

Support to donors

Published: 19.10.2022.

Aim:

Public benefit activity gives a significant benefit for society or any part thereof, in particular, if it is directed towards charity, protection of human rights and individual rights, development of civil society, promotion of education, science, culture and health and prevention of diseases, supporting sports, environment protection, provision of assistance in cases of disaster and extraordinary situations, increase of social welfare, in particular for poor persons and socially vulnerable groups of persons.

Foundations, establishments and religious organisations, performing public benefit activities and willing to use the right to receive tax rebates determined in laws, shall register for the status of the public benefit organization. In its turn, persons, who donate to the public benefit organization, shall be entitled to receive tax rebates determined in laws, except for cases, when they withdraw their donation.

Benefits:

In accordance with the Law On Public Benefit Organizations:

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

persons, who donate to the public benefit organization, shall be entitled to receive tax rebates determined in laws, except for cases, when they revoke their donation.

property or financial means given to a public benefit organization shall not be considered as a donation in such an amount as the public benefit organization has been specified a corresponding duty to perform activities, which are of a compensatory nature;

donations may not be used to cover losses, which have been created as a result of the economic activities of the public benefit organization.

On the basis of the granted public benefit status, non-governmental organizations may attract donors:

legal persons, being entitled to use the tax rebates determined under the Law On Corporate Income Tax (Section 12) - for residents and permanent representative offices the tax may be reduced in three different ways. A donor may use only one of such rebates and to apply it during the whole reporting year:

- not to include the donated amount in the taxable base, but not exceeding 5% from the profit of the previous reporting year after calculated taxes;
- not to include the donated amount in the taxable base, but not exceeding 2% from the total gross labour payment calculated for employees during the previous reporting year, from which MSSIC were made;
- to reduce the calculated EIT from dividends by 75% from the donated amount, but not exceeding 20% from the calculated EIT from dividends. When selecting the 3rd type - the amount of donations shall not reduce the taxable base, but the EIT from dividends;

natural persons, who are entitled to use the tax rebates determined in the Law On Personal Income Tax - the reduction of the taxable income of a natural person for donated amounts shall not exceed 20% from the earned taxable income.

This is a general description, provided for an informative purpose, and does not have any legal force. In case of application you

shall act in accordance with the regulatory enactment. In case of any questions, please, contact with the State Revenue Service of Latvia.

<https://www.vid.gov.lv/en/support-donors>