a statement from the real estate taxation administration regarding payment of this tax;

7) a justified opinion of the Commission.

(4) The State Revenue Service shall take a decision on granting of the public benefit organisation status to an association, foundation or religious organisation, if the following conditions are met:

1) the aim indicated in the articles of association, constitution or by-law of the association, foundation or religious organisation is public benefit activities and the association, foundation or religious organisation performs the public benefit activities;

2) the association, foundation or religious organisation has no tax debts.

(5) The relevant field of public benefit activities shall be indicated in the decision on granting of the public benefit organisation status.

(6) If the documents and information referred to in Paragraphs two and three of this Section do not provide a full representation regarding activities of the association, foundation or religious organisation, as well as the use of property and financial means, the State Revenue Service has the right to request additional information and documents from the relevant State or local government institution and the association, foundation or religious organisation. When requesting additional information and documents, the State Revenue Service shall indicate the time period for the submission thereof.

(7) A decision on granting of the public benefit organisation status shall be taken by the State Revenue Service within one month following the day of filing the submission. If additional information and documents are requested, a decision on granting of the public benefit organisation status shall be taken by the State Revenue Service within one month following the day of receiving the additional information and documents.

(8) The State Revenue Service shall notify of a decision on granting of the public benefit organisation status by sending it by post or by publishing the information regarding granting of the public benefit organisation status on the Internet homepage thereof.

(9) If the State Revenue Service publishes a decision on granting of the public benefit organisation status on the Internet home page thereof, the public benefit organisation status shall be considered to be granted on the seventh day following the publishing of such a decision.

(10) If the State Revenue Service sends a decision on granting of the public benefit organisation status by post, the public benefit organisation status shall be considered to be granted on the seventh day following the delivery of such a decision to the post.

[17 December 2009]

Section 8. Refusal to Grant Public Benefit Organisation Status

(1) The State Revenue Service shall take a decision, based on a justified opinion of the Commission, to refuse the granting of public benefit organisation status if:

1) the indicated aims in the articles of association, constitution or by-laws of the association or foundation or the activities of the association, foundation or religious organisation do not conform to the essentials of public benefit activities;

2) the State Revenue Service, the Office of the Prosecutor, another institution or court has determined significant violations of regulatory enactments in the activities of the association, foundation or religious organisation;

3) the association, foundation or religious organisation has a tax debt; or

4) the association, foundation or religious organisation has not submitted all of the information and documents referred to in Section 7, Paragraphs one, two and six of this Law within 90 days following the first written request of the State Revenue Service.

(2) [17 December 2009]

(3) A decision on refusal to grant the public benefit organisation status shall be notified, sending it by post. The decision on refusal to grant the public benefit organisation status shall come into effect on the seventh day following its delivery to the post.

[17 July 2008; 17 December 2009]

Section 9. Donation

(1) A donation within the meaning of this Law is property or financial means, which a person (donor) free of charge, based upon a mutual agreement, gives to a public benefit organisation for the achievement of the aims indicated in the articles of association, constitution or by-laws thereof and to which tax rebates may be applied.

(2) Property or financial means given to a public benefit organisation shall not be considered as a donation in such an amount as the public benefit organisation has been specified a corresponding duty to perform activities, which are of a compensatory nature.

(3) If a donation of a person (donor) for one public benefit organisation exceeds 10 minimum monthly salaries or the total amount of donations in a calendar year exceeds 10 minimum monthly salaries, such a person, in order to be entitled to use tax rebates, shall conclude a written agreement with the public benefit organisation regarding those donations which exceed 10 minimum monthly salaries. Within the meaning of this Law the minimum monthly salary shall be the minimum amount of the monthly salary specified on 1 January of the relevant calendar year.

[17 July 2008]

Section 10. Types of Donations and the Use thereof

(1) Donations for a specific purpose are targeted donations and they shall be used only for the aims specified in the agreement. The transfer of property and financial means without charge for purposes, which do not conform to the aims, indicated in the articles of association, constitution or by-laws of a public benefit organisation or which are not intended for the public benefit activities of the receiver of the donation shall not be deemed to be donations.

(2) A donation for which the aim of use is not specified or for the transfer of which a written agreement has not been concluded is a general donation and it shall be used for the aims indicated in the articles of association, constitution or by-laws.

(3) Donations may not be used to cover losses, which have been created as a result of the economic activities of the public benefit organisation.

[17 December 2009]

Section 11. Restriction on the Use of the Property and Financial Means of Public Benefit Organisations

(1) A public benefit organisation has a duty to use its property and financial means for the aims indicated in the articles of association, constitution or by-laws of the relevant organisation.

(2) If the total amount of donations received by a public benefit organisation in a calendar year exceeds 12 minimum monthly salaries, such organisation has a duty to use not less than 75% of such total amount, which is formed in the relevant calendar year from the used donations and income from their economic activities to which are applied tax rebates, only for such field of public benefit activities, which is referred to in the decision on granting of public benefit organisation status to the relevant organisation.

(3) The Cabinet shall determine those types of expenditures, which within the meaning of this Law, are deemed to be public benefit organisation administrative expenses, providing that to these are counted public benefit organisation expenses, which are not directly associated with the achievement of the aims indicated in the articles of association, constitution or by-laws. A public benefit organisation may use for administrative expenses not more than 25% of general donations used in the relevant taxation period (calendar year).

(4) A public benefit organisation has the right to establish in credit institutions financial means reserves if the utilisation thereof occurs in accordance with the articles of association, constitution, by-laws or the agreement with the donor.

(5) A public benefit organisation may not free of charge transfer donated property or financial means for the performance of commercial activities, as well as such activities, which are associated with the activities of political organisations (parties) or the support of the election campaign thereof.

(6) A public benefit organisation may free of charge transfer property or financial means donated to them only on the basis of a written agreement. The agreement shall also indicate:

1) the aim of the use of the property or financial means, which is associated with those public benefit organisation activities, which are referred to in the decision on granting of public benefit organisation status to the relevant organisation;

2) the liability of the person for the use of the property or financial means transferred to him or her in conformity with the provisions of the agreement, who receives the property or financial means donated to the public benefit organisation; and

3) the duty of the public benefit organisation to supervise that person to whom it has transferred property or financial means, shall fully use them for the aims provided for in the agreement, as well as the right of the public benefit organisation to recover the transferred property or financial means if the person does not use the property or financial means received from the public benefit organisation in accordance with the aims provided for in the agreement.

[17 July 2008; 17 December 2009]

Section 12. Restriction on the Activities of Public Benefit Organisations

(1) It is prohibited for a public benefit organisation to divide its property and financial means between founders, members of boards of directors or other administrative institutions (if such are established), as well as to utilise it so that directly or indirectly a benefit is obtained (guarantees, loans, promissory notes, as well as other material benefits).

(2) The provisions of Paragraph one of this Section shall apply also to spouses, kin and affines, counting kin up to the second degree and affines up to the first degree, of the founders, members of boards of directors or other administrative institutions (if such are established) of the public benefit organisation.

(3) If a person receives remuneration for work in a public benefit organisation, such remuneration shall be reasonable and justified by the work performed and the financial circumstances of the public benefit organisation.

Section 13. Supervision of the Activities of a Public Benefit Organisation

(1) A public benefit organisation shall every year by 31 March submit to the State Revenue Service the report on activities for the previous year (in a hard copy and electronically). If the referred to document is being submitted electronically and it has been drawn up in accordance with the requirements for drawing up electronic documents specified in the regulatory enactments, it needs not be submitted in a hard copy.

(2) [17 December 2009]

(3) The Commission shall every year examine the annual account, the report on activities for the previous year of a public benefit organisation, as well as information of the State Revenue Service regarding payment of taxes and the statement of the local government regarding payment of real estate tax, assess the conformity of activities of the public benefit organisation to the nature of public benefit activities. If the Commission has substantiated suspicions regarding compliance of the use of donations received by the public benefit organisation with the requirements of this Law, the State Revenue Service shall according to the competence thereof carry out the relevant inspection and provide the Commission with information regarding results of the inspection.

(4) [17 December 2009]

(5) The State Revenue Service shall, based on the changes made in the relevant registers of the Register of Enterprises regarding the change of the name or address of a public benefit organisation, make the relevant amendments to the decision on granting of the public benefit organisation status and in the Register of Public Benefit Organisations.

[17 July 2008; 17 December 2009]

Section 14. Withdrawal of the Public Benefit Organisation Status

(1) The State Revenue Service may take a decision on withdrawal of the public benefit organisation status if:

1) the public benefit organisation has not used its property or financial means for the field of public benefit activities, which is referred to in the decision on granting of the public benefit organisation status to the relevant organisation, for the aims indicated in the articles of association, constitution or by-law of this organisation, or has not complied with the restrictions specified in Sections 11 and 12 of this Law;

2) the State Revenue Service, the Office of the Prosecutor, another institution or court has determined significant violations of regulatory enactments in the activities of the public benefit organisation;

3) the public benefit organisation does not make tax payments according to the procedures specified in regulatory enactments;

4) the public benefit organisation in its activities has significantly violated the provisions of this Law;

5) the basic activity of the public benefit organisation are not related to the aims indicated in the articles of association, constitution or by-law or they do not conform to the nature of public benefit activities, or such an organisation has submitted false information;

6) the Commission, when examining the annual account, the report on activities for the previous year of the public benefit organisation, information of the State Revenue Service regarding payment of taxes and the statement of the local government regarding payment of real estate tax, as well as information regarding the results of inspection in the case referred to in Section 13, Paragraph three of this Law, when assessing the conformity of the public

benefit organisation activities with the nature of public benefit activities, has provided a justified opinion on non-conformity of the public benefit organisation activities with the nature of public benefit activities;

7) the public benefit organisation has filed to the State Revenue Service a submission with a request to withdraw the public benefit organisation status thereof.

(2) The State Revenue Service, prior to taking a decision on withdrawal of the public benefit organisation status, is entitled to request an opinion from the Commission on the public benefit organisation violations referred to in Paragraph one, Clauses 3 and 5 of this Section.

(3) The State Revenue Service shall take a decision on withdrawal of the public benefit organisation status due to the violations of the public benefit organisation referred to in Paragraph one, Clauses 3 and 5 of this Section, if the public benefit organisation, after receipt of a written warning from the State Revenue Service, has not rectified the violations indicated therein within the specified time period.

(4) In the cases referred to in Paragraph one, Clauses 1, 2, 4, 6 and 7 of this Section the State Revenue Service shall take a decision on withdrawal of the public benefit organisation status without prior warning.

(5) Appealing of a decision on withdrawal of the public benefit organisation status shall not suspend the operation thereof.

(6) The State Revenue Service shall publish information regarding withdrawal of the public benefit organisation status on the Internet home page thereof and send the decision on withdrawal of the public benefit organisation status by post. The public benefit organisation status shall be considered to be withdrawn on the seventh day following the delivery of the decision to the post.

(7) The State Revenue Service shall publish information regarding withdrawal of the public benefit organisation status on the Internet home page thereof within one working day following the day when the decision on withdrawal of the public benefit organisation status has been delivered to the post.

[17 July 2008; 17 December 2009]

Section 15. Repeated Granting of the Public Benefit Organisation Status

(1) If the public benefit organisation status for an association, foundation or religious organisation has been withdrawn, the submission thereof regarding granting of the public benefit organisation status shall be examined on its merits not earlier than one year following the day when the decision on withdrawal of the public benefit organisation status came into effect.

(2) If the public benefit organisation status for an association, foundation or religious organisation has been withdrawn according to Section 14, Paragraph one, Clause 3 or 7 of this Law, the submission thereof regarding granting of the public benefit organisation status shall be examined on its merits not earlier than six months following the day when the decision on withdrawal of the public benefit organisation status came into effect.

(3) A decision on refusal to examine the submission referred to in Paragraphs one and two of this Section on its merits shall not deny repeated filing of such a submission following the end of the time period referred to in Paragraph one or two of this Section.

(4) The associations, foundations and religious organisations referred to in Paragraph two of this Section, for which the public benefit organisation status has been withdrawn according to Section 14, Paragraph one, Clause 3 of this Law, may be granted the public benefit organisation status repeatedly, if the violations detected have been rectified and in compliance with the request of the State Revenue Service a confirmation by the competent authority regarding the rectification of these violations has been received.

(5) If, when appealing a decision on withdrawal of the public benefit organisation status, the court finds that the application is substantiated, while during the proceedings the relevant

association, foundation or religious organisation has been repeatedly granted and withdrawn the public benefit organisation status, such association, foundation or religious organisation shall not recover the public benefit organisation status and the submission thereof regarding repeated granting of the public benefit organisation status shall be examined in accordance with Paragraphs one, two and four of this Section.

[17 July 2008; 17 December 2009]

Section 16. Public Benefit Organisation Status in the Case of Reorganisation of an Association or Foundation

(1) In the case of the reorganisation of an association or foundation, the public benefit organisation status shall not pass on to the acquiring association or foundation, except in the case if the reorganisation of the association or foundation is performed by way of acquisition and the acquired association or foundation is a public benefit organisation at the moment of the coming into effect of the reorganisation.

(2) In the case of the division of an association or foundation, the dividing association or foundation retains the public benefit organisation status.

Section 17. Division of Property of a Public Benefit Organisation to Be Liquidated

(1) The liquidator of a public benefit organisation to be liquidated shall inform the State Revenue Service regarding commencement of the liquidation process and prior to division of the remaining property thereof, which has remained after satisfaction of the creditors' claims and covering of liquidation costs, submit to the State Revenue Service the final financial account of the public benefit organisation to be liquidated.

(2) The State Revenue Service, based on a justified opinion of the Commission, shall take a decision on transferring of the remaining property of a public benefit organisation to be liquidated to a public benefit organisation that has a similar aim of activities. The Cabinet shall determine the criteria according to which a public benefit organisation shall be specified, to which the property of the public benefit organisation to be liquidated or of the organisations referred to in Paragraph five of this Section shall be transferred, as well as the procedures for the transfer of such property.

(3) If the property of a public benefit organisation to be liquidated cannot be transferred in accordance with Paragraph two of this Section, it shall pass to the State and the State shall use it as far as possible in accordance with the aims indicated in the articles of association of the public benefit organisation.

(4) The liquidator shall ensure the transferring of the remaining property of a public benefit organisation to be liquidated to the public benefit organisation specified in the decision of the State Revenue Service or to the State.

(5) The provisions of Paragraphs one, two, three and four of this Section shall be applicable also to such association, foundation or religious organisation to be liquidated, for which the public benefit organisation status has been withdrawn and which has received donations as a public benefit organisation in the previous year.

(6) The provisions of this Section shall be applicable only to such religious organisations, which are not religious unions (churches) registered in compliance with the procedures prescribed by law.

[17 December 2009; see Paragraph 7 of Transitional Provisions]

Transitional Provisions

1. Section 4 of this Law shall come into force on 1 January 2005.

2. Up to 1 January 2005, the Ministry of Finance may take the decisions referred to in Section 7, Paragraph five of this Law (in the wording of 17 June 2004) within two months from the day of the submission of all the documents.

[17 December 2009]

3. If the public organisation or company, which is founded as a non-profit making organisation, which has a permit to receive donations and the donors of which are applied tax rebates or granted other tax relief specified by law, shall be transformed into an association or foundation and entered into the association and foundation register, the permits and tax rebates, which are granted to such public organisation or company, shall be applied to the newly established association or foundation up to the acquisition of public benefit organisation status, but not later than 1 April 2005.

[7 October 2004]

4. *[17 December 2009]*.

5. The amendment to Section 11, Paragraph three of this Law (in the wording of 17 July 2008) shall come into force on 1 January 2009.

[17 December 2009]

6. Until the day of coming into force of the Cabinet regulation referred to in Section 7, Paragraph two of this Law, but not longer than until 1 July 2010, the Cabinet Regulation No. 1110 of 22 December 2008, *Regulations Regarding the Sample Form for the Report on Activities for the Previous Year and Plan of Further Activities of an Association, Foundation, Religious Organisation or Body Thereof*, shall be applicable, insofar as it is not in contradiction with this Law.

[17 December 2009]

7. The amendment to this Law regarding the re-wording of Section 17 of this Law shall come into force on 1 July 2010. Until the day of coming into force of this amendment the Cabinet shall issue the relevant regulations referred to in Section 17, Paragraph two (in a new wording).

[17 December 2009]

8. The liquidation of such public benefit organisations, the liquidation process of which has been commenced prior to the day of coming into force of the amendment referred to in Paragraph 7 of these Transitional Provisions, shall be completed in accordance with the regulatory enactments in force until the day of coming into force of this amendment.

[17 December 2009]

This Law shall come into force on 1 October 2004.

This Law has been adopted by the *Saeima* on 17 June 2004.

President

V. Vīķe-Freiberga

Rīga, 7 July 2004