

NJORD Latvia: A Latvian limited company (SIA) as a Brexit-proof company

The United Kingdom has left the European Union and the transition period will end on 31 December of 2020. The main task for the UK business in post-Brexit environment is to remain with the EU customers by having continued access to the European Single market.

As a solution for Brexit-proof your business, you can establish a company in one of the EU countries having good business environment, for example, in Latvia, to run your EU-oriented business.

Favourable tax regime, the developed infrastructure, highly skilled workforce and comparatively low operational costs allow the foreign investors to select Latvia as a place for business.

In post-Brexit the UK authorised **financial and insurance institutions** (including insurance brokers and agents) may not continue to provide services in EU and EEA states. As a solution a financial or insurance institution from the UK may incorporate a subsidiary in Latvia, obtain authorisation from the Latvian financial regulator (FKTK) with passporting rights and to operate free from the Latvian licence in EU and EEA states.

In Latvia the most commonly used form of business is a limited liability company (the Latvian acronym SIA). A Latvian SIA is easy in registration and economy-priced vehicle. There are two types of limited liability companies (SIA) in Latvia: **a regular SIA and a SIA with reduced share capital**.

For **a regular SIA** minimum share capital is 2800 EUR, for **a SIA with reduced share capital** the amount of the share capital is from 1 to 2799 EUR. It is not necessary to open a temporary bank account for a reduced capital SIA.

Founder(s). A regular SIA may be incorporated by one or more private individuals or legal entities. A reduced capital SIA may be incorporated by individuals only (not more than five). There are no restrictions for non-residents to found and own shares in Latvian companies.

Board. At least one member of the Board shall be appointed by founders. A Board member may be a founder (shareholder) of the SIA or otherwise (not applicable to a reduced share capital SIA), and can be a resident or a non-resident of Latvia. In Latvia the board members are not required to comply with any professional qualifications requirements of somehow justify their business skills.

Secretary: No requirement to have a company secretary in Latvia.

Legal address. A SIA shall have a registered address in Latvia that shall be used for official communication.

Ultimate beneficial owner(s) (UBO). UBO are private individuals, who either directly or indirectly own or control more than 25% of SIA capital shares.

Share capital. Once the company is registered, the board is free to spend the funds contributed to the share capital. There are no any requirements on keeping any amount of the share capital of the bank account.

Official documents issued in post-Brexit by the public authorities of the UK to be submitted to the Commercial register of Latvia (for examples, documents from the Companies House) are exempt from the documents legalization requirements (incl. Apostille), the same as it works for public documents from any EU state.

A SIA is considered to be registered as **a Latvian tax-payer** at the same moment it is registered as a company in the Commercial register of Latvia. It is possible to apply for **a value added tax-payer number (VAT number)** simultaneously with applying for the registration of SIA.

Corporation taxation in Latvia is simple and designed to encourage business growth. You have to pay **a corporate tax at a flat rate of 20% on distributed profits** (dividends), but nothing on profits you decide to keep inside the company. Moreover, in the company holding regime you don't have to pay corporate tax if certain preconditions are met.

The process of incorporation can be performed remotely or founders/board members can visit Latvia. E-signatures issued in the UK are admissible in the Commercial Register of Latvia.

NJORD Law Firm supports UK business seeking a Brexit-proof and economically-priced solution in Latvia. We would be happy to assist you in establishing your Latvian company (SIA) and other legal matters related to your business in EU.



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