

Permission, if granted, remains in force for a maximum of five years, after which time the office must be registered. A fee of USD\$800 is charged for new registrations and USD\$100 for the extension of an existing authorization (the fee is reduced to USD\$50 for both types of registration in the case of non-profit organizations).

Under the provisions of the Law on Limited Liability Companies of 13 January 1991, the financial liability of a company is limited to the extent of their capital contribution. A limited liability company can be founded by two or more shareholders and a foreign national or legal entity can be the sole founder. The minimum registered capital is 100,000 (USD\$100), of which at least 30% must be paid at the time of registration of the company and the remainder within a year of registration. The company must establish a reserve fund which not less than 5% of annual profit must be paid until the fund reaches one third of the company's foundation capital. To register a limited liability company its founders must provide the Latvian Enterprise Registry with various documents.

Disadvantages

- Control, management, reputation and sales of the company's products (yields)
- Limited financial liability
- Tax sensitive
- High knowledge about the industry

Local Management

Local management is essential for a company to succeed in the Latvian market. Collaboration with local partners and employees is crucial for the company's success. Canadian entrepreneurs must be aware of the local business environment and adapt their management style accordingly.

Disadvantages

- Business and financial risks
- Brain on financial, technical and personal resources of the investor. All aspects of business management are put in investor's hands
- The foreign component of the company is not guaranteed.

Joint stock companies

Joint-stock companies (referred to as "public companies" or "AK" in Latvian) are governed by the provisions of the Law on Joint-Stock Companies of June 1991 that closely follow European Community directives. Joint-stock companies are a less common form of business representation for foreign investors than are limited liability companies because the structure and requirements are more complicated. Indeed, following the introduction of the foreign investment law, most joint ventures formed under earlier legislation were transformed into limited liability companies.

Joint-stock companies can be created as a closed company (where shares are divided among its members) or as an open company (where shares are sold to the public). The minimum number of founders is two and there is no maximum. The minimum foundation capital for most businesses is 500,000 (USD\$500), rising to 15,000,000 (USD\$15,000,000) for insurance companies and 250,000,000 (USD\$250,000,000) for banks. The company must establish a reserve fund into which not less than 5% of annual profit must be paid until the fund reaches one third of the company's foundation capital.