

**GENERAL AGREEMENT
ON TARIFFS AND TRADE**

RESTRICTED
L/7526/Add.2*
14 December 1994
Limited Distribution

(94-2780)

Original: English

ACCESSION OF LATVIA

Memorandum on the Foreign Trade Regime

Addendum

The Law on the Customs Duty (Tariffs) submitted by the Ministry of Foreign Affairs of the Republic of Latvia is reproduced hereunder.

LAW ON THE CUSTOMS DUTY (TARIFFS)

CHAPTER I

Terms used in the Law

CUSTOMS CONSIGNMENT - cargo under customs control.

FREE TURNOVER - the right to operate with consignment in the territory of the Republic of Latvia without customs control.

CUSTOMS TARIFFS - a definite system of rates of import and export customs duties.

CUSTOMS DEBT - an obligation of a legal entity to settle customs duty payments within a fixed time-limit after the crossing of the border of the Republic of Latvia, and the right to release the freight for free turnover with the permission of the customs service in accordance with this law. The customs debt is applied to alleviate the customs procedure for those legal entities of the Republic of Latvia who have undertaken to fulfil certain obligations toward the State Revenue Service, and who have not been found guilty of customs or financial infringements.

HARMONIZED SYSTEM OF GOODS DESCRIPTION AND CODING - nomenclature of goods serving different purposes and in compliance with the requirements of statistics service, customs and commercial activities (usually referred to as Harmonized System - HS). Under the nomenclature of the Harmonized System all goods used in international trade are objects of classification. There are six classification levels in the nomenclature of the Harmonized System: sections, groups, subgroups, positions, sub-positions and secondary sub-positions.

*English only/anglais seulement/inglés solamente

COMBINED NOMENCLATURE - nomenclature of goods set up on the basis of European Economic Association's combined nomenclature and the Harmonized System of goods description and coding. Code symbols from 1 to 6 of the combined nomenclature correspond to the code of the Harmonized System. Code symbols from 1 to 8 correspond to the combined nomenclature code of the European Economic Association, code symbol 9 has been reserved for coding Latvian traditional goods.

IMPORT DUTY - non-tariff regulating instrument with the help of which the State recompenses higher cost in the final product of locally produced unprocessed agricultural components.

COMPENSATION MECHANISM - non-tariff regulating instrument for the protection of local producers against the import of the same or similar goods production or export of which have been directly or indirectly supported by government subsidies.

COMPENSATORY PRODUCTS - temporary imported or exported goods or other articles which have been subjected to processing operation resulting in altered form or state.

CHAPTER II

General rules

Article 1. Application of the Law

- (1) The Law determines the order in which customs duty is imposed on goods and other items in the customs territory of the Republic of Latvia by administering customs tariff rates.
- (2) Customs duty in accordance with this Law shall be paid into the State budget by physical persons and legal entities importing goods to Latvia or exporting. Payments shall generally be non-cash transactions, natural persons are entitled also to cash payments.
- (3) The rates of the import customs duties are fixed in Annex 1 attached to the Law.
- (4) The rates of the export customs duties are fixed in Annex 2 attached to the Law.

Article 2. Determination of the customs duty

The customs duty is determined on the basis of:

- (1) Customs value of the goods,
- (2) customs tariffs which are based on the Harmonized System of goods description and coding and combined nomenclature,
- (3) regulations of international treaties on goods and other items' origin.

Article 3. Classification of goods and other items

- (1) Customs tariffs are applicable to goods and other items which are delivered across the customs border of the Republic of Latvia, if customs duties are imposed on them, or if they correspond to the code of the respective commodity, or to the code of other items in compliance with the Harmonized System of goods description and coding and the combined nomenclature.

(2) To the goods or other items, provided that much time and large expenses are involved in the declaration of their codes in compliance with the Harmonized System of goods description and coding and the combined nomenclature, such codes may be applied at the request of the person who declares them, which correspond to the highest rate of the import or export customs duty.

(3) Customs office can authorize a simplified declaration of goods and other items' codes for transit deliveries, but it must not permit a simplified declaration of such transit consignments which consist of goods and other items on which the excise tax should be imposed in the Republic of Latvia, or for the import of which to the Republic of Latvia special licences for entrepreneurship are required. Simplified declaration is applicable only to the code of the commodity or other item complying with the Harmonized System of description and coding and the combined nomenclature.

Article 4. The rates of the import and export customs duty

(1) The rates of the import and export customs duty are fixed in percentage form the customs value of the goods or other items, or in Lats according to the unit of measure of the goods and other items.

(2) On one and the same commodity or other item different (seasonal) rates of the customs duty can be imposed, provided that the term of the rate being effective is indicated.

Article 5. Division of the rates of the import and export customs duty

Tariff rates are divided into:

- (1) Base rate;
- (2) the rate applicable in the trade with countries with which the Republic of Latvia has the most favourable trade regime;
- (3) the rate applicable in the trade with countries with which the Republic of Latvia has the regime of free trade;
- (4) the rate applicable in the trade with countries to which the Republic of Latvia has granted certain favourable terms in trade.

CHAPTER III. ASSESSMENT OF SPECIFIC CASES

Article 6. Foreign (external) market price

Foreign (external) market price is determined by making it equal to the price of identical or similar goods production costs of identical or similar goods set by the country of origin (economic union of states) or by a third country. The price is used for correlation with the imported value with due account of necessary corrections ensuring correlation.

Article 7. Value of the imported goods

Value of the imported goods is the price paid by the first buyer not related to the exporter on the territory of Latvia, with due account of the necessary corrections to ensure correlation of prices.

Article 8. Import for dumping prices

Import for dumping prices is import of goods in the territory of Latvia at prices considerably lower than prices of the same or identical goods on the external market at the said moment, and such import is harmful or can inflict harm on local producers of the same or similar goods, or distorts the development or expansion of production of such goods in the Republic of Latvia.

Article 9. Subsidized import

Subsidized import is import of goods into the territory of Latvia export or production of which have been subsidized and which is or can be harmful for the local producers of the same or similar goods or distorts production or expansion of production of such goods on the territory of Latvia.

Article 10. Description of subsidies

Subsidies are:

- (1) Financial support of the State or any State structure (hereinafter State) when:
 - (a) The State directly transfers funds or undertakes guarantor's liability for production of the goods to be exported or for their export;
 - (b) tax or duty is not imposed or calculated which otherwise should be imposed or which is imposed when exporting goods to any third country. Provided the tax (duty) waiver does not exceed the size of the tax imposed on the goods for domestic consumption, such waiver is not considered to be a subsidy;
 - (c) State ensures goods supplies or services on other terms than the existing infrastructure, or purchases goods on favourable terms;
 - (d) State finances, authorizes or appoints a physical person or legal entity to perform one or several functions named in points (a), (b) and (c) which are as a rule the competence of the government and which differ from the everyday routing of the aforementioned physical person or legal entity.
- (2) any support relevant for the price of the exported goods or importers' incomes.

Article 11. Cases when the local producers incur material loss

Cases when the local producers incur material losses are:

- (1) Development or restructuring of an economic branch or sector is or can be distorted;
- (2) distortions or complications in a branch or sector result or can result in a serious deterioration of the economic or social situation;
- (3) a branch or a sector of national economy incurs or can incur serious losses.

Article 12. Measures for regulation of the domestic market

(1) Provided the interests of the Republic of Latvia are threatened and local producers incur material losses resulting from intensive import or export of goods and other items, the Cabinet of Ministers can introduce measures operational throughout the time period necessary for the protection of the said interests:

- Anti-dumping;
- compensation mechanism.

(2) Special Commission set up by the Ministry of Finance either on the basis of applications received from interested foreign and Latvian natural persons and legal entities, at its own initiative or when necessary on the basis of investigation carried out by the State Revenue Service, submits a conclusion and proposals to the Cabinet of Ministers on application of anti-dumping or compensation payments in cases when importing of goods at dumping prices is registered, or production or export has been supported by direct or indirect subsidies generating at present or in future material losses to the local producers.

(3) Investigation shall be carried out within 4 months forthwith the application is received. Provided additional examination is necessary, the Ministry of Finance is entitled to extend the term up to one year.

(4) The application shall include information substantiating the statement that the given production unit has incurred losses due to imported goods at dumping prices or subsidized production or export of these goods.

(5) The application shall be submitted within 6 months from the moment the said goods entered the customs territory of the Republic of Latvia.

(6) The Ministry of Finance takes necessary measures for the application of the aforementioned duties in compliance with the Cabinet of Ministers resolution and existing regulations.

(7) Anti-dumping duty shall not exceed difference between the external (world) market price of same or similar goods and the customs value of the imported goods.

(8) Provided the market of the exporting country (Economic Association) cannot be considered as adequate for the determination of the external market price, or it does not reflect relative prices, the customs value of the imported goods shall be compared to the price for which the goods are exported to any third country or to the production cost of the goods.

(9) Compensation payment shall not exceed the size of the reported subsidy.

(10) Provided the conditions for the application of anti-dumping or compensation duties have changed or disappeared, the Cabinet upon the suggestion of the Commission set up by the Ministry of Finance can amend or cancel the said duties.

(11) If the importer of the goods on which anti-dumping or compensation duty has been imposed can present a documentary proof for non-substantiated application of the duties, the Ministry of Finance shall determine the overpaid sum which shall be repaid to the importer from the State budget at his request. The request shall be submitted not later than 3 months after the amount of anti-dumping or compensation duties has been established.

(12) If dumping, subsidized export or losses resulting from dumping or subsidized import cannot be proved, investigation shall be stopped.

(13) Investigation can be stopped, if the exporter proposes to the Ministry of Finance measures eliminating dumping or losses incurred in the result of dumping, or if the exporting country or the exporter propose measures for the elimination of export subsidies or losses incurred in the result of subsidies, or in cases when prices change considerably or exporting is suspended.

(14) Investigation can be resumed or continued provided the aforementioned measures are not enacted or losses eliminated.

(15) At a well-grounded request of the person concerned repeated investigation can be initiated and previously set anti-dumping or compensation duty reviewed.

(16) State Revenue Service requests the exporter or the government of the exporting country, or in specific cases respective institution of the exporting country to provide necessary information for investigation. Provided the requested information is not submitted, appropriate measures for the protection of the domestic market can be taken by imposing necessary compensation payments.

(17) Cabinet of Ministers resolutions on the application of anti-dumping or compensation duties, their amount and term, as well as on the extension of the term and invalidity shall be published in "Latvijas Vestnesis".

(18) The order of imposing anti-dumping and compensation duties is determined by an instruction of the Ministry of Finance.

(19) With the objective to further promote the liberalization of trade without causing negative effect on the interests of the local producers, and providing for the most effective utilization of the local resources, the Cabinet of Ministers is entitled to set customs tariff quotas for the term not exceeding one year. The necessity to apply customs tariff quotas is determined by the Cabinet of Ministers regulations.

(20) The Cabinet of Ministers regulations shall establish the order and amount of the customs tariff quotas to be imposed in compliance with (19) of the given Article.

CHAPTER IV

Customs value of the goods and other items

Article 13. General regulations for the establishment of customs value for the goods and other items imported into the republic of latvia by legal entities and physical persons

(1) The customs value of goods and other items (customs value hereinafter) is taken as basis for the calculation of the customs duty, for other related payments, for the establishment of the value of goods and other items for other customs purposes, including fines and other penalty payments for the violation of customs regulations set by the customs legislation of the Republic of Latvia, and also for statistical survey.

(2) The customs value for the goods and other items imported to the Republic of Latvia shall be calculated by the person who declares (importer) and the customs officer in compliance with the regulations related to the calculation of the customs value defined in the given law and applicable in accordance with the general principles for the establishment of the customs value.

The correctness of the method chosen by the person who declares (importer) is estimated by customs establishments of the State Revenue Service (customs establishment hereinafter), which execute registration of the freight.

(3) The customs value and the information concerning its establishment submitted by the person who declares (importer), should be based on indisputable, determinable in quantity, objective and certified data provided by the State Revenue Service. In the absence of such information, the customs establishments are entitled to use the information at their disposal on prices of similar goods or other items, including catalogue prices, adequately modifying it.

(4) Information submitted as a commercial secret by the person who declares can be used by the State Revenue Service only, it shall not be divulged or used in the personal interests of the State Revenue Service officers, or passed onto a third person, or any state institution without the consent and special permission of the person who declares, except cases regulated by the legislation of the Republic of Latvia. The officials of the State Revenue Service are liable for divulging of commercial secrets in compliance with the existing legislation of the Republic of Latvia.

(5) In cases when additional time is required by the person who declares as regards the time-limit fixed by the customs legislation of the Republic of Latvia for the establishment of the customs value, he may apply to the customs establishment with a request to be issued goods or other items for use in accordance with the Law on the State Revenue Service.

(6) All additional expenses related to the establishment of the customs value, and incurred by the person who declares (importer), shall be covered by the latter.

(7) The extension of the term necessary for the settlement of all customs procedures cannot serve as a pretext for the importer to be granted actual postponement of the customs duty payments. For every day of actually put off payment resulting from activity or inactivity of the importer, a fine based on the customs value calculated by the customs institution shall be collected in compliance with the Law on Taxes and Duties in the Republic of Latvia.

(8) The customs value of the goods and other items to be imported is established by the following methods (this is not applicable to the groups of goods falling in the positions of the combined nomenclature referred to in point 5):

- (1) By the contract price of the goods and other items to be imported which is provided by the person who declares (Method I);
- (2) by the customs value of identical goods or other items (Method II);
- (3) by the customs value of similar goods and other objects (Method III);

- (4) by the customs value of goods and other items originating from another country (Method IV) in which:
- Method II is used for customs value determination for identical goods and other items on the basis of the customs value of another exporting country of identical goods;
 - Method III is used for customs value determination for similar goods and items on the basis of the customs value of similar goods imported from another country.
- (5) customs value for goods falling in positions 01., 02., 04.-11., 15.-21. and 23. of the combined nomenclature is established on the basis of the value of identical or similar goods expressed in world prices or local wholesale prices.
- (9) The main method for the establishment of the customs value for goods and items, excluding those referred to in (8)(5), is method I - by the contract price of the goods and other items to be imported.
- Provided the main method cannot be used, one of the subsequent methods (Method II, III, IV) is used. Every following method shall be applied if the customs value cannot be determined by the previous one.
- (10) The Customs Department of the State Revenue Service decides on the procedure and form of declaration of goods and other items delivered to the Republic of Latvia. If it is necessary, the person who declares (importer) shall provide all necessary information at the request of the customs establishment for the confirmation of the submitted customs value. In case the customs establishment is not convinced of the truthfulness of the submitted information, the person who declares (importer) has the right and it is his duty to prove the accuracy of it. Provided the information confirming the accuracy of the presented data is not submitted to the customs establishment, the latter is competent to pass a decision on inadequacy of the customs value establishment method used by the person who declares (importer).
- (11) The customs officer who has pronounced the method for the establishment of the customs value chosen by the person who declares (importer) inadequate, shall present a substantiation to the person who declares on the application of another method for the establishment of customs value.
- (12) Provided that the person who declares (importer) does not agree to the written explanation of the customs establishment, he may appeal to the higher customs establishment within ten days after the written substantiation from the customs officer has been received.

Article 14. Estimation by the contract price of the goods and other items to be imported (Method I)

- (1) The contract price of the actually imported goods and other items is used as a basis for the establishment of the customs value by Method I.
- (2) The contract price is a sum total of the actually paid price and the expenses indicated in 14.(3).
- (3) Provided that the customs value is established on the basis of the contract price, the following expenses, if not already included in it, are added up:

- (1) Transport expenses of the imported goods and other items to the border of the Republic of Latvia, including:
 - Expenses of loading, unloading, reloading and placing for storing;
 - insurance expenses;
 - mediation payments and other related expenses;
 - value of the containers provided they form one whole with the examined goods and other items.
 - (2) The value of the packing, consisting of the value of the material used for packing and the work input;
 - (3) The respective part of the goods (labour and services) which directly or indirectly is supplied to the importer free of charge, or at a reduced price with the aim to use them for the production or sale (alienation) of the goods or other items to be exported:
 - Resources, materials, parts, semi-products and other component units making up the examined goods and other items;
 - working tools, commodities, matrices and similar equipment used in the production of the examined goods or other items;
 - subsidiary resources, such as fuel and lubricants, utilized in the process of production of the examined goods and other items;
 - engineering and design, drafts, plans and schemes which have been worked out outside the territory of the Republic of Latvia, and are directly involved in the production of the examined goods and other items.
 - (4) Payments, licensed and of other kind, for the exploitation of intellectual property, which the importer is obliged to effect directly or indirectly as a condition for the sale (alienation) of the examined goods and other items;
 - (5) Profit share of the importer received from the following sale (alienation) or utilization of the examined goods and other items;
- (4) The contract price of the imported goods and other items cannot be used as a basis for the establishment of the customs value in cases when:
- (1) Goods are falling in positions 01., 02., 04.-11., 15.-21., 23, in compliance with the HS and combined nomenclature;
 - (2) there exist restrictions of the importer's rights in the relation to the examined goods or other items, excluding:
 - restrictions set by the legislation;
 - restrictions having insignificant effect on the price of the goods and other items;

- (3) the contract price is dependant upon some conditions the effect of which cannot be reckoned with;
- (4) the information used by the person who declares (importer) for the establishment of the customs value is not certified, or the contract price of the imported goods is lower than the price of the exporting country (association of countries) indicated in the respective price reference lists (catalogues), (Article 13.3);
- (5) the importer and exporter are interconnected, except cases where their interconnection does not affect the contract price, which shall be proved by the person who declares (importer);
- (6) legal entities and physical persons are considered interconnected provided:
 - one of the contractors (physical person) or one of the officials of the contractors (legal entity) is simultaneously an official of the other contractor;
 - the contractors are co-owners.

Article 15. Estimation of the customs value by the customs value of identical goods and other items (Method II)

- (1) When Method II is applied, customs value of identical goods or other items is taken as basis.
- (2) Identical goods are such goods which correspond to the examined goods or other items simultaneously by the following aspects:
 - Purpose and features;
 - quality, trade mark and reputation on the market;
 - the same country of origin.
- (3) Differences of minor importance cannot serve as basis for the refusal to recognize goods or other items as identical, if they comply with the other requirements indicated in the Article.
- (4) Goods and other items manufactured by different producers can be recognized as identical only in cases, when the person who declares, and the customs establishment do not possess any information on identical goods and other items produced by the person who declares the goods and other items for examination.
- (5) Customs value of identical goods or items can be used as basis for the establishment of the customs value provided that these goods or items:
 - (1) Have been sold (alienated) for the delivery to the territory of the Republic of Latvia;
 - (2) have been delivered simultaneously with, or not earlier than 90 days before the delivery of the examined goods and items;
 - (3) have been delivered on the same commercial terms and in approximately the same amount as the examined goods or items.

(6) Provided the identical goods or other items have been delivered on the commercial terms other than the examined goods and items, or in different quantity, the person who declares (importer) shall perform correction of prices with due account of the differences, and shall confirm the necessity of the correction by certified documents to the customs establishment.

(7) The customs value established on the basis of the customs value of identical goods and other items, shall be corrected with due account of the expenses identified in Article 14.3.

The correction may be executed by the person who declares (importer) on the basis of irrefutable and certified information.

(8) Provided that in the course of application of this method more than one customs value of identical goods and items is registered, the customs value of the examined goods shall be levelled with the lowest existing value.

Article 16. Estimation of the customs value by the customs value of similar goods and other items (Method III)

(1) When Method III is applied, customs value of the goods similar to the imported is taken as basis.

(2) Goods or other items not absolutely identical in all aspects, but with similar features and structure permitting of the performance of the same function, and being interchangeable in trade relations, are recognized as similar goods.

(3) To pronounce goods or items similar, a set of the following aspects is taken into account:

- Purpose and characteristics;
- quality, trade mark and reputation on the market;
- the same country of origin.

(4) Estimation method of the customs value by the customs value of similar goods or items is applied in compliance with the provisions of Article 15.6. to 15.8.

Article 17. Estimation of the customs value by the customs value of goods and items originating from another country (Method IV)

(1) Customs value by Method IV is estimated on the basis of customs value of identical goods originating from another country.

(2) If previous method cannot be applied, customs value of the same goods originating in another country is taken as basis for determination of customs value by Method IV, including prices of agricultural products used for customs value calculation in the countries of the European Union.

Article 18. Estimation of the customs value by the world prices of identical or similar goods for goods falling in positions 01., 02., 04.-11., 15.-21., 23

(1) Goods are deemed identical if they correspond to the respective position in the nomenclature.

(2) Goods are deemed similar if they do not correspond directly to any position of a certain subgroup, but are by their characteristics similar to goods in a position of the said subgroup.

(3) World prices used by the countries of the European Union in customs value estimation shall be taken as basis.

Article 19. Currency conversion

Prices and other data to be used for the establishment of the customs value of goods and other items in foreign currency shall be converted into Lats at the official exchange rate established by the Bank of Latvia on the day of the delivery of the goods or other items.

Article 20. Customs value for the calculation of export duty

(1) When calculating the export duty for goods and items to be exported, prices effective in the Republic of Latvia in compliance with the Cabinet of Ministers regulations shall be taken as basis for the customs value.

(2) The prices indicated in part (1) of this Article shall not include transportation, insurance and related costs incurred outside the territory of the Republic of Latvia, and the turnover tax (value-added tax).

CHAPTER V

Origin of goods and other items

Article 21. Establishment of the origin country of the goods and other items

(1) The country in which the goods and items have been fully produced, or have been subjected to substantial processing, shall be acknowledged as the country of origin.

(2) The following types of goods and other items are considered as fully produced by the respective country:

- (1) Natural resources extracted in the respective country;
- (2) products of vegetable kingdom grown in the soil of the respective country;
- (3) live animals bred in it;
- (4) products obtained in it from live animals;
- (5) goods produced by hunting, sea- and river-fishing enterprises;
- (6) output of the sea-fishing industry resulting from fishing or producing on the ships of the respective country in the ocean of the world or on hired fleet;
- (7) scrap and waste resulting from the production or other processes in the respective country;
- (8) goods obtained outside the territorial waters of the respective state in the waters the state is entitled to fish;

- (9) goods and other items produced in the respective country exclusively from the products listed under points 1 to 8 of the given Article.
- (3) "The country" as used in this Article includes also territorial coast waters of the State.
- (4) The following shall be recognized as a sufficient criterion for processing and production standards of goods and other items in the respective country:
- (1) Change of code position of the goods and items to be declared, when the respective goods and other items are entered in a different code position of the harmonized system than the materials and commodities of a third country, which have been used in the production process of the respective goods and other items;
 - (2) the value of the goods and items to be declared exceeds the value of the materials and commodities of a third country which have been used in the production process of the goods and items to be declared.
- (5) A set of certain technological operations can also be used as the respective criteria, excluding the following performances:
- (1) activities aimed at preserving the goods and other items intact during transportation and storing;
 - (2) preparation of goods and other items for sale or shipping (sorting, division, registration and re-packing);
 - (3) simple assembly operations;
 - (4) mixing up of goods and other items (component parts) provided that sufficient differentiating description is not present for the goods and other items to be distinguished from the initial parts.
- (6) Sufficiency criteria for the processing or treatment of the goods and other items are set by specific structures authorized by the Cabinet of Ministers and in compliance with the Cabinet of Ministers normative acts in compliance with international contracts.

CHAPTER V

Limited liability for customs duty

Article 22. Exemption from the customs duty

Exempt from the payment of the customs duty are:

- (1) Vehicles performing regular international deliveries of consignments, luggage and passengers, as well as material and technical equipment, fuel, provision and other property indispensable for normal functioning of these vehicles during the journey, at en route stoppage points, or which have been purchased in a foreign country for the maintenance of the vehicle;
- (2) Material and technical equipment, fuel, raw materials for industrial processing, provision and other property exported from the Republic of Latvia with the purpose of ensuring

functioning of the fleet in the property of the Republic of Latvia, or hired by the companies, as well as the products obtained by these ships from fishing and brought into the Republic of Latvia;

- (3) Currency and securities of the Republic of Latvia and foreign countries;
- (4) Goods and other items to be passed into the hands of the State as stipulated by the law or regulations;
- (5) Objects which are brought into or carried out of the Republic of Latvia by legal entities or physical persons entitled to such acts by the legislation of the Republic of Latvia;
- (6) Goods and other items transported via territory of Latvia in transit;
- (7) Goods and other items brought into the customs warehouses or inland customs territory for storage and re-loading;
- (8) Goods and other items carried out of the inland customs territory of the Republic of Latvia or customs warehouses across the border of the Republic of Latvia;
- (9) Human relief consignments and donations in compliance with the regulations of the Cabinet of Ministers;
- (10) Inherited objects and household items of the physical persons arriving in or leaving Latvia for permanent residency, as well as personal belongings of any physical person;
- (11) Objects intended for official institutions of the Republic of Latvia abroad;
- (12) Foreign investments in compliance with the "Law on Foreign Investments in the Republic of Latvia";
- (13) Animals and biological and chemical substances for scientific experimenting as ruled by the Ministry of Welfare;
- (14) Therapeutic substances of human origin, as well as reagents for the detection of blood groups and tissues following the Welfare Ministry regulations;
- (15) Goods and other articles intended for international sports competitions;
- (16) Prizes won at international contests and lotteries;
- (17) Goods and other items intended for utilization at international displays, fairs or similar events in compliance with the Cabinet of Ministers regulations;
- (18) Sample goods and other items imported for the purpose of analysis, testing or checking in compliance with the Ministry of Economy regulations;
- (19) Materials intended for the creation and maintenance of memorials and monuments to the victims of war;
- (20) Coffins with corpses, funeral urns and decorative funeral accessories;

- (21) Cars, compensatory devices and other goods for disabled persons in compliance with classification and procedure approved by the Ministry of Welfare;
- (22) Goods and other items in specific cases as stipulated by the existing legislation.

CHAPTER VII

Limited liability for customs duty on temporary imported goods and other items

Article 23. General rules for temporary importation

Importation is deemed temporary if:

- Goods or their codes are not changed;
- goods or other items are imported with the purpose to improve, repair or replace them because of spoilage;
- goods or other items are imported for processing on the territory of the Republic of Latvia.

Article 24. Procedure of the temporary import of goods and other items

The State Revenue Service sets the time period in which the imported goods and other items shall be taken out, or, after the settlement of certain customs formalities, released for clearance. Goods and other items may be subjected to the temporary import procedure not longer than 12 months. The State Revenue Service is authorized to extend the term on the basis of a written application of a legal entity.

Article 25. Temporary import without a change of the code of the goods and other items

- (1) Completely exempt from the import customs duty by the permission of the State Revenue Department are the goods and other items which are brought in the customs territory of the Republic of Latvia for a period of time after which they shall be taken out of this territory unchanged, allowing the natural depreciation only.
- (2) Permission for the temporary import procedure is issued to a legal entity registered in Latvia in compliance with the existing legislation of the Republic of Latvia, by submitting a written application to the State Revenue Service claiming the right to use the goods and other items, or assuming the responsibility for the utilization of them.
- (3) The State Revenue Service may refuse the permission in cases when the identity of the goods and other items cannot be established, and which may give rise to illegal manipulation with the customs procedure.

Article 26. Temporary importation of goods and other items with the aim to improve, repair or replace them

Provided the purpose of the processing operation is to improve the temporary imported goods and other items for a charge or free of charge (within a contract or because of production spoilage), the object of processing is completely exempt from the import customs duty for the period of processing. The exemption is not valid if the spoilage is detected prior to importation.

Article 27. Importation of goods and other items for processing

(1) Goods and other items brought into the territory of the Republic of Latvia for processing can be exempt from the duty or it may be refunded in compliance with the Cabinet of Ministers regulations, when their form and state are altered in the result of the processing operations can be released for clearance imposing import duty on them. For processing of goods and other articles a definite time-limit depending on processing technology shall be set. The time for the stay of goods and other articles in the place of processing shall be set by the State Revenue Service.

(2) The order for processing procedure is determined by the State Revenue Service.

(3) Should the total weight or amount of goods and other articles decrease during processing, and the said technological losses be confirmed by a protocol from an authorized State Revenue Service structure, a fine for the said difference in weight or amount shall not be collected. Should it be otherwise, a double customs tax, turnover (VAT) tax and excise tax, if applicable to the type of goods, must be collected.

(4) If the protocol of the inspection body reports that the waste resulting from processing is hazardous to the environment of Latvia, the enterprise (company) shall bring it out of Latvia, or pay import duty on the weight or amount difference resulting from the processing.

Article 28. Application for processing

(1) The permission for processing may be granted to legal entities performing processing or bearing responsibility for the performance of processing after a related written application is submitted to the State Revenue Service.

(2) Application shall indicate that:

- (1) The applicant is a legal entity registered in the Enterprises Register of the Republic of Latvia;
- (2) goods and other items will be transformed into compensation products to be identified beforehand;
- (3) the state or form of the goods and other articles cannot be restored to the state and form they had before the subjection to processing;
- (4) the existing regulations for the origin of goods and other articles, and quantitative restrictions are not violated;
- (5) conditions for processing provide new jobs in the territory of Latvia without affecting essential interests of the local producers of similar goods and articles.

(3) State Revenue Service issues a written permission to perform processing operations provided the processing procedure complies with requirements stated in part 2 of the given Article.

Article 29. Guaranty for goods and other items imported for processing

(1) If the State Revenue Service demands a guarantee for the temporary imported goods and other items for processing, such guarantee shall be issued by the legal entity in possession of these goods or other items registered in the Republic of Latvia.

(2) Cabinet of Ministers regulations can determine the procedure of issuing guarantees for importing goods and other items for processing.

CHAPTER VIII

Limited customs duty liability for temporary exported goods and other articles

Article 30. General regulations for temporary exportation

Temporary exportation shall be performed:

- Without changing the code of the goods or other articles;
- exporting goods or other articles for improvement, repair or replacement caused by spoilage;
- exporting goods or other articles for processing.

Article 31. Procedure of temporary exportation of goods and other articles

The State Revenue Service sets the term for the return of temporary exported goods and other articles. The procedure of temporary exportation of goods and other articles shall not take more than 12 months. The State Revenue Service is authorized to extend the term at a written request of legal entities concerned.

Article 32. Temporary exportation without the change of the code

(1) Fully exempt from the export duty with the permission from the State Revenue Service are goods and other articles which are taken out of the territory of Latvia for a time period, and are brought back unchanged, allowing natural depreciation.

(2) Permission for temporary exportation procedure can be obtained by a legal entity registered in Latvia in accordance with the existing legislation of the Republic of Latvia by submitting a relevant written application to the State Revenue Service.

(3) The State Revenue Service shall not grant the permission, if the identity of goods cannot be established, and it may give rise to misuse of the procedure for unlawful acts.

Article 33. Temporary exportation with the aim of improvement, repair or spoilage elimination

In case the treatment operations are aimed at improving, repairing or replacing of temporary exported goods and other items for charge or free of charge (provided it takes place within the framework of contracted obligations or due to production spoilage), the object to be treated shall be completely exempt from the export duty for the time of treatment, and from the import duty when the treated goods and articles are brought back. Should the goods prove to be defective before importation, the exemption is not valid.

Article 34. Temporary exportation of goods and other articles for processing

(1) Goods and other articles may be brought out of the territory of the Republic of Latvia with the exemption from or refunding of the customs duty in compliance with the Cabinet of Ministers regulation, if the goods and other articles are subject to processing operations which would change

their state or form, and under the condition that they would be returned to the territory of Latvia. Additional value resulting from processing may be liable for duty in accordance with the Cabinet of Ministers regulations at the point of re-importing compensatory products. Time period for processing of goods and other items is fixed in accordance with the relevant technological cycle. Time period for goods and articles staying in the place of processing is set by the State Revenue Service.

(2) The terms for re-importing of goods and other articles (compensatory products) are set by the State Revenue Service.

(3) Should the total weight or amount of goods and other articles decrease during processing, and those technological losses be envisaged in the permission for processing exportation issued by related ministry, export customs duty shall not be imposed on this difference in weight or amount between the exported goods and imported compensatory products. Be it otherwise, on the weight or amount difference between the exported goods and imported compensation products export duty shall be collected.

Article 35. Permission for processing

(1) Permission for processing procedure may be granted to a legal entity registered in Latvia performing processing or bearing responsibility for it, and submitting a relevant application in written form to the State Revenue Service.

(2) Permission is issued by the Ministry of Economy (for goods falling in group 25-98 of the combined nomenclature) or Ministry of Agriculture (falling in group 1-24 of the combined nomenclature).

(3) Permission is granted only if:

- (1) The applicant is a legal entity registered in the Republic of Latvia;
- (2) goods and other articles will be transformed into compensatory products to be identified beforehand;
- (3) state or form of the goods and items after processing cannot be restored to the state and form they had before subjection to processing;
- (4) in the procedure of realization the existing regulations for the origin of goods and other articles, and quantitative restrictions for importation have not been violated;
- (5) conditions for processing do not cause decline in the number of jobs in the territory of the Republic of Latvia, and do not affect essential interests of the local producers of similar goods and articles (economic regulations).

Article 36. Guaranty for exported goods and other articles for processing

(1) If in accordance with the given Law or other regulations the State Revenue Service demands a guaranty for temporary exported goods and other items, such guaranty shall be provided by the legal entity - owner of the respective goods and other articles.

(2) The order of issuing guaranties for goods and articles exported for processing may be determined by regulations of the Cabinet of Ministers.

CHAPTER IX

Imposing customs duty on imported and exported goods and articles by physical persons

Article 37. Customs duty application order on goods and articles imported by physical persons into the territory of the Republic of Latvia

Upon entering the territory of Latvia, physical persons are entitled to deliver across the border of the Republic of Latvia without any customs payments, all kinds of goods and articles intended for other than commercial purposes and importation of which is not forbidden or limited by the law, and the customs value of which does not exceed Ls 300. Goods and articles of the same nomination shall be imported not more than three of the same kind, or without restriction if their total customs value does not exceed Ls 15. The measure units of goods and articles are established in accordance with the combined nomenclature of the description and coding of goods.

Article 38. International postal deliveries

A natural person enjoys the right to be freed from customs duty on goods and articles which are not forbidden or restricted in the Republic of Latvia and delivered by international post, if their total customs value does not exceed Ls 50, and provided not more than three items of the same kind are included, or without any restrictions if their total customs value is not over Ls 15. The measure unit for goods and services is determined in accordance with the combined nomenclature of description and harmonized system of coding.

Article 39. Importation of foodstuffs, alcohol and cigarettes

- (1) Provisions of Article 37 and 38 are not applicable to import of foodstuffs, alcohol and cigarettes.
- (2) One person shall be exempt from taxes on foodstuffs with the total customs value not exceeding Ls 15.
- (3) A person over 18 shall be exempt from taxes on alcoholic drinks up to one litre, or one measure unit in original packing not exceeding three litres, and not more than 200 cigarettes, or 20 cigars or 200 grams of tobacco.

Article 40. Infringement of limited liability for physical persons

On goods and articles imported by a physical person in excess of the value or amount stipulated by Articles 37, 38 and 39 a double customs duty stipulated by the related customs tariff rate shall be imposed. Duty on individual means of transport imported by a natural person shall be imposed in accordance with the related customs tariff rates.

Article 41. Customs duty on goods and articles exported by physical persons or sent out of the Republic of Latvia by international postal service

- (1) Upon leaving the territory of the Republic of Latvia, a person is entitled to deliver across the border any goods and articles exportation of which is not forbidden or limited by the law. Export customs duty shall be imposed on these goods in compliance with the export tariff rates.
- (2) The same regulations of paragraph (1) shall be applicable to goods and articles sent by the international postal service.

Article 42. Temporary importation or exportation of goods and other articles without change of code

Physical persons shall be exempt from custom duty on goods and articles temporarily taken out of or imported to the Republic of Latvia for a time period not exceeding 12 months without changing their code in accordance with the order set by the State Revenue Service. Goods which may be used by a physical person in entrepreneurship shall not be exempt from import customs duty.

Article 43. Procedure of customs duty application to goods and other articles in transit on the territory of Latvia

The Cabinet of Ministers determines the order of taxation and customs duty repayment for goods and other articles taken via the territory of the Republic of Latvia by natural persons in transit.

CHAPTER X

Deferred customs duty payments

Article 44. Deferment of customs duty payment

Customs duty payment may be deferred for every legal entity or physical person in accordance with the Law on the State Revenue Service on the basis of a document from the State Revenue Service certifying registration of the deferred payment.

Article 45. Refunding of overpaid customs duty and collection of incompletely paid customs duty

(1) Overpaid customs duty shall be refunded to the owner of goods and other articles at his official address (place of residence) in accordance with the regulations issued by the State Revenue Service at his request within six months from the day of the release for clearance.

(2) Customs duties paid incompletely due to the fault of the owner of goods and other articles shall be collected in non-contention order in double amount within a three-year period from the clearance day at the foreign currency exchange rate set by the Bank of Latvia and according to the regulations in effect on that day.

(3) Customs duties not paid in due course shall be collected for the whole period of debt to the State budget by adding a fine in compliance with the Law on Taxes and Duties in the Republic of Latvia.

Article 46. Customs debt

(1) Customs debt is applied by postponing the duty payment for 10 days, including the day of declaration, in order to alleviate the customs procedure for those legal entities of the Republic of Latvia that have undertaken certain obligations toward the State Revenue Service, and that have not been found guilty of any customs or financial violations.

(2) Import or export customs duty shall be calculated at the point of the declaration of the customs consignment.

Article 47. Conditions for application of customs debt

The Cabinet of Ministers shall determine the conditions of the customs debt and the procedure of its collection.

The following criteria are deemed as compulsory for the debtor:

- (1) Capital stock;
- (2) freight turnover;
- (3) bank guarantees;
- (4) insurance in the amount of the postponed customs duty;
- (5) bank promissory note.

Article 48. Registration of the customs debt

Every sum of import and export duty resulting from the customs debt is calculated and registered by the State Revenue Service upon the arrival of all necessary information.

Article 49. Notification on the customs duty sum

- (1) The indebted sum shall be notified to the debtor as soon as it has been established and registered in accordance with the appropriate order by the officers of the State Revenue Service.
- (2) Provided the debtor himself has calculated the duty sum in the customs declaration in accordance with paragraph (1) of the given Article, the notification is sent only in cases when the duty sum does not coincide with that calculated by the customs establishment.

Article 50. Payment of the duty

- (1) The duty sum notified by the customs establishment shall be paid within the time-limit set by the customs establishment, but not later than 10 days from the day of the declaration of goods and other articles.
- (2) Payments shall be settled by transferring the sum to the bank account specified by the State Revenue Service.
- (3) Any customs debt may be paid in by a third natural person or legal entity instead of the debtor.
- (4) If the obligations are not settled in due course, the debt is recovered in a peremptory way.
- (5) The State Revenue Service shall deprive the user of the customs debt of his rights to deferment in case he is negligent of the compulsory regulations as specified by the State Revenue Service.

Article 51. Customs debt redemption or writing-off

The customs debt shall be redeemed as settled or written off if:

- (1) The indebted sum is paid;
- (2) customs declaration is pronounced invalid in accordance with the existing regulations;
- (3) customs consignment is seized and confiscated prior to passing over to the State;

- (4) customs consignment is destroyed or passed to the State in compliance with the existing legal acts;
 - (5) customs consignment is destroyed or perishes in the result of uncontrollable disaster.
- (2) Customs debt shall not exceed the time-limits as stipulated by the given law, or the criteria set by the State Revenue Service regulations. Should it be otherwise, the user of the debt is deemed as violating the existing rules, and shall be deprived of the debt user's rights.

Chapter XI

Customs consignments in the Customs Zone

Article 52. Obligation to pay import customs duty for using or utilizing customs consignment in the customs territory

- (1) An import customs duty shall be paid when the customs consignment is used or utilized in the customs zone other than for the purpose foreseen by the customs legislation. Import customs duty shall be considered as a payable obligation also in case of loss of the consignment, if no valid explanation for its disappearance is submitted to the customs establishment.
- (2) Obligation to pay customs duty comes into effect the moment of utilization or use of the customs consignment for purposes other than stipulated by customs regulations.
- (3) A debtor shall be the person, legal or physical, who has used or utilized the customs consignment for the purposes stipulated by paragraph (1) of the given Article, or a legal entity or physical person involved in the use or utilization of the customs consignment, aware or obliged to be aware of the purposes other than stipulated by customs regulations, for which the customs consignment has been used or utilized. Provided the obligation to pay customs duty is incurred for lost consignment, such legal entity or physical person shall be deemed debtor who was last in the possession of the said consignment.
- (4) The debts described in this Article shall be paid as specified by the Cabinet of Ministers regulations.

CHAPTER XII

Concluding provisions

Article 53. International treaties

Provisions of the international treaties ratified by the Saeima of the Republic of Latvia shall prevail, if they differ from the provisions stipulated by this law.

Article 54. Personal liability for violation of the Customs Duty (Tariffs) Law

- (1) Legal entities and natural persons shall be held responsible (administrative, disciplinary or criminal responsibility) for violation of this law in accordance with the existing legislation of the Republic of Latvia.
- (2) Actions of customs officers relevant for the process of application of this law may be sued in compliance with the existing legislation.

Transition terms

4. With this Law entering into force, the Law on Customs Tariffs from 16 December (published in Bulletin of the Saeima and the Cabinet of Ministers, No. 1, 1994) and the Law on the Amendments to the Law on Customs Duty (Tariffs) (the same publication, No. 8, 1994) shall lose their validity.

The Law was passed by the Saeima on 29 September 1994

The Law shall take effect with 1 December 1994