

The purpose of this document is to serve as a general overview and it must be mentioned that the requirements may strongly depend on individual circumstances (e.g. tax residence status, possibility to prove it, etc.) and its content is subject to change. This document contains summarised information on the Latvian and international legislative provisions as well as the requirements applicable as of 6 February 2023.

Reduced personal income tax rate application to note interest received by a tax non-resident of Latvia

1. Legislative background

In accordance with the Law On Personal Income Tax (“**PIT**”)ⁱ income related to interest income received by a Latvian tax non-resident is subject to taxation in Latvia.

The rate applicable to income related to interest income for Latvian tax non-residents is 20%.

The Latvian company paying out interest to the tax non-resident - individual is required to withhold PIT at the source.ⁱⁱ

Double Taxation Treaties

In case the Latvian tax non-resident - individual is a tax resident of a country with which Latvia has a valid Double Tax Treaty (“**DTT**”), more beneficial provisions of DTT overrule the regulation of the Law on PIT and the applicable PIT rate can be replaced with the one foreseen in the relevant DTT.

If the individual is a tax resident of a country with which Latvia does not have a valid DTT, the PIT rate of 20% as explained above is applicable.

Exemption for a resident of an EU or EEA state

However, for a resident of a European Union member state or European Economic Area state other than Latvia there is an exemption in the Law on PITⁱⁱⁱ, where the applicable interest income from notes is subject to PIT at a rate of 5%. The place of residence is determined on the basis of the noteholder's self-certification provided to the investment service provider or through a central securities depository, in accordance with the due diligence procedure for the automatic exchange of information on financial accounts.

In order to apply the reduced PIT rate all of the following conditions shall be fulfilled:

- notes are not in public circulation, i.e. not listed in the regulated market;
- payment is made via the investment service provider including the central securities depository;
- issue of the notes is organised by an investment service provider supervised by a competent authority supervising financial markets and participants thereof.

The note issue with AS Eco Baltia (“**Company**”) as the issuer in the issuer's opinion fulfils the above conditions for the application of a 5% withholding PIT to all noteholders that are residents of a European Union member state or European Economic Area state other than Latvia. Nevertheless, the issuer will apply to the Latvian Tax Authority to receive confirmation that the company may rely on the exemption. If the Latvian Tax Authority issues a confirmation, the issuer shall apply PIT at a rate of 5% in relation to interest payments of notes to all individuals that have been confirmed as residents a European Union member state or European Economic Zone state other than Latvia.

Please note that Lithuanian tax residents in accordance with the relevant DTT fulfilling requirements set out in Paragraph 0 below are subject to a 0% PIT rate.

2. The application of the reduced PIT rate upon withholding at the source in accordance with the DTT

If based on the DTT the Latvian tax non-resident - individual wishes the lower PIT rate to be applicable to the note interest income paid out by the Company, the noteholder shall provide the Company with one of the following documents:

- (i) filled out *Resident's Certificate-Application for Tax Relieves* (available here: <https://likumi.lv/ta/id/14132#piel1>) (Article 3 of the Procedures for Application of Tax Relief Determined in International Agreements for Prevention of Double Taxation and Tax Evasion (“**Tax Convention Regulations**”)); OR

- (ii) filled out Sections I, II, III, and IV of *Resident's Certificate-Application for Tax Relieves* together with a tax residence certificate (Article 9¹ of the Tax Convention Regulations).

In case note interest income to be paid to one noteholder does not exceed EUR 5,000 in a taxable year, then a noteholder may only provide a tax residence certificate issued by the noteholder's residence country.

The tax residence certificate shall be in English or Latvian (or with a certified translation thereof) and include (i) the name, surname, and personal identity number of the noteholder; (ii) confirmation of the competent authority of the state of residence of the noteholder that the noteholder is a resident of the relevant state in accordance with the tax agreement between the Republic of Latvia and the relevant state and is entitled to use the requested tax relief; (iii) taxation year (period) to which the confirmation applies.

One copy of the *Resident's Certificate-Application for Tax Relieves* and tax residence certificate should be prepared, confirmed, and provided to the Company for each calendar year separately. If the noteholder's notes interest income does not exceed EUR 5,000 in a taxable year the Company shall keep the documents in internal records and shall provide the documents to the tax authority only upon a request. If the threshold is exceeded the Company is obliged to provide the documents to the Latvian Tax Authorities for approval.

How to complete the *Resident's Certificate-Application for Tax Relieves*:

- The preamble of the form should indicate the name of the country of tax residence.
- Sections I-III should either be completed by the Company or by the non-resident -individual. Under Section III, in the box "*Ienākumi/Income*" it should be indicated that the interest on notes will be received.
- Section IV should indicate only the name, surname of the tax non-resident individual, his/her signature, date and place of signing.
- Section V should be completed and confirmed by the tax residence country's Tax Authorities (by the signature of the representative, stamp). In case the Tax Authorities do not confirm such forms, a tax residence certificate from the residence country's Tax Authorities shall be enclosed.

Once the above-mentioned sections of the form are completed and the required tax residence certificate has been obtained, the original documents should be submitted to the Company at the following address:

Daiga Buča
Head of Public Relations
AS Eco Baltia
Maskavas iela 240-3
Rīga, LV-1019
Latvia

Upon the receipt of the described documents from specific noteholders, the Company will be able to withhold a reduced PIT rate on interest or the Company will have to receive confirmation from the Tax Authority to withhold a reduced PIT rate (in cases interest income exceeds EUR 5,000 in a taxable year).

Please note that Lithuanian tax residents in accordance with the relevant DTT fulfilling requirements set out in this Paragraph are subject to a 0% PIT rate.

3. Claiming for PIT refund in Latvia, if higher PIT has been withheld from interest income

In case the standard PIT rate has already been withheld at source, i.e., if the noteholder - a Latvian tax non-resident - individual did not complete the steps described in Paragraph 2 above, it is possible to claim for a tax refund by applying the lower PIT rate foreseen in a respective DTT. The following documents are required:

- (i) *Resident's Certificate-Application for Tax Refund* should be submitted to the Latvian Tax Authorities (available: <https://likumi.lv/ta/id/14132#piel2>) (Article 10 of the Tax Convention Regulations); OR
- (ii) filled out Sections I, II, III, and IV of *Resident's Certificate-Application for Tax Refund* together with tax residence certificate (Article 14 of the Tax Convention Regulations).

The documents shall be in English or Latvian (or with a certified translation thereof).

A tax residence certificate shall include (i) the name, surname, and personal identity number of the noteholder; (ii) confirmation of the competent authority of the state of residence of the noteholder that the noteholder is a resident of the relevant state and is entitled to use the requested tax relief; (iii) taxation year (period) to which the confirmation applies.

Two copies of the form should be completed, i.e., one should be provided to the Latvian Tax Authorities and the other should remain for the records of the individual.

The PIT refund may be claimed starting from 1 March of the year following the calendar year of interest receipt. The refund can be claimed within 3 calendar years following the year of interest receipt.

The *Resident's Certificate-Application for Tax Refund* shall be completed as follows:

- The preamble of the form should indicate the name of the country of tax residence.
- Section I shall be completed by the noteholder. PIT overpayment is refunded to the bank account indicated in Section I of the request and payments can be transferred to the bank accounts opened either in Latvia or in a foreign country.
- Section II shall indicate name: AS Eco Baltia; registration number: 40103435432; address: Maskavas iela 240, Riga, LV-1019, Latvia.
- Section III shall be completed by the noteholder, if necessary the noteholder may communicate with the Company and the Company will provide the noteholder with the necessary information that has to be filled in Section III.
- Section IV should indicate only the name, surname of the noteholder, noteholder's signature, date and place of signing.
- Section V should be completed and confirmed by the noteholder country's Tax Authorities (by the signature of the representative, stamp). In case the Tax Authorities do not confirm such forms, a tax residence certificate from the noteholder country's Tax Authorities shall be enclosed.

One copy of the *Resident's Certificate-Application for Tax Refund* should be submitted (e.g. mailed) to the Latvian Tax Authorities at the below-indicated address along with a copy of the individual's personal document (passport or ID card) which should be signed by the individual:

Valsts ieņēmumu dienests (State Revenue Service)
Talejas iela 1
Rīga, LV-1978
Latvia

The decision regarding the PIT refund should be made within one month after the completed Resident's Certificate-Application for Tax Refund is received by the Latvian Tax Authorities. The actual money transfer in case of a favourable decision should be made within 15 days after the decision.

ⁱ Article 3(3)(11) of the Law On Personal Income Tax

ⁱⁱ Article 17(12) of the Law on PIT

ⁱⁱⁱ Article 15(7²) of the Law on PIT