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- 15 December 1994 [shall come into force from 1 January 1995];
- 6 November 1996 [shall come into force from 10 December 1996];
- 8 July 1999 [shall come into force from 3 August 1999];
- 6 April 2000 [shall come into force from 4 May 2000];
- 15 May 2003 [shall come into force from 1 July 2003];
- 26 February 2004 [shall come into force from 18 March 2004];
- 6 April 2006 [shall come into force from 9 May 2006];
- 12 March 2009 [shall come into force from 15 April 2009];
- 10 June 2010 [shall come into force from 14 July 2010];
- 30 September 2010 [shall come into force from 1 January 2011];
- 7 April 2011 [shall come into force from 11 May 2011];
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- 18 April 2013 [shall come into force from 22 May 2013];
- 19 September 2013 [shall come into force from 1 January 2014];
- 5 December 2013 [shall come into force from 1 January 2014].

If a whole or part of a section has been amended, the date of the amending law appears in square brackets at the end of the section. If a whole section, paragraph or clause has been deleted, the date of the deletion appears in square brackets beside the deleted section, paragraph or clause.

The *Saeima*¹ has adopted and
the President has proclaimed the following Law:

On Accounting

Chapter I General Provisions

Section 1.

This Law applies to merchants, co-operative societies, foreign merchant branches and non-resident (foreign merchant) permanent representations, associations and foundations, political organisations (parties) and the associations thereof, religious organisations, trade unions, institutions financed from the State budget or local government budgets, the State or local government agencies and other legal and natural persons who perform economic activities (hereinafter – undertaking).

[6 April 2006]

Section 2.

An undertaking has a duty to organise the accounting. The accounting shall clearly reflect all economic transactions of the undertaking, as well as each fact or event which causes changes in the state of the property of the undertaking (hereinafter – economic transactions). Accounting shall be conducted so that a third person qualified in the area of accounting may obtain a true and clear representation of the financial position of the undertaking at the date of the balance sheet, the results of the activities thereof, the cash flow for a specific time period, as well as be able to determine the beginning of each economic transaction and trace its course.

¹ The Parliament of the Republic of Latvia

The accounting information provided shall be truthful, comparable, timely, significant, understandable and complete. The accounting shall ensure allocation of income and expenditure by accounting periods.

The head of the undertaking shall be liable for the maintaining of the accounting and the preservation of all the originals, copies or representation of data of all documents substantiating economic transactions.

A head of an undertaking is:

1) for a partnership – all the members of such a partnership or the members of the partnership having special authorisation to represent the partnership;

2) for a capital company – the board of directors;

3) for a co-operative society – the board of directors or the person who fulfils the functions thereof according to the procedures laid down in the articles of association of the society;

4) for an individual enterprise, farming or fishing enterprise – the owner of the enterprise;

5) for a foreign merchant branch and non-resident (foreign merchant) permanent representation – the person authorised to represent the foreign merchant (non-resident) in the activities related to the branch or the permanent representation;

6) for an institution financed from the State budget or a local government budget, the State or local government agency – the head thereof;

7) for an association, foundation, political organisation (party), political organisation (party) association and trade union – the executive body (governing body);

8) for a religious organisation – the management (governing body);

9) an individual merchant and another natural person performing economic activities.

[6 April 2006]

Section 3.

A head of an undertaking shall organise the accounting procedure in conformity with the requirements of this Law.

[6 April 2006]

Section 4.

For accounting purposes, information and data, which in accordance with the existing laws and regulations is required to be included in the reports of an undertaking, shall not be deemed to be commercial secrets.

All other accounting information of an undertaking shall be deemed to be commercial secrets and shall be accessible only for audits, the tax administration for verification of the correctness of tax calculations, as well as other State institutions in cases provided for by legislative enactments.

[6 November 1996]

Section 5.

The measure of value to be used in accounting shall be euro.

The foreign exchange rate to be used in accounting is the euro reference rate published by the European Central Bank, but if there is no euro reference rate published by the European Central Bank for the particular foreign currency, the currency market rate in relation to euro published in a periodical of a provider of financial information recognised by the world financial market or on its website shall be used.

If the measure of value in a corroborating document is foreign currency, the sums indicated therein in terms of money for records in accounting registers shall be recalculated in euro according to the foreign currency rate to be used in accounting, which is in effect at the beginning of the day of economic transaction.

The day when money is received or paid accordingly, the day when goods or services are purchased or sold, as well as any other day on which changes in the state of property of an undertaking have actually taken place shall be deemed the day of economic transaction.

An undertaking which prepares an annual account in accordance with the laws governing activities of participants of the financial and capital market and the regulatory provisions of the Financial and Capital Market Commission, if there are sufficient grounds, may derogate from the provisions of Paragraph three of this Section and use another source of currency market rate for recalculation of a sum expressed in a foreign currency in the corroborating document into euros.

[19 September 2013]

Chapter II **Maintaining of Accounting Registers**

Section 6.

Accounting registers shall be maintained in the Latvian language and kept together with source documents in the territory of Latvia. If a foreign legal or natural person participates in the economic transactions, another language, by agreement of the parties, acceptable to such person and auditors, may be used. If codes, abbreviations, single letters or symbols are used in the records, explanations shall be provided thereof.

[6 November 1996]

Section 7.

Entries supported by source documents shall be made in accounting registers. A source document is a document attesting the existence of the economic transaction of the undertaking and including at least the following document requisites and information regarding the economic transaction:

1) the name of the document author (firm name), but in case the document author is a natural person – the given name and surname;

2) the registration number of the document author (if in accordance with the law the document author shall be registered), but in case the document author is a natural person - personal identity number (if any has been granted to the person);

3) for an external source document - also the legal address (if in accordance with the law the document author shall be registered) or address (if in accordance with the law the document author shall not be registered), but in case the document author is a natural person - also the address specified by the person or, if none has been specified, a declared place of residence;

4) title of the document type;

5) date of the document;

6) registration number of the document;

7) signature (except for the cases referred to in Section 7.¹);

8) for specific types of source documents – also other mandatory document requisites provided for by laws and regulations;

9) participants of the economic transaction, specifying the name (firm name), registration number (if in accordance with the law a participant of the economic transaction shall be registered), legal address (if in accordance with the law a participant of the economic

transaction shall be registered) or address (if in accordance with the law a participant of the economic transaction shall not be registered) of each participant of the economic transaction, but in case a participant of the economic transaction is a natural person, specifying the given name and surname, personal identity number (if any has been granted to a person), address specified by a person, or, if none has been specified, a declared place of residence;

10) description, basis and quantifiers (volumes, amounts) of the economic transaction, but in cases laid down in the laws and regulations – also other information regarding the economic transaction.

If there is an external source document regarding an economic transaction, it shall be given priority in comparison with any internal source document.

A document drawn up at another undertaking shall be considered to be an external source document, as well as such document which has been drawn up in the undertaking itself for submission to another undertaking. All other source documents shall be deemed to be internal source documents of the undertaking.

Entries in the accounting registers shall be made timely, ensuring that they are complete, precise and systematically arranged. Entries whose content or quantifiers differ from the source documents shall not be allowed.

Entries in the accounting registers or source documents shall be corrected or supplemented taking into account the requirements included in the laws and regulations which determine maintaining and organising of the accounting.

Maintaining of accounting registers only electronically shall be allowed only in case the requirements of this Law are not violated, furthermore, representation of such registers in a legible form on a computer monitor and, if necessary, also the possibility to make derivatives thereof in the paper form shall be ensured.

If a source document is in the paper form, the requisite “signature” in this document shall be drawn up taking into account the requirements of the Law On Legal Force of Documents. The requisite “signature” in the electronic source document shall be drawn up taking into account the requirements of the Electronic Documents Law.

Other requisites of the source document shall be drawn up in accordance with the requirements included in the laws and regulations laying down the procedures for developing and drawing up the documents.

[7 April 2011]

Section 7.¹

An internal electronic document which does not contain the requisite “signature”, if it has been attested (authorised) by a person responsible for the performance of the economic transaction and the correctness of the information provided in the source document in accordance with the procedures stipulated by the head of the undertaking may also be regarded as an internal source document.

A document issued to the undertaking – the recipient of goods or service – by another undertaking for payment, if it does not contain the requisite “signature”, but the existence of the economic transaction referred to in this document is substantiated by another external document having legal force within the meaning of the Law On Legal Force of Documents, may also be regarded as an external source document.

A document issued to the undertaking – the recipient of goods or service – by another undertaking for payment and which does not contain the requisite “signature” and it is not possible to fulfil the condition referred to in Paragraph two of this Section, if the existence of the economic transaction referred to in this document is attested by a person of the document recipient (undertaking) responsible for the performance of economic transaction and the correctness of the information provided for in the source document in accordance with the

procedures stipulated by the head of the undertaking, may also be regarded as an external source document.

A document which does not contain the requisite “signature” and which upon request of the undertaking – user of payment service – is issued by the provider of payment service (within the meaning of the Law On Payment Services and Electronic Money) on the fact that a payment order (task) of the undertaking – user of payment service – is performed, if the existence of the economic transaction referred to in this document is attested by a person of the document recipient (undertaking – user of payment service) responsible for the performance of economic transaction and the correctness of the information provided in the source document in accordance with the procedures stipulated by the head of the undertaking, may also be regarded as an external source document.

A non-confirmed account statement of the undertaking – user of payment service – which upon request of the user of payment service is issued by the provider of payment service (within the meaning of the Law On Payment Services and Electronic Money) if the existence of the economic transaction referred to in this statement is attested by a person of the document recipient (undertaking – user of payment service) responsible for the performance of economic transaction and the correctness of the information provided for in the source document in accordance with the procedures stipulated by the head of the undertaking, may also be regarded as an external source document.

[7 April 2011]

Section 8.

Recording of cash operations shall be done in such a manner that each payment received, and disbursed, is recorded daily. The cash balance at the beginning of the day shall be stated, the income and expenditure of the day shall be totalled, and the cash balance at the end of the day shall be calculated, every day.

Undertakings in which the average daily cash income does not exceed 150 euros may calculate the cash balance on a weekly basis.

Undertakings which use cash registers or similar data registration equipment may record the income by one entry for the whole day. Other source documents received, regarding the economic transactions of the undertaking, shall be recorded in the accounting registers as soon as possible but not later than within 15 days after the end of the month, in which the document was received by the undertaking, and their recording at the end of the accounting period is mandatory.

[5 October 1995; 6 November 1996; 8 July 1999; 19 September 2013]

Section 9.

Accounting registers shall be maintained using a double entry accounting system.

Provisions of this Section are not applicable to:

1) individual merchants, individual enterprises, farming and fishing enterprises whose turnover (income) from the economic transactions during the previous accounting year does not exceed 300 000 euros, other natural persons who perform economic activities. The abovementioned persons may organise their accounting by the simple entry system in accordance with the procedures laid down in the Cabinet;

2) associations, foundations, trade unions and religious organisations whose turnover (income) from the economic transactions during both the current and previous accounting year does not exceed 40 000 euros. They may organise their accounting by the simple entry system.

[10 November 2011; 18 April 2013; 19 September 2013]

Section 10.

Source documents, accounting registers, inventory lists, annual accounts and accounting organisation documents of the undertaking shall be systematically arranged and kept in the archives of the undertaking.

The time period for storage of the documents shall be as follows:

for annual accounts – until reorganisation of the undertaking or termination of the activity thereof, insofar as it is not otherwise specified in other laws and regulations;

for inventory lists, accounting registers and accounting organisation documents – 10 years;

for source documents regarding monthly salaries (remuneration) calculated for employees, arranged by years and months – 75 years;

for other source documents – 5 years.

If accounting is conducted electronically, the period for storage of the data as determined in Paragraph two of this Section shall be ensured.

If an undertaking is being reorganised or activity thereof is terminated, the liquidation commission or the head of the undertaking, shall, co-ordinating with the National Archives of Latvia, determine the procedures for subsequent storage of the archives of the undertaking.

The head of the undertaking shall be responsible for maintenance of the archives of the undertaking.

An undertaking has the right to convert the documents referred to in Paragraph one of this Section in electronic form for storage in electronic environment taking into account the procedures laid down in the laws and regulations governing the field of archives by which the public records are converted in the electronic form for storage in the electronic environment, the technical requirements for conversion, as well as the procedures by which the obtained records are to be stored and converted public records are to be destroyed

[15 May 2003; 7 April 2011]

Chapter III Inventory and Reports

Section 11.

An undertaking, which commences activities, shall perform an inventory, in which all the property owned and being in use of the undertaking on site is determined, as well as compare amounts of undertaking and debtor and creditor claims and obligations. The results of the inventory shall be reflected in inventory lists. The evaluation of the property, including the claims and obligations shall be made in accordance with the procedures laid down in laws and regulations. In the future, such inventory shall be performed at the end of each accounting year, as well as when terminating the activities of the undertaking or reorganising thereof, or if a matter has been initiated for the declaring the undertaking as insolvent, or if, on the basis of a decision of the merchant, the activities of the merchant have been suspended or renewed.

The Cabinet shall issue regulations regarding the evaluation in accounting and reflection in the financial reports of the property of the undertaking, including of the claims and obligations in the case of terminating the activities of the undertaking or the structural unit thereof.

An individual enterprise, farming and fishing enterprise, as well as individual merchant and another natural person performing economic activities, shall apply the provisions of Paragraph one of this Section to the property provided for or utilised for the performance of economic activities.

[6 April 2006; 5 December 2013]

Section 12.

Inventory of identical objects may be also performed by sampling, using mathematical statistics methods for the evaluation of data. The value of material resources established in such manner shall not differ significantly from the results of a general inventory.

It is not mandatory for the closing inventory of the accounting year to be performed on the last day of the accounting year, if it is possible, on the basis of the accounting data, to determine the true form and amounts of material values, and their evaluation in monetary units, without performing an inventory on site.

The closing inventory of the accounting year may be performed within three months prior to the final day of the accounting year or within a month after it, recalculating the balances established on the day of the inventory in accordance with the accounting data on the final day of the accounting year.

Section 13.

Upon commencing the activities of an undertaking, on the basis of the inventory data determined in Section 11 of this Law, an opening balance sheet shall be drawn up. All the same provisions shall apply to the opening balance sheet as apply to the annual account balance sheet.

When reorganizing an undertaking or terminating its activities, a closing financial statement of the activities of the undertaking (hereinafter – closing financial statement) shall be drawn up, if it is not laid down otherwise in laws and regulations. Upon suspending the activities of a commercial company, on the basis of a decision of the merchant, a report on economic activities shall be drawn up. The closing financial statement and the report on economic activities shall be drafted, examined and published in accordance with the provisions provided for in the laws and regulations regarding drafting, examination, submission and publication of annual accounts. In addition, the closing financial statement and the report on economic activities shall provide detailed information regarding the losses caused by reduction in the value of the assets due to the reorganisation, or termination or suspension of the activities of the undertaking, indicating the basis for calculating the amount of losses and the impact of such losses on the evaluation of the component items of the financial statement.

Annual accounts shall be drawn up for each accounting year whose structure, volume and content, as well as the procedures for drafting, examining and submitting them, are laid down in the Annual Accounts Law, the laws governing the activities of participants in the financial and capital market and the regulations or orders of the Finance and Capital Market Commission and laws and regulations adopted in accordance with the Law On Budget and Financial Management. The suspension of activities of a commercial company on the basis of a decision of the merchant shall not exempt the commercial company from drawing up the annual account.

The provisions of Paragraph three of this Section are not applicable to:

- 1) [15 May 2003];
- 2) associations, foundations, religious organisations and trade unions. The Cabinet shall determine the structure, volume, content and the procedures for drafting, examining and submitting the annual accounts for such persons;
- 3) [6 April 2006];
- 4) political organisations (parties) and the associations thereof. The Cabinet shall determine the structure, volume, content and the procedures for drafting, examining and submitting the annual accounts for such organizations and associations.

The provisions of Paragraphs one, two and three of this Section are not applicable to individual enterprises, farming and fishing enterprises whose turnover (income) from the

economic transactions does not exceed 300 000 euros during the previous accounting year and which organise their accounting by the simple entry system; to the individual merchants and other natural persons performing economic activities. These enterprises shall register income and expenditure from the economic activities and complete returns and forms according to the requirements laid down in the laws in the tax field or the laws and regulations adopted in accordance with them.

Individual merchants whose turnover (income) from the economic transactions exceeds 300 000 euros during the previous accounting year, shall draw up also a balance sheet and an income and expenditure statement whose content and the procedures for drafting and submitting shall be stipulated by the Cabinet.

[6 April 2000; 15 May 2003; 26 February 2004; 6 April 2006; 12 March 2009; 10 June 2010; 19 September 2013; 5 December 2013]

Section 14.

The accounting year shall cover 12 months and it shall usually coincide with the calendar year. A different beginning and end for the accounting year may be only if such is determined by the articles of association, by-law or constitution of the relevant undertaking or by a partnership agreement.

The accounting year may be changed. A change of the accounting year shall be substantiated and relevant explanations therefor shall be provided in the appendix to the annual accounts.

The first accounting year of a newly established undertaking may cover a shorter or a longer time period, but not longer than 18 months.

If the beginning of the accounting year of an existing undertaking is changed, the accounting year shall not exceed 12 months.

An accounting year in which an undertaking is reorganised or terminates its activities, as well as an accounting year in which its beginning has been changed, may be shorter than 12 months.

The provisions of this Section are not applicable to an institution which is financed from the State budget or a local government budget, and a State or local government agency whose duration, beginning and end of the economic year are laid down by relevant laws.

[6 April 2000; 15 May 2003; 6 April 2006]

Section 14.¹

The provisions of Section 14 of this Law shall not apply to an undertaking, which in accordance with the Micro-enterprise Tax Law has acquired the status of a micro-enterprise taxpayer. The accounting year of such undertaking shall cover 12 months and coincide with the calendar year. The accounting year, in which the undertaking commences activities, terminates activities or is reorganized, may be less than 12 months in duration, however, it shall end not later than on 31 December of the calendar year.

[18 April 2013]

Chapter IV
Division of Competence in Accounting
[15 May 2003]

Section 15.

The Cabinet shall issue regulations regarding the maintaining and organising of accounting, as well as the recording of cash operations.
[30 September 2010]

Section 15.¹

The Ministry of Finance shall develop and implement the State policy in respect of accounting issues.
[18 April 2013]
[18 April 2013]
[6 April 2006; 10 June 2010; 18 April 2013]

Section 15.² [18 April 2013]

Chapter V
Liability for Violations of the Law On Accounting of the Republic of Latvia

Section 16.

Heads of undertakings who have allowed violations of the Law On Accounting and of other laws and regulations in force regarding the accounting, the misrepresentation of accounting data in bad faith, failure to submit reports officially required, or loss of accounting documents, shall be held liable in accordance with the procedures laid down in law.

Section 17.

A head of an undertaking shall be liable for the losses caused to the undertaking, the State his or her fault. Natural and legal persons occasioned such loss have the right to claim compensation therefor in accordance with the procedures laid down in laws and regulations.

Transitional Provisions
[8 July 1999]

1. The amendment to Section 13, Paragraph three of this Law shall apply to annual accounts for periods commencing from 1999.

2. Section 9, Paragraph two, Clause three of this Law shall come into force on 1 January 2001.

[6 April 2001]

3. Until the day of the coming into force of the relevant Cabinet regulations, but not later than up to 1 November 2003, the following Cabinet regulations are applicable:

1) Cabinet Regulation No 243 of 25 July 2000, Regulations on the Conduct and Organisation of Accounting (*Latvijas Republikas Saeimas un Ministru Kabineta Ziņotājs*, 2000, No 15);

2) Cabinet Regulation No 244 of 25 July 2000, Regulations regarding Cash-office Operations Accounting (*Latvijas Republikas Saeimas un Ministru Kabineta Ziņotājs*, 2000, No. 15).

[15 May 2003]

4. Section 15.¹, Paragraphs two and three and Section 15.² of this Law shall come into force concurrently with the relevant amendments to the Law On the State Budget 2003.

[15 May 2003]

5. The amendments to Section 9 and Section 13, Paragraphs five and six of this Law shall come into force on 1 January 2007.

[6 April 2006]

6. On the day of the coming into force of the Cabinet regulations referred to in Section 13, Paragraph four, Clause 2 of this Law, but not later than by 1 January 2007, the following Cabinet regulations are applicable:

1) Cabinet Regulation No 251 of 1 August 2000, Regulations regarding Public Organisation, the Associations thereof and Trade Union Annual Accounts (*Latvijas Republikas Saeimas un Ministru Kabineta Ziņotājs*, 2000, No. 16); and

2) Cabinet Regulation No 252 of 1 August 2000, Regulations regarding Religious Organisation Annual Accounts (*Latvijas Republikas Saeimas un Ministru Kabineta Ziņotājs*, 2000, No 16; 2004, No 11)

[6 April 2006]

7. Amendment to Section 2, Paragraph four, Clause 4 of this Law regarding the deletion of this Clause, as well as amendments to Section 9, Paragraph two, Clause 1 and Section 11, Paragraph three of this Law regarding deletion of the words “individual enterprise, farming and fishing enterprise” (in the relevant case) and amendment to Section 13, Paragraph five of this Law regarding deletion of the words and numbers “individual enterprises, farming and fishing enterprises whose turnover (income) from the economic transactions does not exceed 200 000 lats during the previous accounting year ” shall come into force on 1 July 2013.

[10 June 2010]

7.¹ The coming into force of the amendments referred to in Paragraph 7 of this Regulation is revoked.

[18 April 2013]

8. Amendments to Section 15, Paragraph one of this Law regarding deletion of the second sentence shall come into force on 1 July 2011.

[30 September 2010]

Informative Reference to European Union Directive

This Law contains legal norms arising from Directive 2009/101/EC of the European Parliament and of the Council of 16 September 2009 on coordination of safeguards which, for the protection of the interests of members and third parties, are required by Member States of

companies within the meaning of the second paragraph of Article 48 of the Treaty, with a view to making such safeguards equivalent (codified version) (Text with EEA relevance).
[18 April 2013]

Chairperson of the Supreme Council of the Republic of Latvia

A.Gorbunovs

Secretary of the Supreme Council of the Republic of Latvia

I.Daudišs

Rīga, 14 October 1992