

# Latvia

## International Estate Planning Guide

IBA Private Client Tax Committee

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## I. Wills and disability planning documents

### A. *Will formalities and enforceability of foreign wills*

A will is any unilateral instruction which a person has given on the event of their death regarding all or part of their property. A will can include instructions regarding immovable and movable property, as well as transferable rights and obligations.

Any person is capable of making a will, other than those who are unable to express their intent. Persons under trusteeship are also capable of making a will, provided they are capable of expressing intent. Moreover, minors who have reached the age of 16 may make a will with respect to their independent property, that is, all the property given free of charge to the minor to be used independently by the respective minor, or everything that the minor has acquired as a result of their personal work.

A testator may revoke, amend or supplement their will at any time. A person may revoke a previous will either by making a new will or by simply revoking the previous will. A will must be made and further amended or revoked by the testator personally. A testator cannot authorise someone else to make their will.

The content of a will must express the true intent of the testator. A will shall be made free from duress, mistakes or fraud. If the intent of the testator is clear, then a will does not become invalid because a mere mistake in a name or a description has occurred.

#### 1. LATVIAN WILLS

##### a. Form of wills

Wills may be either private or public. Private wills may also be submitted to a notary public for safekeeping and, in such cases, private wills are requalified as public wills, provided that certain procedures are complied with. Additionally, two or more testators may make reciprocal wills, appointing one another as heirs. Reciprocal wills may be made either in the form of private or public wills.

##### b. Private wills

Currently, regulation provides for only one type of valid private will, namely a holographic will. A holographic will is a private will written and signed by the testator using their own hand. A private will can be made in any language.

Until 30 June 2014, the law recognised additional forms of private wills, such as wills written using technical means, such as computers, and signed by a testator by hand in the presence of witnesses, or, if a testator could not sign the document, signed by another person in the presence of witnesses. These wills were valid if made before 30 June 2014 and submitted for safekeeping by a notary public. However, pursuant to legislative changes approved in May 2024, inheritance under such private wills is no longer permitted after 31 December 2020, even if the will was submitted to a notary. A transitional period was established to allow testators to reformulate their will in a valid format under current law, or for heirs of already deceased testators to initiate inheritance proceedings before the deadline. Only holographic wills or public wills remain valid.

A private will must clearly indicate the identity of the testator and the heirs. However, the appointment of an heir does not require a particular form, provided that the testator expresses their wishes in this regard clearly and unambiguously.

For a private will to be valid there must be certainty that it was prepared by the testator and that it correctly reflects their last intent. If a testator corrects or amends a will with their own hand or corrections have been made reflecting the intent of the testator, the will remains valid. The testator must themselves indicate in the will everything that has intentionally been crossed out or erased. If any erasing or crossing out is not properly addressed, it will not affect the unaltered parts of the will and these parts will remain valid. If a will is evidently not finished and not completed, then it does not have any validity. However, if a testator has promised in the will to supplement it later with new instructions but did not do so before their death, this does not affect the validity of the will, provided that the will can be exercised without the intended instructions.

c. Private wills submitted to a notary public for safekeeping

In order to ensure certainty, a testator may submit a private will to a notary public for safekeeping. In exceptional cases, the will can also be submitted to the Orphans' and Custody Court (the 'Custody Court'). Since 1 July 2014, this service is no longer available at Latvian consulates abroad.

When private wills are deposited for safekeeping, they become valid as a public will, subject to their compliance with special formalities. The deposited private wills are registered in the Public Wills Register.

If during the depositing process, a testator does not indicate to the notary public that the envelope contains their last will, then the will does not become valid as a public will. Nonetheless, a will that is not valid as a public will shall not be invalidated as a private will provided that the requirements regarding private wills have been complied with.

The authenticity of a public will may not be challenged; only a claim of forgery may be raised against such a will. The testator may request the notary public with whom the will was deposited to return the will, either personally or by authorising a representative on their behalf with a special power of attorney.

d. Public wills

Public wills, unlike private ones, must be made before a notary public, or before the Custody Court. The notary public assists and ensures that the content of the will complies with the regulations and represents the true intent of the testator. All public wills must be registered in the Public Will Register.

A will that is entered in the Public Will Register must be deemed to be the original version of a public will. After registration, public wills can be challenged on very limited grounds. After the original is signed, the testator receives a copy. The copy which is given to the testator is of equal validity as the original will. While the testator is still alive, a second copy and subsequent copies of the public will may be issued only to the testator themselves or to a representative authorised by a special power of attorney.

A testator may revoke a public will by retrieving it from the notary and destroying it or by making a new will. Note that an older public will is revoked by a private will drafted at a later date.

e. Reciprocal wills

Reciprocal wills are a type of will whereby two or more persons in the form of one joint document reciprocally appoint each other as heirs. As mentioned above, this type of will may be made in the form of a private or a public will.

## 2. ENFORCEABILITY OF FOREIGN WILLS

Latvia is not a party to the Hague Conference on Private International Law (HCCH) Convention on the Conflicts of Law Relating to the Form of Testamentary Dispositions 1961 (the 'Hague Testamentary Dispositions Convention'). Therefore, the validity of a will written in another state depends on the requirements of the applicable law. Under Latvian Civil Law, inheritance rights to assets located in Latvia must be adjudicated in accordance with Latvian law, regardless of where the will was made or the testator's nationality.

Latvia, as a Member State of the European Union, is bound by EU Regulation 650/2012 of 4 July 2012 (the Succession Regulation). This Regulation applies to cross-border succession matters involving persons who died on or after 17 August 2015. It governs jurisdiction, the applicable law, recognition and enforcement of decisions, and introduces the European certificate of succession. The Regulation is binding in Latvia and all other EU Member States, except Denmark and Ireland.

Latvia has also entered into international agreements on judicial cooperation regarding civil, criminal and family matters with Belarus, Estonia, Kyrgyzstan, Lithuania, Moldova, Poland, Ukraine and Uzbekistan. Generally, these agreements provide that the form of the will is determined by the law of the state of which the testator was a citizen when making the will. However, the form of the will is also valid if the testator complied with the legal requirements of the state in whose jurisdiction the will was made.

In any event, the determination of the applicable law will depend on the specific circumstances of each case and is usually not a straightforward exercise in cases where the testator has assets that are located in several jurisdictions.

## *B. Will substitutes (revocable trusts or entities)*

### 1. THE HCCH CONVENTION

Latvia does not have a law on trusts nor is it a party to the HCCH Convention on the Law Applicable to Trusts and on Their Recognition 1985 (the 'Hague Trusts Convention'). Thus, persons cannot set up a trust in Latvia as an instrument to transfer property in the event of their death.

### 2. INHERITANCE CONTRACTS

In addition to wills, another legal tool for leaving an estate to a certain person or group of persons is an inheritance contract, pursuant to which one party grants the rights to their future inheritance or part of it to another party, or several parties grant such rights to each other. In an inheritance contract, one party may also grant a legacy (ie, an item separate from the estate) to another party or to a third person.

An inheritance contract establishes not only a personal obligation, but the inheritance right itself. Unlike a will, an inheritance contract is a multilateral transaction; therefore, it cannot be unilaterally revoked or altered by the estate leaver unless such a right has been agreed. A contractual right to inherit has priority over a right derived from a will. However, contract, will and intestate (inheritance under the provisions of the law) succession can exist simultaneously.

Being a contract, inheritance contracts must also incorporate all of the provisions that the law requires in general for a contract to be valid. Additionally, inheritance contracts must be certified by a notary public. If the inheritance contract concerns immovable property, then, for it to be valid in regard to third persons, it must be registered in the Land Register.

An inheritance contract can only be entered into by a person who has the capacity to make wills and to inherit pursuant to a will. If an heir appointed in a contract is a minor, then, for the transaction to have legal effect, the consent of a guardian is necessary, but if the estate leaver

is a minor, then the inheritance contract that has been entered into shall only be binding if it concerns their independent property.

Considering that an inheritance contract establishes a future invitation to inherit only, it does not restrict the right of an estate leaver to take actions related to their movable property during their lifetime, or even to make a gift of it, in reasonable quantities. However, if an estate leaver alienates something with the manifest intent of depriving the heir of their granted rights, then this heir may, while the estate leaver is still alive, contest such an alienation.

The contractual heir may renounce the inheritance. If a contractual heir dies before the estate leaver, the inheritance right granted to the former is terminated.

It must be noted that inheritance contracts cannot restrict rights to preferential shares (see Section II.B below). Otherwise, the persons entitled to preferential shares may make a request to distribute their preferential shares.

### C. *Powers of attorney, directives and similar disability documents*

#### 1. GENERAL RULES ON POWERS OF ATTORNEY

The regulation of powers of attorney is set by the Civil Law. General principles applicable to lawful transactions (including agreements) may also apply to the issuing of powers of attorney to another person. Latvian law does not allow a testator to authorise a third person to make a will in their name. However, Civil Law allows an authorised person to revoke a public will. The power of attorney regarding inheritance matters must define the scope of authorisation precisely and specifically; universal authorisation is not permitted.

The power of attorney is terminated in the following situations:

- by mutual agreement;
- upon completion of the particular assignment given;
- when the authorising person withdraws their authorisation;
- when the authorised person gives notice regarding authorisation;
- upon the death of either party; or
- upon expiration of the period of authorisation.

Under Latvian law, powers of attorney are revocable.

#### 2. FUTURE AUTHORISATION

Latvian Civil Law recognises a special type of authorisation, namely future authorisation. In regard to the granting of future authorisation, an authorising person entrusts an authorised person to conduct their matters in cases when the authorising person, due to health disorders or due to other reasons or conditions, is not able to understand the meaning of their actions and is not able to control their actions. A future authorisation agreement must be made in the form of a notarial deed as part of a special procedure in the personal presence of the authorising person and the authorised person.

An authorised person becomes authorised to commence their activity at a time when, in accordance with the procedures laid down in the relevant special laws, it is established that the authorising person is temporarily or permanently unable to understand the meaning of their actions or to control their actions. An authorised person must act in the interests of the authorising person. A future authorised person has the right to revoke other authorisations issued by the authorising person to such extent that the future authorised person is entitled to act. It is prohibited to transfer a future authorisation to someone else.

While the authorising person is alive, the grounds for termination of a future authorisation are the same as those applicable to the termination of the power of attorney outlined above. A court may suspend the right of an authorised person if the authorised person does not perform their duties at all or performs them in a way that is contradictory to the interests of the authorising person.

### 3. TRUSTEESHIP

A future authorisation allows the authorising person to choose a representative before they become unable to act and express their wishes, ensuring their interests will be protected. In the absence of a future authorisation, the involvement of a court or an orphan's court is required to establish trusteeship and appoint a trustee who will represent the person's interests.

Trusteeship means that a person's capacity to act is restricted due to health disorders of a mental nature or otherwise and a trustee is appointed. Trusteeship is established only if it is necessary in regard to the interests of the person and it is the only way to protect them.

The capacity to act may be fully or partially restricted for a person with health disorders of a mental nature or otherwise. A court, when assessing the abilities of a person, first determines whether and to what extent a trustee may act together with a person under trusteeship and, only after that, whether and to what extent the trustee may act independently. A person cannot have their personal non-financial rights restricted. They also have the right to defend their rights and lawful interests before institutions and in court in relation to restrictions on their freedoms and their capacity to act, as well as disagreements, disputes with the trustee and the appointment and removal of the trustee.

## II. Estate administration

### A. *Overview of administrative procedures*

A will that has come into legal effect must be executed by the executor of the will, who has been appointed in the respective will or by another special testamentary instrument. If an executor of the will has not been appointed, then the heir must execute the will. If there is also no direct testamentary heir, then a trustee of the estate appointed by the Custody Court executes the will. If the executor that has been appointed in the will rejects this duty or their duty is revoked upon request of interested persons, then the Custody Court appoints a trustee to execute the will.

Nobody is bound to undertake the duty of the executor of a will, but if someone has already undertaken it, they no longer have the right to withdraw without good cause. Moreover, if the person appointed as executor of a will has accepted a legacy from the testator, then they may no longer withdraw from the duties of the executor of the will. The executor of a will may transfer their duties to someone else only if this is specifically permitted in the will. Nevertheless, the right of the executor to act through an authorised representative in the case of necessity is not limited. Additionally, a person to whom the heirs themselves have entrusted the execution of a will is an authorised representative of the heirs, not the executor of the will.

The tasks of the executor of a will are defined by the intent of the testator expressed in the will. The will forms the instructions from which the executor may not deviate. If circumstances require it, the executor of the will should consider the opinion of the heirs; however, in cases where there is a dispute between the executor of the will and the heirs, then the matter is reviewed and determined by the Custody Court. Expenditure associated with the execution of a will must be reimbursed from the estate, but the executor may not request remuneration for their efforts if nothing in this regard is specified in the will. The testator may appoint more than

one executor. If the testator has provided some separate instruction for a particular executor of the will, the latter must act only within the scope of the duties and rights imposed upon them. If the testator has not divided the duties between the executors, then they can mutually agree on the division of tasks, but they are liable jointly and severally.

An executor of a will must execute the duties which have been entrusted to them as quickly as possible and with the same amount of care that they would take in regard to their own matters. Regarding liability, an executor is liable for ordinary negligence to the heirs and other persons who have an interest in the estate only if appropriate remuneration has been specified in regard to the efforts of the executor.

The estate may be divided in a private manner or by a notary public, except for cases when there is a dispute regarding the division of the estate. When a dispute occurs, the estate is divided by the court.

### *B. Intestate succession and forced heirship*

Intestate succession or inheritance pursuant to law occurs when there is no inheritance contract or will. As explained earlier, inheritance pursuant to a will, contract and law may exist simultaneously. If the will or inheritance contract captures only a part of the estate, the remaining part of the estate is inherited in accordance with the procedures of intestate succession. Pursuant to law, the spouse, kin or adoptees are invited to inherit. A natural person has the capacity to inherit after they have been conceived, even before their birth.

#### 1. PROPERTIES WITHOUT HEIRS

When there are no surviving heirs or such heirs have either refused to inherit or have not proven their right to inherit, then the property of the estate leaver becomes 'a property without heirs' (*bezmantnieku manta*). Properties without heirs belong to the state or local municipality. The liability of the state for any debts related to the estate in such cases is limited.

#### 2. THE SURVIVING SPOUSE DURING INTESTATE SUCCESSION

The surviving spouse inherits from the deceased regardless of the form of their relationship in regard to property that was in effect between the spouses during their marriage. If the marriage ended in divorce or has been declared annulled, the former spouses shall not inherit from each other. The share of the estate inherited by the spouse depends, firstly, on whether there are other heirs and, secondly, on how many children the deceased had. If the deceased spouse had no surviving descendants, adoptees, ascendants or brothers or sisters or their children, or step-brothers or step-sisters or their children, or if any of those listed refuses their right to inherit, then the surviving spouse receives the entirety of the estate.

In situations where the deceased had children, then the surviving spouse's share depends on the number of children involved. The spouse receives a child's share if the number of children who have expressed their intent to inherit is less than four, but if there are four or more children who have expressed their intent to inherit, then the spouse receives a one-quarter share. If the deceased spouse has neither surviving descendants nor adoptees, the surviving spouse receives half of the estate and, in addition, the furnishings in the dwelling.

#### 3. OTHER HEIRS WHO ARE KIN OR ADOPTEES DURING INTESTATE SUCCESSION

Other heirs who are kin or adoptees inherit according to a specific order, which is based partly on the type of kinship and partly on the degree of kinship. All the kin and adoptees are divided into classes. An heir of a lower class cannot inherit if an heir of a higher class has expressed their intention to inherit.

If, in any class, an invited heir with priority status drops off, the estate devolves to their co-heirs who have the same right of inheritance. If the co-heirs also drop off, then the estate devolves to those persons who, in the same class, are invited to inherit from the estate leaver. If there is no one in this class who is entitled to inherit or if all the heirs in this class have dropped off, then the estate devolves to the heirs in the next class. Accordingly, if there are no heirs in the first class, only then does the right to inherit transfer to the second class. Likewise, if there are no heirs in the second class, the right to inherit transfers to the third class, and so on.

With respect to the order of succession, four classes of heirs are set out as follows:

1. Descendants: in the first class are, without distinction as to the degree of kinship, all of the descendants of the estate leaver between whom, on the one part, and the estate leaver on the other part, there are no other descendants who would be entitled to inherit. Adoptees inherit as the children of the deceased.
2. Ascendants and siblings: in the second class are the ascendants of the nearest degree of kinship to the estate leaver, as well as the estate leaver's brothers and sisters and the children of those brothers and sisters who had predeceased the estate leaver. This means that the nearest ascendant inherits, that is, a parent, or if there are no parents, a grandparent.  
If the estate leaver is survived by ascendants in the second class and by siblings, as well as children of brothers and sisters who predeceased the estate leaver, then the estate is divided into two halves: half of the estate goes to the ascendants, while the other half goes to the brothers and sisters or the children of such deceased brothers and sisters. The ascendants as well as the brothers and sisters divide their halves into equal shares, that is per capita, while the children of deceased brothers and sisters divide their halves per *stirpes*.
3. Half-siblings: in the third class are the estate leaver's half-brothers and half-sisters and the children of those half-brothers and half-sisters who had predeceased the estate leaver.  
Third degree heirs inherit following these rules: when applying the right of representation, the estate must be divided not according to the number of persons, but rather, according to the number of *stirpes*, that is, all of the descendants of the person represented together receive that share of the estate which would have been the share of the deceased father or mother if they had still been alive at the time the succession was opened. Accordingly, the estate is not shared equally among all the half-siblings and children of the deceased half-sibling, but firstly among all of the half-siblings (including those who are deceased and had children) and, then, at the next level, the children of the deceased parent divide their share.
4. Other kin: in the fourth class are the remaining collateral kin in terms of the nearest degree of kinship, without distinction between full and partial consanguinity. In the fourth class there is no right of representation. Heirs of a nearer degree of kinship exclude those of a more remote degree from inheriting, but if there are several kin with an equal degree of kinship, they all share the estate between themselves per capita.

Ascendants and descendants have a right of representation regarding intestate succession. This right means that when inheriting from an ascendant, the more remote descendants take the place of their parent who predeceased the estate leaver, without limitation as to the nearness of the degree of kinship and with a right of representation. In compliance with the right of representation, the descendants receive that share of the estate that their parent would have received if they had survived the estate leaver and had inherited from them. The right of representation also belongs to the children of the predeceased brothers and sisters of the estate leaver, as well as the children of the predeceased half-brothers and half-sisters.

No matter the contents of the will or inheritance contract, the testator's spouse and descendants (including adoptees), or in cases where there are no children, the spouse and

ascendants of the nearest degree of kinship (including adoptive parents), have the right to a preferential share of the estate that cannot be restricted or omitted. The preferential share is one-half of the value of that share of the estate which a person entitled to a preferential share inherits pursuant to instate succession. Persons entitled to a preferential share have the right to request a transfer of the preferential share in money only.

### C. *Marital property*

Latvian international private law determines that the personal and property relations of spouses must be determined in accordance with Latvian law if the place of residence of the spouses is in Latvia. If the property of the spouses is located in Latvia, they, in respect of such property, must be subject to Latvian law, regardless of whether they themselves have a place of residence in Latvia. Additionally, Latvia is a Member State of the EU, therefore the EU legal regime applies to Latvia as well, including Council Regulation (EC) 2019/1111 of 25 June 2019 on jurisdiction, the recognition and enforcement of judgments in matrimonial matters and the matters of parental responsibility, and on international child abduction (recast).

Under Latvian private law, before dividing the estate of a deceased spouse, the surviving spouse may request to separate their share of the joint property from the whole. After the share of the surviving spouse is split off, the share of the deceased spouse shall pass to their heirs.

If the spouses have not defined their marital property regime by entering into a marriage contract (a pre-nuptial or post-nuptial contract), then the statutory regime applies. Under Latvian law, the default marital property regime is joint community property; however, each spouse has their own separate property.

#### 1. LAWFUL PROPERTY RELATIONS OF SPOUSES

Under Latvian law, spouses have both separate property and joint property. Each spouse retains the property which belonged to them before the marriage, as well as the property they acquire during the marriage as separate property. In contrast, everything acquired during the marriage by the spouses together, or by one of them but using the resources of both spouses, or with the assistance of the actions of the other spouse, is the joint property of both spouses. In the case of uncertainty, it is presumed that such property belongs equally to both spouses. However, the prevailing presumption is that a joint property regime applies. The burden of establishing that certain property is separate rests with the spouse who makes such assertions.

The spouses must jointly administer and act in regard to the joint property of both spouses, but upon the agreement of both spouses such property may also be administered by just one of them. Any acts regarding such property by one of the spouses requires the consent of the other spouse. If the joint immovable property of the spouses is recorded in the Land Register in the name of one of the spouses, it is presumed that the other spouse has assigned their share of such property to be administered by their spouse. Additionally, the fact that immovable property is the separate property of one spouse must be recorded in the Land Register.

Each spouse has the right to administer and use all of their own separate property. The separate property of each spouse concerns:

- property owned by a spouse before the marriage, or property the spouses have, by contract, designated as separate property;
- articles which are suitable only for the personal use of one spouse or are required for their independent work;
- property which was acquired gratis during the marriage by one of the spouses;
- income from the separate property of a spouse that is not assigned to the needs of the family and joint household finances; and

- property that replaces separate property.

The legal property relations of the spouses are terminated: (1) on the basis of an agreement between the spouses; (2) if one of the spouses dies; or (3) on the basis of a request from one of the spouses if the debts or actions of the other spouse may significantly reduce the value of the joint property.

If, during an existing marriage, the joint property of the spouses has been divided, then their property relations will be governed by the provisions setting out the regime for the division of all the property of the spouses. Contracts and court judgments regarding the separate property of spouses acquire binding effect against third persons only after they are recorded in a public register.

## 2. MARRIAGE CONTRACTS

Spouses may establish, alter or terminate their property rights in a marriage contract before marrying, as well as during their marriage. In a marriage contract, the parties may stipulate one of two regimes: separate ownership or joint ownership of all the property owned by the spouses. Marriage contracts, which contain instructions in the event of death, are subject to the general provisions regarding inheritance contracts.

Marriage contracts may be signed only by the parties themselves. Additionally, notarial procedures apply to such contracts, such as the personal presence at the same time of both spouses and the contract must be registered in the Spousal Property Relations Register and, in respect of immovable property, additionally in the Land Register.

### a. Separate ownership of all property of spouses

If a marriage contract provides for the separate ownership of all the property of the spouses, each of the spouses not only retains the property which belonged to them prior to the marriage, but also, during the time of the marriage, may independently acquire, use and act in regard to those assets independently of the other spouse. A spouse may not administer, use or in any other way act regarding the property of the other spouse without their consent. Each spouse is liable for their own debts, to the extent of their own property, and they must share family and joint domestic financial expenses commensurately with their financial state.

If, during the marriage, the separate ownership of all the property of the spouses has been terminated and the spouses have not provided otherwise in a contract for joint ownership of property in its place, the rules on the lawful property relations of the spouses apply.

### b. Joint ownership of the property of spouses

If the marriage contract provides for joint ownership of the property of the spouses, the property which belonged to them prior to marriage, as well as the property which has been acquired during the marriage, except for their separate property (see Section II.C), must be combined into one joint, indivisible whole, which, during the duration of the marriage, does not belong to either of the spouses as separate parts. The spouses have the right to specify in a marriage contract the property that will remain as the separate property of each spouse. The fact that immovable property rights are included in the joint property must be entered in the Land Register.

In the marriage contract, when providing for the joint ownership of their property, the spouses must agree which of them is the administrator of the property subject to joint ownership (the husband, the wife or both jointly). If the administrator of the property subject to joint ownership is one of the spouses, this spouse may act according to the property in their own name, and it is their duty to cover family and joint domestic financial expenses.

The alienation, mortgaging or encumbering in regard to the property rights of immovable property included in the joint property, when conducted by one spouse, requires the consent of the other spouse. The consent of the other spouse is also required for gifting movable property deemed to be subject to joint ownership, if the amount of such a gift exceeds that of an ordinary, small gift.

The joint ownership of the property of spouses provided for in a marriage contract is terminated:

- when one of the spouses dies;
- when the marriage is dissolved or declared annulled;
- when one of the spouses is declared insolvent; or
- by agreement of the spouses regarding the termination of the joint ownership of their property.

Additionally, the spouse who is not administering the property may request the court to terminate the joint ownership of property in cases that are specified by law, such as in instances where the spouse who is administering the property is not providing means for the family and their joint domestic financial needs, the spouse who is administering the property has been placed under trusteeship and similar situations. Where, during the marriage, the spouses voluntarily terminate the joint ownership of the property of the spouses and in its place, in the marriage contract, it does not provide for the division of all the marital property, the rules on the lawful property relations of the spouses apply.

#### *D. Tenancies, survivorship accounts and payable on death accounts*

Usually, the term 'joint tenancy' refers to a legal arrangement in which two or more people own a property together, each with equal rights and obligations. This legal relationship creates a right of survivorship: if one owner dies, their interest in the property is directly passed on to the surviving party(s) without having to go through probate or the court system. Latvian law does not provide joint tenancies as instruments to avoid probate. Before dividing the estate, the share of the joint property of the spouse is separated and the remaining property becomes the estate.

Latvian law does not recognise survivorship accounts. The term 'survivorship account' is used to describe a joint bank account that carries an automatic right to survivorship. Similarly, as in the case of joint tenancy, this means that, upon the death of one account holder, the assets are transferred to the surviving account holder. In cases of intestate succession, all the jointly owned assets must be added to the entirety of the property of an estate after the share of the joint property of the spouse has been divided.

Since Latvian law recognises inheritance contracts, persons may outline their instructions in the event of their death in the form of this type of contract. However, as stated above, a testator may freely determine the disposition of their whole estate upon their death, but only provided that the rights of the persons entitled to preferential shares are observed.

### **III. Trusts, foundations and other planning structures**

#### *A. Common techniques*

##### 1. TRUSTS

Latvia is a civil law country. Accordingly, the trust as a common law institute is not regulated under Latvian law. The only exception wherein the concept of a trust is mentioned is in the special rules issued by the Bank of Latvia dealing with banks managing monetary funds and

other assets owned by their clients based on an authorisation issued by those clients. These rules apply to banking operations and are not directly related to inheritance or estate planning.

Latvia has not ratified the Hague Trust Convention of 1 July 1985.

## 2. FOUNDATIONS

The civil law country alternative to trusts is the creation of a foundation; however, in Latvia, foundations are used for achieving goals related to public functions, for example, different charity or sponsorship organisations. To ensure that foundations based in Latvia can be used for private purposes in a similar manner to other European countries, amendments to Latvian law are needed.

In terms of inheritance planning, a foundation can be created on the basis of the instructions expressed in a will (the foundation can be established during the lifetime of the testator or after their death by the executor of the will). A testator has the right to leave all of their assets or only part of them to a foundation.

A foundation has a separate legal personality, and its assets are segregated from the assets of the founders. Foundations are registered in the associations and foundations registry kept by the Register of Enterprises.

Foundations are managed by a management board that must consist of at least three members. If there is another managerial institution for the foundation with at least three members, then the foundation can have one formal management board member.

The rights of a foundation to pursue commercial activities are limited. Foundations can engage in commercial activities as ancillary activities only with the aim of maintaining and using the assets of that foundation or to the extent needed to achieve the goals of the respective foundation. The law does not provide an exhaustive list of the goals that can be pursued by a foundation; however, the overall aim of the foundations regulation in Latvia is to strengthen democratic and civic society. Therefore, the limitation on the goals of a foundation should be factored in when considering the use of foundations. There is an additional set of stricter rules applicable to foundations that qualify as an organisation established for the general good.

In any case, according to Latvian law, a foundation may not grant monies, provide guarantees, issue promissory notes to, or otherwise finance, founders, members of the board and other administrative bodies (if such have been established), as well as other persons who have a similar economic interest, especially spouses, relatives and brothers-in-law, sisters-in-law, counting kinship up to the second degree and affinity up to the first degree. Similar prohibitions on benefiting from such assets apply when a foundation is being liquidated and its property is being divided.

## 3. OTHER INSTRUMENTS

Latvian inheritance law gives a testator the right to designate another successor in case the successor appointed by the will dies before the testator. Also, testators can use legacies for inheritance planning, such as leaving certain assets to a designated person or persons.

### *B. Fiduciary duties (trustees, board members, directors, etc)*

#### 1. EXECUTOR OF WILLS

The executor of the will has to perform all the tasks entrusted to them, in accordance with the provisions of the will.

An executor of a will must execute the duties which have been entrusted to them as quickly as possible and with such care as they would take in regard to their own matters. Regarding liability, an executor is liable even for ordinary negligence to the heirs and other persons who have an interest in the estate only if appropriate remuneration has been specified in regard to the efforts of the executor.

## 2. MANAGEMENT BOARD MEMBERS OF A FOUNDATION

The law simply states that the management board members of foundations are jointly and severally liable for the damage they may have caused to the respective foundation. The law does not tie the manager's duties to a certain standard of care, as is described above in the case of executors of a will. A claim against a management board member of a foundation lapses after five years have passed since the breach of their duties (the causing of the damages) or since the day when the breach of duty was discovered.

A board member must not participate in decision-making or voting in instances where there is a conflict of interest between the interests of the foundation, on one side, and the management board member or their spouse or relatives' interests, on the other. Failure to comply with this obligation serves as a basis for a claim for damages.

### *C. Treatment of foreign trusts and foundations*

Due to the lack of trusts in Latvia, there is a high probability that Latvian public authorities will be sceptical regarding trust arrangements. Accordingly, the use of a foreign trust in Latvia is not recommended.

Latvian tax law does not provide guidance on the income tax treatment of income realised from foreign trusts and foundations, and there is also no official guidance on establishing under what conditions such entities should be considered as fiscally transparent or non-transparent. Therefore, if a Latvian individual or legal entity is a beneficiary of a foreign trust or foundation, the taxation of income should be analysed in each case individually. Therefore, it is highly recommended to contact a Latvian tax adviser and, if necessary, confirm the relevant tax treatment with the Latvian tax authorities.

## **IV. Taxation**

### *A. Domicile and residency*

Latvia taxes individuals on the basis of their tax residence and domicile status. An individual is considered to be a resident of Latvia if:

- the individual's declared place of residence (ie, registered address) is in Latvia or;
- the individual is physically present in Latvia for at least 183 days in any 12-month period beginning or ending in the tax year in question or;
- the individual is a citizen of Latvia employed abroad by the government of Latvia.

The State Revenue Service has announced that in the absence of a statutory rule regarding the application of the 183-day rule, it will apply the physical presence tests recommended in the Organisation for Economic Co-operation and Development's (OECD) Model Tax Convention. The determination of an individual's permanent place of abode in Latvia is governed by the provisions in Article 7 of the Civil Code, which basically states that the place of abode (domicile) is the place where a person has voluntarily settled with the express or implied intent to live or work there permanently.

### *B. Gift, estate and inheritance taxes*

## 1. GIFT TAX

Gifts from individual persons are exempt from personal income tax in the following cases:

- In full: if the gift is received from a spouse or relative up to the third degree within the meaning of the Civil Law. This exemption does not apply if the gift is provided within the framework of an economic activity.
- Up to €1,425 per tax year: if the gift is received from a natural person other than those referred to above. This exemption does not apply if the gift is provided by a natural person within the framework of their economic activity, or if the natural person has received a gift in the nature of remuneration within the meaning of the Civil Law.
- In full: a gift from any individual person if the gift is intended for and the payer uses it to cover their higher education and all levels of professional education, as well as the costs of receiving a specialisation (for a profession or position) from a state-accredited Latvian educational institution, or at an educational institution in any of the EU Member States or European Economic Area countries, or by enrolling in a state-accredited educational programme.
- In full: a gift from any individual person if the gift is intended for and the payer uses it to cover their medical expenses, except for cosmetic surgery.

Any other gifts which are not mentioned above, including gifts from companies, gifts with a value over €100 from employers and gifts from other enterprises, are subject to personal income tax.

## 2. INHERITANCE TAX

There is no inheritance tax in Latvia; however, we see that from time to time the matter is subject to discussion and it cannot be totally excluded that in the near future an inheritance tax may be introduced.

## 3. REAL ESTATE TAX

A flat 1.5 per cent tax is imposed on the cadastral value of land and buildings that do not constitute residential property or are otherwise exempt. The tax is calculated and collected by municipalities. Residential building/apartment tax is levied at the following progressive rates:

- 0.2 per cent for a cadastral value not exceeding €56,915;
- 0.4 per cent for a cadastral value from €56,915 to €106,715; and
- 0.6 per cent for a cadastral value exceeding €106,715.

Local municipalities have the power to grant taxation reductions to specific categories of individuals. Local municipalities may impose an additional property tax ranging from 0.2 per cent to 3.0 per cent in accordance with the regulations that must be issued by the municipality no later than 1 November in the prior tax year. If no regulations are issued, tax is imposed at the default statutory rates.

Families with three or more children may, under certain conditions, reduce the amount of real estate tax calculated by 50 per cent, but not by more than €500. For individuals, any immovable property tax paid is deductible for income tax purposes if the immovable property is used for business purposes.

## 4. LAND TAX

A flat 1.5 per cent tax is imposed on the cadastral value of land. The tax is calculated and collected by municipalities.

## C. *Taxes on income and capital*

### 1. PERSONAL INCOME TAX

Latvia applies a progressive personal income tax (PIT) system. The tax rates are as follows:

- income up to €105,300 is subject to a rate of 25.5 per cent; and
- income exceeding €105,300 is subject to a rate of 33 per cent.

An additional tax of three per cent applies to any income exceeding €200,000 within the tax year.

Dividends, interest and other income from capital, for example, income from life insurance, income from private pension funds, investment of contributions, return on annuity insurance contracts and income from financial instruments, etc, received by resident individuals is generally taxed at a rate of 25.5 per cent. No PIT applies to dividends received by an individual where corporate income tax (CIT) has already been paid by the company that paid those dividends. Income from forest disposals and the lease of an individual's own property, without registration with the State Revenue Service as a business activity, is taxed at a rate of ten per cent.

A 25.5 per cent rate applies to income from the sale of capital assets. Capital gains realised on the disposal of capital assets, such as real estate, stock, bonds, short-term debt instruments, other securities and intellectual property, are generally taxed at 25.5 per cent.

Capital gains from transactions involving capital assets that were started before 31 December 2024 but not completed by that date, and for which a declaration has been submitted with information about any ongoing transactions, will be taxed at a 20 per cent rate in 2025, 2026 and 2027.

However, income on the sale of immovable property held for longer than five years may be exempt from tax under certain conditions (where such property has been the taxpayer's principal residence for a year or has been the taxpayer's only immovable property asset for five years).

As of 1 January 2016, Latvia has applied a 'solidarity tax' to highly paid employees. In 2025, the solidarity tax rate of 25 per cent applies to socially insured persons, employees and self-employed people, whose annual income exceeds the maximum threshold for mandatory state social insurance contributions, which is €105,300 per year.

The amount of overpaid solidarity tax is refunded to the taxpayer. The refundable amount is determined to be the difference between the tax paid during the year at the standard contribution rate (depending on the type of social insurance, generally 34.09 per cent) and the tax recalculated using the 25 per cent rate.

### 2. CORPORATE INCOME TAX

Latvian resident companies are taxed on dividends, deemed dividends and expenses comparable to dividends with the aim of actual profit distribution. Thus, the CIT rate for reinvested profit is zero per cent. Business income earned (including interest, royalties and inbound dividends) is taxed not on receipt, but when the profits are distributed.

The CIT rate is 20 per cent applicable to the taxable base. However, before applying the statutory rate, the taxable base should be divided by a coefficient of 0.8. As the taxable base is increased by the coefficient, the effective CIT rate is 25 per cent.

Deemed dividends are defined as an increase in share capital from profits generated after 1 January 2018, followed by a share capital decrease.

The following positions are considered deemed profit distributions:

- non-business expenses;
- certain bad debts;
- interest expenses exceeding the thin capitalisation limits;
- certain loans to related parties;
- transfer pricing adjustments;
- benefits provided by non-residents to employees and/or board members if such benefits are attributed to a Latvian permanent establishment; and
- the liquidation quota.

The Latvian CIT system does not provide the opportunity to accumulate tax losses. There are, however, transitional period rules for applying tax losses generated up until 31 December 2017, when the previous CIT law was in force.

In general, all types of income are subject to CIT upon distribution, except:

- the distribution of profit generated before 31 December 2017;
- dividends received by a domestic or foreign company can be distributed without CIT liability if the CIT is paid in the country of origin (except dividends from blacklisted offshore jurisdictions); and
- capital gains from the sale of shares held for at least three years are exempt from CIT (except participations in companies established in blacklisted offshore jurisdictions or in a real estate company (ie, if more than 50 per cent of its assets consist of Latvian real estate), if such income is not subject to PIT).

Similar tax treatment applies to permanent establishments of foreign entities. A non-resident company is subject to CIT with respect to Latvian-sourced income and capital gains (constituting income attributable to a permanent establishment in Latvia). A permanent establishment is treated as a separate resident taxpayer.

As of 1 January 2018, the CIT taxation period is one month. CIT payers must submit their tax returns for each month by the 20th day of the following month and make the respective payment by the 23rd day. Taxpayers are not obliged to submit tax returns for months in which there is no taxable base. However, a mandatory tax return must be submitted for the final month of the reporting year. The tax return for the final reporting month may be submitted up until the submission deadline for financial statements.

Non-resident companies without a permanent establishment in Latvia are subject to withholding taxes only on certain types of payments received from Latvian residents or Latvian permanent establishments, such as:

- the disposal of immovable property located in Latvia;
- management and consultancy fees;
- payments made to residents of low-tax or non-tax countries or territories; and
- rental and leasing income from real estate located in Latvia.