

# Timber Legality Risk Assessment Latvia

Version 1.5 | November 2019



COUNTRY RISK  
ASSESSMENTS



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The original document of FSC can be accessed here <https://ic.fsc.org/en/document-center>.

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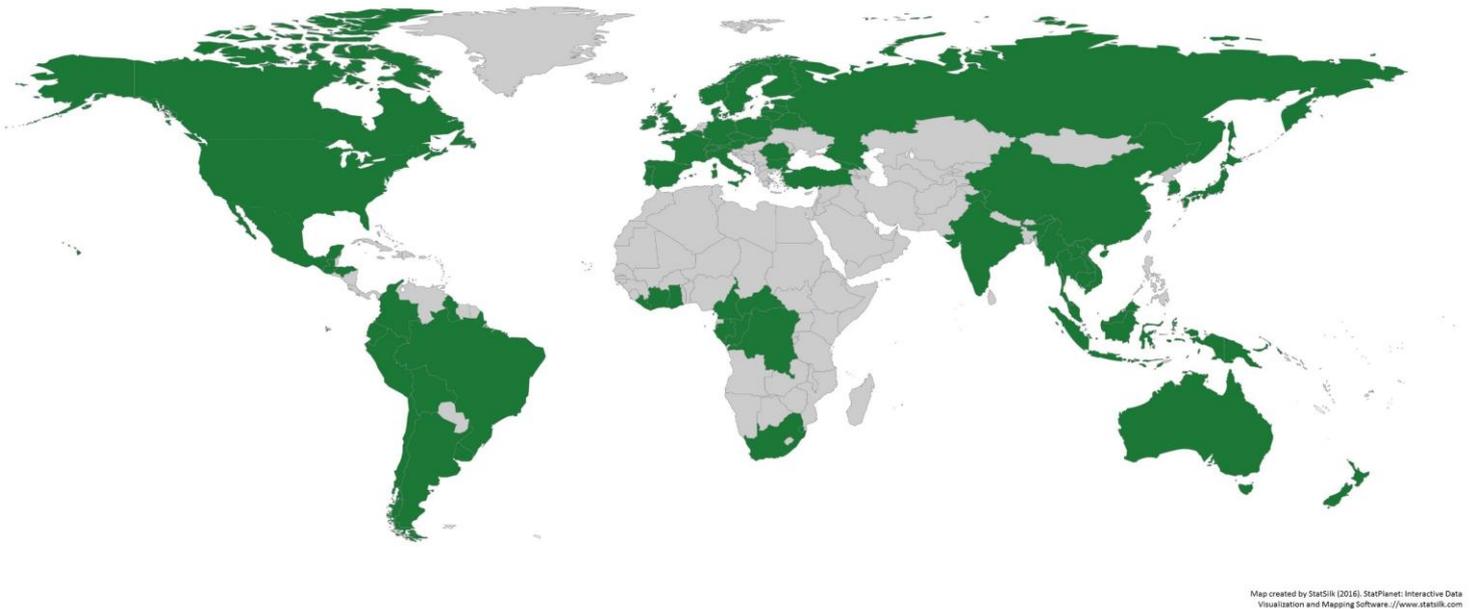
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## A. Introduction

This Timber Legality Risk Assessment for Latvia provides an analysis of the risk of sourcing timber from areas of illegal harvesting. NEPCon have been working on risk assessments for timber legality, in partnership with a number of organisations, since 2007.

In that time, NEPCon have developed timber risk assessments for more than 60 countries, illustrated in Figure 1.



*Figure 1. Countries for which NEPCon have developed a legality risk assessment for timber*

The risk assessments are developed in collaboration with local forest legality experts and uses an assessment methodology jointly developed by FSC and NEPCon. A detailed description of the methodology can be found on the [NEPCon Sourcing Hub](#).

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All FSC Risk Assessments can be downloaded in the [FSC Document Centre](#).

This risk assessment was prepared by NEPCon between 2014 and 2018 as follows:

<b>Draft prepared by NEPCon:</b>	December 2014
<b>FSC Stakeholder consultation:</b>	March 2015
<b>FSC Version 1.0 approval:*</b>	20 September 2018
<b>FSC approval date:</b>	27 June 2018
<b>FSC CW effective date:</b>	27 June 2018

\* FSC-CNRA-LV underwent a fast revision for category 1, approved on 27 June 2018.

NEPCon originally published the Timber Legality Risk Assessment for Latvia in August 2017. The following indicators has been updated by NEPCon as follows:

<b>1.6 (Value added taxes and other sales taxes)</b>	Updated finding. Changed from Specified risk to Low risk	September 2018
<b>1.7 (Income and profit tax)</b>		
<b>1.12 (Legal employment)</b>		
<b>1.11 (Health and safety)</b>	Updated finding – No change in risk designation – continued specified risk	September 2018
<b>1.21 (Legislation requiring due diligence/due care procedures):</b>	Updated finding – No change in risk designation – continued specified risk	November 2019

## B. Overview of legality risks

**Timber Risk Score:** 88 / 100 in 2019

This report contains an evaluation of the risk of illegality in Latvia for five categories and 21 sub-categories of law. We found:

- **Specified risk for 2 sub-categories.**
- **Low risk for 15 sub-categories.**
- **No legal requirements for 4 sub-categories.**

The Timber Risk Score for Latvia is 88 out of 100. The key legality risks identified in this report concern timber harvesting activities and trade and transport.

For **Timber Harvesting Activities**, there is risk that health and safety laws are not complied with, e.g. through a lack of compulsory health examinations for workers, failure to maintain and document maintenance of equipment, lack of health and safety action plan, and lack of health and safety training (1.11)

For **Trade and Transport**, there is a risk that operators do not implement a due diligence system to avoid placing illegal timber on the EU market (1.21).

### Timber source types and risks

There are three timber source types found in Latvia. Knowing the “source type” that timber originates from is useful because different source types can be subject to different applicable legislation and have attributes that affect the risk of non-compliance with the legislation.

<b>State forest</b>	Timber from State-owned production forest
<b>Private forest</b>	Timber from privately-owned production forest
<b>Protection/conservation forest</b>	Timber from protection/conservation forest

This matrix summarises the findings of the timber legality risk assessment set out in this report.

Legal Category	Sub-Category	Risk conclusion		
		State forest	Private forest	Protection /conservation forest
Legal rights to harvest	1.1 Land tenure and management rights	Low	Low	Low
	1.2 Concession licenses	N/A	N/A	N/A
	1.3 Management and harvesting planning	Low	Low	Low
	1.4 Harvesting permits	Low	Low	Low
Taxes and fees	1.5 Payment of royalties and harvesting fees	N/A	N/A	N/A
	1.6 Value added taxes and other sales taxes	Low	Low	Low
	1.7 Income and profit taxes	Low	Low	Low
Timber harvesting activities	1.8 Timber harvesting regulations	Low	Low	Low
	1.9 Protected sites and species	Low	Low	Low
	1.10 Environmental requirements	Low	Low	Low
	1.11 Health and safety	Low	Specified	Specified
	1.12 Legal employment	Low	Low	Low
Third parties' rights	1.13 Customary rights	Low	Low	Low
	1.14 Free prior and informed consent	N/A	N/A	N/A
	1.15 Indigenous/traditional peoples' rights	N/A	N/A	N/A
Trade and transport	1.16 Classification of species, quantities, qualities	Low	Low	Low
	1.17 Trade and transport	Low	Low	Low
	1.18 Offshore trading and transfer pricing	Low	Low	Low
	1.19 Custom regulations	Low	Low	Low
	1.20 CITES	Low	Low	Low
	1.21 Legislation requiring due diligence/due care procedures	Specified	Specified	Specified

## C. Overview of the forest sector in Latvia

There is no definition of forest types and functions provided in the Latvian national forestry legislation. Land use and real estate classification regulations define the land use type 'forest' as land where the main commercial activity is forestry. This comprises 'production', 'protection' and 'protected' forests, including forest infrastructure land, forest clearings, swamps, bogs and glades. The forest land may include agricultural land, providing the agricultural land does not occupy most of the land unit and agriculture is not the main economic activity of a given unit of land.

The largest portion (49%) of the forest area in the Republic of Latvia – 3 million hectares – is owned by the State. Private owners (natural persons) manage 35% of Latvian forests, with 14% owned by legal entities (legal persons). Municipalities have a 2% share in total forest land ownership. The State-owned company AS "Latvijas valsts meži" manages 1590 thousand hectares of forest land, of which forests constitute 1400 thousand hectares.

Forests in protected territories and protected forests account for 17% of total forest area, or 515 thousand hectares. Forests in strict conservation areas account for 21% by area. One-fifth of the area of forests in protected territories is located in National parks (various protection tenures); with the remainder made up as follows: 16%: protected landscape areas; 13%: Baltic Sea and Riga Bay belt zone; 12%: nature parks; 7%: micro reserves; 4%: city protection belts; 3%: specially protected forest areas; 2%: strict nature reserves and protected Baltic Sea and Riga Bay coastal dune forests. Most of the protected forests and forests in protected areas are owned by the State. The highest proportion of privately owned forests is in protected landscape forests (57%), National parks and nature parks (51%). There is a relatively smaller area of private forests in protected territories with more strictly regulated protection regimes: protected coastal forests (Baltic Sea and Riga Bay belt 33%, Baltic Sea and Riga Bay protection zone 34%); strict conservation areas (20%); and micro reserves (7%). All other forests apart from forests in protected territories and belts and their buffer zones are considered production forests.

Harvesting is regulated by the Law on Forests and the subsidiary normative regulations. In accordance with the Law on Forests, a Forest Management Plan must be prepared by each forest owner for each forest property, covering a period of 20 years. No felling activities (except sanitary felling) may be carried out without a valid Forest Management Plan. In the development of the Forest Management Plan the forest owner must address the following principles: 1) steady and sustainable use of timber resources; 2) preservation of forest productivity and value; 3) forestry regulatory requirements. The Law on Forests and Cabinet of Minister Regulation No. 67, "On Forest Management Plan" outline the requirements for development of Forest Management Plans, which are not publicly available.

Harvesting permits are issued by the State Forest Service, based on information contained in the Forest Management Plan. The control of compliance with the Law on Forests as well as Forest Management Plans is the responsibility of the State Forest Service. At a local level, compliance is ensured by regional State Forest Service offices. The State Forest Service carries out monitoring – at a national level – of timber harvesting and forest resources.

## D. Legality Risk Assessment

### LEGAL RIGHTS TO HARVEST

#### 1.1. Land tenure and management rights

*Legislation covering land tenure rights, including customary rights as well as management rights that includes the use of legal methods to obtain tenure rights and management rights. It also covers legal business registration and tax registration, including relevant legal required licenses. Risk may be encountered where land rights have not been issued according to prevailing regulations and where corruption has been involved in the process of issuing land tenure and management rights. The intent of this indicator is to ensure that any land tenure and management rights have been issued according to the legislation.*

##### 1.1.1. Applicable laws and regulations

- The Latvian Civil Code (28.01.1937) Available at: <http://likumi.lv/doc.php?id=225418> [Accessed on 07 August 2018].
- Law on Land Reform in Rural Areas of the Republic of Latvia (21.11.1990) Available at: <http://likumi.lv/doc.php?id=72849> [Accessed on 07 August 2018].
- Law on the Privatization of Land in Rural Areas (01.09.1992) Available at: <http://likumi.lv/doc.php?id=74241+H1> [Accessed on 07 August 2018].
- Law on Agrarian Land Reform in the Republic of Latvia (13.06.1990) Available at: <http://likumi.lv/doc.php?id=76206> [Accessed on 07 August 2018].
- Law on Completion of Land Reform in Rural Areas of the Republic of Latvia (30.10.1997) Available at: <http://likumi.lv/doc.php?id=45729> [Accessed on 07 August 2018].
- Land Register Law (22.12.1937) Available at: <http://likumi.lv/doc.php?id=60460> [Accessed on 07 August 2018].
- Real Estate Cadastre Law (01.01.2006) Available at: <http://likumi.lv/doc.php?id=124247> [Accessed on 07 August 2018].
- Law on Procedure for Registering the Real Estate in the Land Register (06.03.1997) Available at: <http://likumi.lv/doc.php?id=42284> [Accessed on 07 August 2018].
- Law on Land Ownership Right of the State and the Local Governments and their Securing in the Land Registry (29.03.1995) Available at: <http://likumi.lv/doc.php?id=34595> [Accessed on 07 August 2018].
- Law on Restoration of Ownership Rights On Land Occupied by Specially Protected Land Objects (14.09.1995) Available at: <http://likumi.lv/doc.php?id=36974> [Accessed on 07 August 2018].
- Law on Compensation for Restrictions on Economic Activities in Protected Areas (01.06.2013) Available at: <http://likumi.lv/doc.php?id=256138> [Accessed on 07 August 2018].

- Melioration Law (01.14.2010) Available at: <http://likumi.lv/doc.php?id=203996> [Accessed on 07 August 2018].
- Protection Belt Law (11.10.2009) Available at: <http://likumi.lv/doc.php?id=42348> [Accessed on 07 August 2018].
- Law on Forests (24.02.2000) Available at: <http://likumi.lv/doc.php?id=2825> [Accessed on 07 August 2018].

Normative regulations:

- Cabinet Regulation No. 776 "Order of Expropriation of State Forest Land" (19.09.2006) Valsts meža zemes atsavināšanas kārtība. Available at: <http://likumi.lv/doc.php?id=144278> [Accessed on 07 August 2018].

### 1.1.2. Legal authority

- The State Land Service, a subordinated institution to the Ministry of Justice

### 1.1.3. Legally required documents or records

- Land Register Certificate (Zemesgrāmatas apliecība)
- Personal identification documents
- Company Registration Licence
- Certificate of Self-employed or Certificate of Operator

### 1.1.4. Sources of information

#### *Government sources*

- Latvijas Republikas (2013). *Legislation of the Republic of Latvia*. [online]. Available at: <http://www.likumi.lv> [Accessed on 07 August 2018].
- Attitudes towards corruption (2014). *Latvian Public opinion survey*. [online]. Available at: [http://www.knab.gov.lv/uploads/free/knab\\_if\\_aptauja2014.pdf](http://www.knab.gov.lv/uploads/free/knab_if_aptauja2014.pdf) [Accessed on 18 April 2017]. Link no longer available. More information: [https://www.knab.gov.lv/upload/eng/soc\\_aptauja\\_2015\\_eng.pdf](https://www.knab.gov.lv/upload/eng/soc_aptauja_2015_eng.pdf)

#### *Non Government sources*

- Transparency International (2016). *Corruption Perception Index*. [online]. Available at <http://www.transparency.org/country#LVA> [Accessed on 07 August 2018].

### 1.1.5. Risk determination

#### *Overview of legal requirements*

The land property registration process in Latvia is regulated by several laws and regulations. Land tenure rights can be officially registered in the Land Register only if a natural person or legal entity provides relevant documents confirming the legal ownership rights. Normally these include identification documents such as passport, ID card, company registration documents, sales/purchase contracts, court decisions or other documents proving the legal right to own property.

There is no evidence available to indicate that land rights have been issued in violation of these regulations. There is no evidence to suggest corruption has been associated with the process of issuing land tenure and management rights.

*Description of risk*

The latest survey (April 2014) concerning the perception of corruption in Latvia, organized by the Corruption Prevention and Combating Bureau (KNAB), shows that the State Land Service and the Land Register institution are among the ten State institutions most trusted by the general public (i.e. the institution is considered "fair" or "rather fair" in terms of corruption).

*Risk Conclusion*

Considering this and the continuously increasing score on the Transparency International Corruption Perception Index (CPI=57 in 2016) over the last 5 years, the risk is considered as low.

**1.1.6. Risk designation and specification**

Low risk

**1.1.7. Control measures and verifiers**

N.A.

**1.2. Concession licenses**

*Legislation regulating procedures for the issuing of forest concession licenses, including use of legal methods to obtain concession license. Especially bribery, corruption and nepotism are well-known issues in connection with concession licenses. The intent of this indicator is to avoid risk related to situations where organizations are obtaining concession licenses via illegal means such as bribery, or where organizations or entities that are not eligible to hold such rights do so via illegal means. Risk in this indicator relates to situations where due process has not been followed and the concession rights can therefore be considered to be illegally issued. The level of corruption in the country or sub-national region is considered to play an important role and corruption indicators (e.g., Corruption Perception Index, CPI) should therefore be considered when evaluating risks.*

**1.2.1. Applicable laws and regulations**

Not applicable. Concession licenses are not used in forest management in the Republic of Latvia

**1.3. Management and harvesting planning**

*Any legal requirements for management planning, including conducting forest inventories, having a forest management plan and related planning and monitoring, as well as approval of these by competent authorities. Cases where required management planning documents are not in place or are not approved by competent authorities should be considered. Low quality of the management plan resulting in illegal activities may be a risk factor for this indicator as well.*

**1.3.1. Applicable laws and regulations**

#### Laws:

- Law on Forests (24.02.2000) Available at: <http://likumi.lv/doc.php?id=2825> [Accessed on 07 August 2018].
- The State Forest Service Law (25.11.1999) Available at: <http://likumi.lv/doc.php?id=14594> [Accessed on 07 August 2018].

#### Normative Acts:

- Cabinet Regulation No. 88 "Regulations regarding Forest Inventory and Information Flow in the State Register of Forests" (12.02.2013) Available at: <http://likumi.lv/doc.php?id=255162> [Accessed on 07 August 2018].
- Cabinet Regulation No. 935 "On Procedures for Tree Felling in Forest Lands" (18.12.2012) Available at: <http://likumi.lv/doc.php?id=253760> [Accessed on 07 August 2018].
- Cabinet Regulation No. 309 "On Tree Felling in Non-forest Lands" (18.12.2012) Available at: <http://likumi.lv/doc.php?id=247350> [Accessed on 07 August 2018].
- Cabinet Regulation No. 936 "Nature Protection Regulations in Forest Management" (18.12.2012). Available at: <http://likumi.lv/doc.php?id=253758> [Accessed on 07 August 2018].

#### 1.3.2. Legal authority

- State Forest Service, Ministry of Agriculture

#### 1.3.3. Legally required documents or records

- Forest Management Plan
- Harvesting permit

#### 1.3.4. Sources of information

##### *Government sources*

- Ministry of Agriculture (2011). *General web page*. [online]. Available at: [www.vmd.gov.lv](http://www.vmd.gov.lv) [Accessed on 07 August 2018].
- Attitudes towards corruption (2014). *Latvian Public opinion survey*. [online]. Available at: [http://www.knab.gov.lv/uploads/free/knab\\_lf\\_aptauja2014.pdf](http://www.knab.gov.lv/uploads/free/knab_lf_aptauja2014.pdf) [Accessed on 18 April 2017]. Link no longer available. More information: [https://www.knab.gov.lv/upload/eng/soc\\_aptauja\\_2015\\_eng.pdf](https://www.knab.gov.lv/upload/eng/soc_aptauja_2015_eng.pdf)

##### *Non Government sources*

- Transparency International (2016). *Corruption Perception Index*. [online]. Available at: <http://www.transparency.org/country#LVA> [Accessed on 07 August 2018].

#### 1.3.5. Risk determination

##### *Overview of Legal Requirements*

A valid Forest Management Plan is required for each forest property (cadaster unit). No forest management activities can be carried out without a valid Forest Management Plan. Forest

Management Plans can be prepared by approved forest inventory experts; both natural and legal persons and a list of approved experts is publicly available. The content and quality of Forest Management Plans prepared by experts is routinely checked by a legal authority such as officers within the regional State Forest Service office under whose jurisdiction the particular forest property falls. Experts are obliged to adhere to certain quality criteria. In the case of non-adherence to the quality criteria (Forest Management Plans are rejected for over 10% of forest properties) the expert is disqualified from the expert register.

Forest Management Plans must be reviewed once every 20 years. Forest Management Plans are not publicly available and third parties do not have access to them. The Forest Management Plan includes spatial data, plans and stand maps that include information on harvesting areas.

#### *Description of Risk*

The control of the compliance with the Forest Act is generally under the responsibility of State Forest Service. On a local level, compliance is checked by regional offices of the State Forest Service. Frequent auditing and verification of Forest Management Plans and taxation data is carried out by the State Forest Service experts.

The current system of oversight of the regional offices by the State Forest Service provides a good mechanism to minimize corruption in the preparation of Forest Management Plans. Cases of low quality Forest Management Plans impacted by corruption or low quality taxation work that have negative effects on forest management and harvesting planning are not widespread due to the robust quality control system.

The latest survey (April 2014) concerning the perception of corruption in Latvia, organized by the Corruption Prevention and Combating Bureau (KNAB), shows that the State Land Service and the Land Register institution are among the ten State institutions most trusted by the general public (i.e. the institution is considered "fair" or "rather fair" in terms of corruption).

There is a positive trend regarding bribery of public officials. As evidenced by the mentioned 2014 survey on corruption prevalence, the number of citizens willing to bribe public officials declined substantially: if in 2007 25% of the respondents rejected the idea of bribing an official for any purpose, this figure had risen to 40.2% in 2014 (KNAB 2014).

Considering this and the continuously rising score of the Transparency International Corruption Perception Index for Latvia over the last 5 years (49 in 2012, 53 in 2013, 55 in 2014, 55 in 2015, 57 in 2016), the risk is considered as low.

#### *Risk Conclusion*

This sub-category has been evaluated as low risk. Identified laws are upheld. Cases where law/regulations are violated are efficiently followed up via preventive actions taken by the authorities and/or by the relevant entities.

#### **1.3.6. Risk designation and specification**

Low risk

#### **1.3.7. Control measures and verifiers**

N.A.

## 1.4. Harvesting permits

*Legislation regulating the issuing of harvesting permits, licenses or other legal document required for specific harvesting operations. It includes the use of legal methods to obtain the permit. Corruption is a well-known issue in connection with the issuing of harvesting permits. Risk relates to situations where required harvesting is carried out without valid permits or where these are obtained via illegal means such as bribery. In some areas, bribery may be commonly used to obtain harvesting permits for areas and species that cannot be harvested legally (e.g., protected areas, areas that do not fulfil requirements of minimum age or diameter, tree species that cannot be harvested, etc.). In cases where harvesting permits classify species and qualities to estimate fees, corruption and bribery can be used to classify products that will result in a lower fee. The level of corruption in a country or sub-national region is considered to play an important role and corruption indicators should therefore be considered when evaluating risks. In cases of illegal logging, harvesting permits from sites other than the actual harvesting site may be provided as a false proof of legality with the harvested material.*

### 1.4.1. Applicable laws and regulations

Applicable Laws:

- Law on Forests (24.02.2000) Available at: <http://likumi.lv/doc.php?id=2825> [Accessed on 07 August 2018].
- The State Forest Service Law (25.11.1999). Available at: <http://likumi.lv/doc.php?id=14594> [Accessed on 07 August 2018].
- Law On Inventory of Trees and Round Timber (16.12.2004) Available at: <http://likumi.lv/doc.php?id=98597> [Accessed on 07 August 2018].

Normative regulations:

- Cabinet Regulation No. 935 "On Procedures for Tree Felling in Forest Lands" (18.12.2012) Available at: <http://likumi.lv/doc.php?id=253760> [Accessed on 07 August 2018].
- Cabinet Regulation No. 309 "On Tree Felling in Non-forest Lands" (18.12.2012) Available at: <http://likumi.lv/doc.php?id=247350> [Accessed on 07 August 2018].
- Cabinet Regulation No. 88 "Regulations regarding Forest Inventory and Information Flow in the State Register of Forests" (12.02.2013) Available at: <http://likumi.lv/doc.php?id=255162> [Accessed on 07 August 2018].
- Cabinet Regulation No.647 "Procedure for Forest Stand Evaluation" (25.06.2009) Available at: <http://likumi.lv/doc.php?id=194226> [Accessed on 07 August 2018].

### 1.4.2. Legal authority

- State Forest Service, Ministry of Agriculture

### 1.4.3. Legally required documents or records

- Forest Management Plan
- Harvesting permit

### 1.4.4. Sources of information

*Government sources*

State Forest Service statistical reports:

- Gadskarta (2016). *VALSTS MEŽA DIENESTA*. [online]. Available at: [https://www.zm.gov.lv/public/files/CMS\\_Static\\_Page\\_Doc/00/00/01/06/16/Publiskais\\_parskats\\_2016.pdf](https://www.zm.gov.lv/public/files/CMS_Static_Page_Doc/00/00/01/06/16/Publiskais_parskats_2016.pdf) [Accessed on 07 August 2018].
- Gadskarta (2015). *VALSTS MEŽA DIENESTA*. [online]. Available at: [https://www.zm.gov.lv/public/files/CMS\\_Static\\_Page\\_Doc/00/00/00/84/06/Publiskaisparskats2015.pdf](https://www.zm.gov.lv/public/files/CMS_Static_Page_Doc/00/00/00/84/06/Publiskaisparskats2015.pdf) [Accessed on 07 August 2018].
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- Gadskarta (2012). *VALSTS MEŽA DIENESTA*. [online]. Available at: [https://www.zm.gov.lv/public/files/CMS\\_Static\\_Page\\_Doc/00/00/00/24/98/VMD\\_PUBLISKAIS\\_PARSKATS\\_2012.pdf](https://www.zm.gov.lv/public/files/CMS_Static_Page_Doc/00/00/00/24/98/VMD_PUBLISKAIS_PARSKATS_2012.pdf) [Accessed on 07 August 2018].
- Gadskarta (2011). *VALSTS MEŽA DIENESTA*. [online]. Available at: [https://www.zm.gov.lv/public/files/CMS\\_Static\\_Page\\_Doc/00/00/00/21/05/VMD\\_PUBLISKAIS\\_PARSKATS\\_2011.pdf](https://www.zm.gov.lv/public/files/CMS_Static_Page_Doc/00/00/00/21/05/VMD_PUBLISKAIS_PARSKATS_2011.pdf) [Accessed on 07 August 2018].
- Gadskarta (2010). *VALSTS MEŽA DIENESTA*. [online]. Available at: [https://www.zm.gov.lv/public/files/CMS\\_Static\\_Page\\_Doc/00/00/00/21/04/VMD\\_PUBLISKAIS\\_PARSKATS\\_2010.pdf](https://www.zm.gov.lv/public/files/CMS_Static_Page_Doc/00/00/00/21/04/VMD_PUBLISKAIS_PARSKATS_2010.pdf) [Accessed on 07 August 2018].

*Non Government sources*

- Transparency International (2016). *Corruption Perception Index*. [online]. Available at: <http://www.transparency.org/country#LVA> [Accessed on 07 August 2018].
- Bureau of irregularities (2015). *Criticized the "Latvian State Forests" official*. [online]. Available at: <http://m.focus.lv/latvija/112/knab-par-parkapumiem-izteicis-aizradijumu-latvijas-valsts-mezu-amatpersonai> .
- Transparency International (2016). *National Integrity System Assessment of Latvia*. [online]. Available at: [http://issuu.com/transparencyinternational/docs/2011\\_nis\\_latvia\\_en?e=2496456/2548351#search](http://issuu.com/transparencyinternational/docs/2011_nis_latvia_en?e=2496456/2548351#search) and in Latvian: [http://issuu.com/transparencyinternational/docs/2011\\_nislatvia\\_lv?e=2496456/3306430](http://issuu.com/transparencyinternational/docs/2011_nislatvia_lv?e=2496456/3306430) [Accessed on 07 August 2018].
- Sorosa fonds Latvija (2012). *PĀRSKATS PAR KORUPCIJU UN PRETKORUPCIJAS POLITIKU LATVIJĀ*. [online]. Available at: [http://providus.lv/upload\\_file/Korupcijas%20C Nr 10.pdf](http://providus.lv/upload_file/Korupcijas%20C Nr 10.pdf) [Accessed on 07 August 2018].
- Raidījums: Latvijas Valsts meži ziedo ZZS deputāta biedrībai (2011). *"Latvian State Forests Donates to an Association of a Deputy from ZZS"*. [online]. Delfi.lv. 9 January 2011. Available at: <http://www.delfi.lv/news/national/politics/raidijums-latvijas-valsts-mezi-ziedo-zzs-deputata-biedribai.d?id=36152662> [Accessed on 07 August 2018].

#### 1.4.5. Risk determination

##### *Overview of Legal Requirements*

Prior to performing logging activities, every forest owner must obtain a harvesting permit. The institution responsible for issuing harvesting permits is the State Forest Service. A harvesting permit is issued by a professional forestry official (a forester) in accordance with the requirements of the relevant forest legislation. The principal requirement for obtaining a harvesting permit is that the forest owner has a valid Forest Management Plan, including full forest inventory. Prior to issuing a harvesting permit, the State Forest Service specialists randomly check whether the situation in relation to the forest property conforms with the legislation requirements. A felling permit is not issued in 1% of cases of application.

A harvesting permit is not required for certain types of felling works, i.e. pre-commercial thinning, cutting of dead and windfall trees, maintenance of forest clearings etc.

##### *Description of Risk*

There has been a significant effort to implement tighter controls over illegal logging in Latvia. The number of cases of illegally harvested wood was reduced from 2000–3000 per year in the period 2000 to 2005, to around 400 cases in the years following 2005, with some illegal logging still occurring. The number of illegal logging cases has been stable over the past four years (2010–2013), ranging from 322–348 cases per year, with an extreme of 485 cases in 2010. In 2013, 348 cases of illegal logging were detected in both State and private forests, corresponding to 20,300 m<sup>3</sup> of illegally logged wood. The volume of illegally harvested wood ranges from 16.5 thousand to 20 thousand m<sup>3</sup> per year. The major share of illegally felled wood (77%) was linked to private forests. Judicial statistics for the year 2013 provide the details of the persons who have been convicted by the Criminal Law Article 109 "Illegal felling and damaging of trees". According to the statistics, 50 people were convicted of illegal tree felling and damage.

According to statistical data provided by the State Forest Service, the share of known illegally logged wood in Latvia ranges from 0.13%–0.17% of the total felled timber volume over the last 4 year period (2010–2013). The ratio has been relatively stable, although the latest available data for the year 2013 shows a slight increase in volume of illegally logged wood.

Over the last three years there have been no official cases of bribery reported among persons responsible for issuing harvesting licenses. However, Transparency International – in their National Integrity System Assessment – reports that, in Latvia, "donations by state-owned companies are a particularly vulnerable form of public support. For example, the company Latvijas Valsts meži (Latvian State Forests) allegedly donated money to associations of individuals related to the party in charge of the Ministry of Agriculture, which oversees the company.

The risk of corruption of forestry officials is minimized through implementation of control over the issued harvesting permits and control of completed forestry works. Considering the current score on the Corruption Perception Index (CPI=57) and the continuously increasing score of the Transparency International Corruption Perception Index for Latvia over the last 5 years (49 in 2012, 53 in 2013, 55 in 2015, 57 in 2016), the very low volume of illegally harvested timber, and lack of reports of corruption in the State Forest Service, the risk is considered as low.

*Risk Conclusion*

This sub-category has been evaluated as low risk. Identified laws are upheld. Cases where law/regulations are violated are efficiently followed up via preventive actions taken by the authorities and/or by the relevant entities.

**1.4.6. Risk designation and specification**

Low risk

**1.4.7. Control measures and verifiers**

N/A

## TAXES AND FEES

### 1.5. Payment of royalties and harvesting fees

*Legislation covering payment of all legally required forest harvesting specific fees such as royalties, stumpage fees and other volume based fees. It also includes payments of the fees based on correct classification of quantities, qualities and species. Incorrect classification of forest products is a well-known issue often combined with bribery of officials in charge of controlling the classification.*

Not applicable.

There are no forest harvesting-specific fees such as royalties, stumpage fees and other volume-based fees in the Republic of Latvia. There are also no fees based on quantities, qualities and species.

### 1.6. Value added taxes and other sales taxes

*Legislation covering different types of sales taxes, which apply to the material being sold, including selling material as growing forest (standing stock sales). Risk relates to situations where products are sold without legal sales documents or far below market price resulting in illegal avoidance of taxes.*

#### 1.6.1. Applicable laws and regulations

Laws:

- Law on Taxes and Fees (02.02.1995). <http://likumi.lv/doc.php?id=33946> [Accessed on 07 August 2018].
- Law on Value Added Tax (29.11.2012). <http://likumi.lv/doc.php?id=253451> [Accessed on 07 August 2018].

Normative legislation:

- Cabinet Regulation No. 17 "Application of Requirements of Law on Value Added Tax and Specific Requirements for Payment and Administering of Value Added Tax" (03.01.2013) <http://likumi.lv/doc.php?id=254172> [Accessed on 07 August 2018].
- Cabinet Regulation No. 40 "Regulations on Declaring of the Value Added Tax" (15.01.2013) <http://likumi.lv/doc.php?id=254279> [Accessed on 07 August 2018].
- Cabinet Regulation No. 237 "Declaration of Transactions in Cash" (10.04.2007) <http://likumi.lv/doc.php?id=155755> [Accessed on 07 August 2018].
- Cabinet Regulation No. 178 "Procedures for Application of Tax Relief Determined in International Agreements for Prevention of Double Taxation and Tax Evasion" (30.04.2001)
- Cabinet Regulation No. 149 "Procedures for Crediting the State Budget Current Payable Taxes and Overdue Tax Payments" (18.04.2000)
- Cabinet Regulation No. 103 "Procedure for Transfer of Taxes, Stamp Duties and Other Compulsory Payments to the State Budget" (18.04.1995)
- Cabinet Regulation No. 82 "Provisions on state fees for forestry and hunting, game activities" (11.02.2014)

- Cabinet Regulation No. 1514 "Procedure for registering a taxpayer applying for a refund of value added tax in another Member State of the European Union and the procedure for the refund of value added tax to a taxable person established in another Member State of the European Union" (01.01.2014)
- Cabinet Regulation No. 1507 "Procedure for the refund of value added tax to a taxable person registered in a third country or a third territory" (01.01.2014)
- Cabinet Regulation No. 109 "Regulation On State Fee for Issuing the Game License, Seasonal Card, Game License for Foreign Citizens and Permits for Exporting of Game Trophies and the Order of Exporting of Game Trophies" (02.03.2004)

#### 1.6.2. Legal authority

- State Revenue Service, Ministry of Finance

#### 1.6.3. Legally required documents or records

- Statement from the State Revenue Service for the payment of taxes
- Online VAT Payers Register: [http://www.vid.gov.lv/VID\\_PDB/PVN/](http://www.vid.gov.lv/VID_PDB/PVN/) Link no longer available. More information: <http://www.baltic-legal.com/vat-registration-latvia-eng.htm>

Tax debt online registers:

- The State Revenue Service: <https://www.vid.gov.lv/en>
- Lursoft register: <http://www.lursoft.lv>

#### 1.6.4. Sources of information

##### *Government Sources*

- State Revenue Service thematic review of the forestry sector. Available at: <https://www.vid.gov.lv/> [Accessed on 07 August 2018].

##### *Non Government Sources*

- Stockholm School of Economics Riga Sustainable Business Centre (2009–2017). *Shadow Economy Index in Baltic States*. [online]. Available at: <http://www.sseriga.edu/en/centres/csb/shadoweconomy-index-for-baltics/> [Accessed on 06 August 2018].

#### 1.6.5. Risk determination

##### *Overview of Legal Requirements*

The Value-Added Tax legislation specifies the rights, obligations and liability of tax authorities and taxable persons, as well as setting out the procedures for tax proceedings.

Value added tax (VAT) must be paid by all persons (both natural and legal) having annual turnover from their business higher than 50,000 EUR per annum.

As of 2018 the reduced VAT registration threshold 40 000 EUR per annum is in force. According to statistical data (2015) from the State Revenue Service (Valsts ieņēmumu dienests), forestry sector accounts for 4.5% of all taxpayers – commercial entities – legal and individual persons whose primary business is forestry or wood processing industry related. 26% of commercial

entities working in the forestry sector are Value Added Tax payers. (State Revenue Service, 2015) According to State Revenue Service data 2194 natural and legal persons - forest owners (NACE2 code 02 - forestry) out of 135 thousand private forest owners (data source: "Privāto mežu apsaimniekošanas un meža īpašumu konsolidācijas un kooperācijas procesa monitorings", MRPI Silava - [https://www.zm.gov.lv/public/ck/files/ZM/mezhi/MAF/PARS\\_KATS\\_Privato\\_mezu\\_apsaimniekosana\\_Silava.pdf](https://www.zm.gov.lv/public/ck/files/ZM/mezhi/MAF/PARS_KATS_Privato_mezu_apsaimniekosana_Silava.pdf)) are VAT payers. Thus, the share of VAT payers in the private forest owners constitute 1.6%. The VAT is one of main sources of government revenue. Latvia is ranked in top 5 EU countries (EU 27) regarding the share of revenues from collection of VAT. The EU commissioned study on VAT gaps (Together legal - policy gap - and illegal deals) in EU member states shows that Latvia had a very high VAT gap in the midst of economic crisis (2010-2011), but since then the gap is gradually decreasing and a downward trend is exhibited.

### *Description of Risk*

Forestry sector in the country is in advantageous situation with regard to minimization of risk of VAT laundering because of specific measures that have been introduced to avoid the evasion of VAT tax in timber trade business. The specific situation in Latvia is that reverse VAT payment mechanism has been introduced and is effective since 1999. Requirements of EU Directive 2006/112/EC paragraph 395 outline a number of measures targeted at avoiding the VAT tax evasion and VAT laundering. Special tax application arrangement in timber and timber product supplies, namely, the reverse VAT payment mechanism is in force for roundwood, sawnwood and coproduct sales and services related to the preparation of timber (including surveying, measuring, evaluation, cutting, trimming and stacking of standing trees and roundwood etc). Reverse VAT charge mechanism has also been applied to sales of wood chips and sawdust as of 2016. Starting from 2018 reverse VAT have been introduced for construction materials. Therefore, reverse VAT covers almost all timber products. Reverse VAT in practice means that supplier of products or services issues a tax invoice to the recipient in which the value of products or services is indicated excluding tax. A recipient pays the value of products or services to the supplier and the amount of VAT to the state on behalf of supplier. Reverse VAT charge mechanism in forestry sector is considered as an effective mean to reduce VAT evasion in the view of tax administration authorities and various stakeholders (forest managers, timber processing industry, wood product traders). According to State Revenue Service VAT laundering in forest sector is low. In 2014, there were 78 forest sector taxpayers (2.2% of all taxpayers who submitted VAT declarations) that included partners with features of fictitious companies in their declarations of input tax for VAT. This results in unjustified increase of input tax and the amount of VAT refunded from the budget but the trend is downward from 20.71 million EUR in 2011 (17.63 million EUR in 2012, 13.27 million EUR in 2013) to 3.16 million EUR in 2014 which is 0.1% of all the amount included in declarations as an input tax by forest sector taxpayers. Additional argument to be considered as factor for risk minimization, is control over the measurement of roundwood by industry acknowledged independent 3rd party institution in wood surveying, although, this excludes small primary wood processing facilities.

### *Risk Conclusion*

Given the above mentioned, the risk for this indicator is evaluated as low.

#### **1.6.6. Risk designation and specification**

Low risk

#### 1.6.7. Control measures and verifiers

N/A

### 1.7. Income and profit taxes

*Legislation covering income and profit taxes related to the profit derived from sale of forest products and harvesting activities. This category is also related to income from the sale of timber and does not include other taxes generally applicable for companies or related to salary payments.*

#### 1.7.1. Applicable laws and regulations

Laws:

- Law On Corporate Income Tax (09.02.1995, 28.07.2017, amendments 01.01.2018). Available at: <http://likumi.lv/doc.php?id=34094> [Accessed on 06 August 2018].
- Law On Personal Income Tax (11.05.1993). Available at: <http://likumi.lv/doc.php?id=34094> [Accessed on 06 August 2018].
- Law on taxes and fees (02.02.1995)
- Administrative Procedure Law (01.02.2004)

Normative Acts:

- Cabinet Regulation No. 981 "Regulations On Declaration of Taxation Period for Income Tax and Calculation of Advance Payment" (20.12.2011)
- Cabinet Regulation No. 556 "Application of Norms of Law On Corporate Income Tax" (04.07.2006)
- Cabinet Regulation No. 568 "Regulation On Personal Income Tax Declaration and Order of Filling the Declaration" (21.08.2012)
- Cabinet Regulation No. 899 "Application of Norms of Law On Personal Income Tax" (21.09.2010, amendments 30.08.2013)
- Cabinet Regulation No. 677 "Regulation On Declaration of Personal Income Tax" (25.08.2008, amendments 06.12.2011)
- Cabinet Regulation No. 573 "Procedure for Transfer of Personal Income Taxes, Overdue Payments and Penalties into the State Budget" (29.06.2004)
- Cabinet Regulation No. 676 "Regulations on the amount of the untaxed minimum wage and calculation of tax relief for Personal Income Tax" (01.01.2018)
- Cabinet Regulation No. 780 "Regulations on the supplementary declaration of income, revenues, cash and other provisions, property and changes in their value forms and the procedure by which the State Revenue Service, on the basis of calculation, determines the taxable income of a tax payer person's income" (27.09.2006)
- Cabinet Regulation No. 390 "Procedure for the State Revenue Service to provide local governments with information on personal income tax payments" (18.11.2000)
- Cabinet Regulations No. 93 "Provisions on Information to be Included in the Income Tax Declaration" (17.02.2018)

### 1.7.2. Legal authority

- State Revenue Service, Ministry of Finance

### 1.7.3. Legally required documents or records

- Statement from the State Revenue Service for the payment of taxes

### 1.7.4. Sources of information

#### *Government Sources*

- State Revenue Service: [www.vid.gov.lv](http://www.vid.gov.lv)
- State Forest Service (2016). *Statistical reports*. [online]. Available at: [https://www.zm.gov.lv/public/files/CMS\\_Static\\_Page\\_Doc/00/00/01/06/16/Publiskais\\_parskats\\_2016.pdf](https://www.zm.gov.lv/public/files/CMS_Static_Page_Doc/00/00/01/06/16/Publiskais_parskats_2016.pdf) [Accessed on 06 August 2018].
- State Forest Service (2015). *Statistical reports*. [online]. Available at: [https://www.zm.gov.lv/public/files/CMS\\_Static\\_Page\\_Doc/00/00/00/84/06/Publiskaisparskats2015.pdf](https://www.zm.gov.lv/public/files/CMS_Static_Page_Doc/00/00/00/84/06/Publiskaisparskats2015.pdf) [Accessed on 06 August 2018].
- State Forest Service (2014). *Statistical reports*. [online]. Available at: [https://www.zm.gov.lv/public/files/CMS\\_Static\\_Page\\_Doc/00/00/00/61/87/VMD\\_PUBLISKAIS\\_PARSKATS\\_2014.pdf](https://www.zm.gov.lv/public/files/CMS_Static_Page_Doc/00/00/00/61/87/VMD_PUBLISKAIS_PARSKATS_2014.pdf) [Accessed 06 August 2018].
- State Forest Service (2013). *Statistical reports*. [online]. Available at: [https://www.zm.gov.lv/public/files/CMS\\_Static\\_Page\\_Doc/00/00/00/43/07/VMD\\_PUBLISKAIS\\_PARSKATS\\_2013.pdf](https://www.zm.gov.lv/public/files/CMS_Static_Page_Doc/00/00/00/43/07/VMD_PUBLISKAIS_PARSKATS_2013.pdf) [Accessed 06 August 2018].
- State Forest Service (2012). *Statistical reports*. [online]. Available at: [https://www.zm.gov.lv/public/files/CMS\\_Static\\_Page\\_Doc/00/00/00/24/98/VMD\\_PUBLISKAIS\\_PARSKATS\\_2012.pdf](https://www.zm.gov.lv/public/files/CMS_Static_Page_Doc/00/00/00/24/98/VMD_PUBLISKAIS_PARSKATS_2012.pdf) [Accessed 06 August 2018].
- State Forest Service (2011). *Statistical reports*. [online]. Available at: [https://www.zm.gov.lv/public/files/CMS\\_Static\\_Page\\_Doc/00/00/00/21/05/VMD\\_PUBLISKAIS\\_PARSKATS\\_2011.pdf](https://www.zm.gov.lv/public/files/CMS_Static_Page_Doc/00/00/00/21/05/VMD_PUBLISKAIS_PARSKATS_2011.pdf) [Accessed 06 August 2018].
- State Forest Service (2010). *Statistical reports*. [online]. Available at: [https://www.zm.gov.lv/public/files/CMS\\_Static\\_Page\\_Doc/00/00/00/21/04/VMD\\_PUBLISKAIS\\_PARSKATS\\_2010.pdf](https://www.zm.gov.lv/public/files/CMS_Static_Page_Doc/00/00/00/21/04/VMD_PUBLISKAIS_PARSKATS_2010.pdf) [Accessed 06 August 2018].

#### *Non Government Sources*

- Stockholm School of Economics Riga Sustainable Business Centre (2009–2017). *Shadow Economy Index in Baltic States*. [online]. Available at: <http://www.sseriga.edu/en/centres/csb/shadoweconomy-index-for-baltics/> [Accessed 06 August 2018].
- OECD iLibrary. Data on tax revenues in Latvia. Available at: <http://dx.doi.org/10.1787/91b75873-en> [Accessed on 06 August 2018].

### 1.7.5. Risk determination

#### *Overview of Legal Requirements*

Legislation related to income taxes is in place. The legislation specifies rights, obligations and liability of tax authorities and taxable persons, as well as procedures for tax proceedings. Institutional framework has been established with centralized responsible institution – the State Revenue Service (Valsts ieņēmumu dienests).

Payment of income and profit taxes is closely related to the share of the shadow economy in Latvia. Recent studies show that the shadow economy in Latvia amounts to one-fifth of the total economy. According to the latest study (Shadow Economy Index in Baltic States 2009–2016, Stockholm School of Economics in Riga Sustainable Business Centre) the shadow economy index in Latvia accounted for 20.3% of the gross domestic product (GDP) in 2016. The index of shadow economy has been decreasing over the last six years, i.e. from 38.1% at the height of the economic crisis in 2010 to 20.3% in 2016.

Other studies also show similar trends of substantial positive changes (i.e. reducing of shadow economy for almost a half in size). Source: Shadow Economies around the World: New Results for 158 Countries over 1991-2015 by Leandro Medina and Friedrich Schneider - [http://www.econ.jku.at/members/Schneider/files/publications/2017/JointPaper\\_LeandroMedina\\_158countries.pdf](http://www.econ.jku.at/members/Schneider/files/publications/2017/JointPaper_LeandroMedina_158countries.pdf)). The authors of the study (Shadow Economy Index in Baltic States 2009–2016, Stockholm School of Economics in Riga Sustainable Business Centre) on the shadow economy and the State Revenue Service consider the following priority sectors of economy, characterized with highest share of shadow economy: construction, retail, wholesale, public transport and services sector. Forestry sector is not considered among the riskiest sectors, though. The main driving forces behind the shadow economy is profit omission and (income) tax avoidance ('envelope wages'), which remain major problems in the view of the authors of this survey.

### *Description of Risk*

#### **Income tax (applicable to natural persons - forest owners)**

Since 2010 natural persons - forest owners are liable to pay effective income tax of 5% (logs) or 7,5% (standing timber) of the amount received when timber is sold by a natural person to a legal entity. The income tax is paid by the legal person purchasing the roundwood. If wood is sold by an individual entrepreneur of a timber sales business, then income tax is paid by that person once a year through the income declaration process. The income tax declaration is coordinated by the State Revenue Service. One quarter of income tax is deducted for forest regeneration purposes; in case the forest owner sells the standing wood. In the case of a forest owner selling their own harvested timber, up to 50% of income tax is deducted from the revenue for forest regeneration, timber preparation and sales expenses. Once a year, forest owners are required to provide information to the State Forest Service regarding their commercial operations, including timber production and sales. This information is verified by the State Revenue Service. Tax reform in 2010 is considered as contributing factor in reducing evasion of income tax in private forest sector as the income tax revenues had been increasing since the end of 2000s with growing value of transactions in the timber market.

The total value of timber transactions is 141 million EUR (in 2014) (source: the State Revenue Service). Low level of income tax evasion level in forestry sector can be supported by the analysis of timber sales data in state forests compared to private forest sector. The analysis of sales data shows the standardised value of timber in state forests and private owned forests does not differ substantially. In particular, the comparison of the value of standing timber in 2014 in state forests was 32.2 EUR/m<sup>3</sup> and 34.9 EUR/m<sup>3</sup> in private forests (Source: analysis

by Latvian Forest Industry Federation based on State Revenue Service and State Forest Service data).

### **Profit tax (applicable to legal persons)**

Recent changes in tax legislation introduced a new approach in the tax payment process, aiming at reducing profit tax laundering. Starting from 2018, profit tax in Latvia applies to dividends and non-commercial activities but does not apply to reinvested income. Such experience was brought to Latvia from Estonia, where this type of tax payment has significantly reduced the risk of avoiding the profit tax payments ([http://www.riseba.lv/sites/default/files/inlinefiles/UIN\\_book\\_block\\_09.02.2017\\_Cover.pdf](http://www.riseba.lv/sites/default/files/inlinefiles/UIN_book_block_09.02.2017_Cover.pdf)).

There is still a possibility for income tax laundering in timber sales for small businesses and between natural persons, where timber has been illegally harvested or sold without declaring. However, very low Personal Income Tax rates are discouraging such incentives and the volume of timber sales between natural persons is low compared to the overall scale of logging and timber sales, and it is likely to include mostly smaller companies in terms of turnover and thus amount of unpaid taxes is therefore small. Larger companies are controlled more often and are subject to additional auditing requirement.

The official statistics of illegally harvested wood show the share of illegally harvested wood is negligible. According to statistical data provided by the State Forest Service, the share of known illegally logged wood in Latvia ranges from 0.08%–0.18% of the total felled timber volume over the last 6 year period (2010–2016). The ratio has been relatively stable, and the latest available data for 2016 shows even a slight decrease in the known volume of illegally logged wood.

In addition to this, there are already mechanisms elaborated and implemented to combat income tax evasion in the forestry sector, namely, there is a relatively low threshold of Personal Income Tax; and exclusion of Personal Income Tax from timber sales revenues that are invested in forest regeneration. 7.5% and 5% effective rates of Personal Income Tax for private forest owners are considered reasonably low to be a motive for fraud in the view of interviewed stakeholders. These measures in the view of stakeholders representing forestry and timber processing sector and state authorities provide a reasonable incentive for forest owners to pay taxes. An additional argument to be considered as factor for risk minimization, is control over the surveying of roundwood by an industry-acknowledged independent 3rd party institution.

### **Income tax from salaries**

The overall scale of the shadow economy in the country and the “envelope wage” (income and social tax evasion) issue is highly relevant according to the authors of the study (Shadow Economy Index in Baltic States 2009– 2016, Stockholm School of Economics in Riga Sustainable Business Centre). The situation is similar with neighboring countries (Estonia, Lithuania) where the risk designation for this indicator is low.

Outcomes of shadow economy study shows personal income and social tax evasion rates in Baltic countries are similar. Envelope wages in 2016 in all three Baltic countries are also at a relatively similar level (in the range of 15.4%-18.1% of wages). At the height of economic crisis Latvia was in worst situation among Baltic countries with the share of envelope wages reaching as high as 35% (Shadow Economy Index in Baltic States 2009–2016, Stockholm

School of Economics in Riga Sustainable Business Centre), but since the 2012 the differences have gradually leveled out due to reducing tax evasion rate in Latvia.

Tax revenue statistics shows instant increase in collected taxes (total Tax revenues) since the height of economic crisis in 2010. Specifically, collected revenues of income, profits and capital gains taxes show growing trend both at corporate and individuals level since the height of economic crisis in 2010. (OECD data on tax revenues for Latvia, [http://www.oecd-ilibrary.org/taxation/data/revenuestatistics/latvia\\_91b75873-en](http://www.oecd-ilibrary.org/taxation/data/revenuestatistics/latvia_91b75873-en)). According to State Revenue Service information the number of employees receiving minimum wage has been decreasing since 2012.

Wages in forest sector had been increasing instantly since the economic crisis in 2009 - 2012. Average salary in the forest sector had increased by 60% (538 EUR in 2009, 861 in 2017) during last 7 year period and reached the average salary in the country (source: State Revenue Service <https://www.vid.gov.lv/lv/iekaszemes-nodoklumaksataju-darba-deveju-nodarbinato-darba-nemejumenesa-videjie-darba-ienakumi>).

State Revenue Service data shows small companies and individual commersants are in group with highest risk in relation to personal income tax and social security tax evasion. The situation had improved with introduction of special tax system for small commercial entities (up to 5 workers, maximum turnover 40000 EUR) - microenterprise tax. Microenterprise tax is applied to the turnover of the company (9% effective rate until 2017, 15% effective rate after the year 2017) and comprise the income tax. There are 2200 registered microenterprises in forestry sector, covering most of small companies and individual commersants - contractors (logging companies, companies providing various forestry services - thinning works, forest regeneration works, forest inventory etc.). There is an assumption that part of those microenterprises have legalised the operation with help of microenterprise status.

The government has launched a nation-wide, crosssectoral program focusing on minimization of the share of shadow economy with aim of reaching average level of EU by 2020. The State Revenue Service had been implementing the measures to reduce the share of shadow economy scale since 2012. The State Revenue Service had initiated a number of amendments to tax legislation, to combat shadow economy. Among other measures there are special mechanisms envisaged to reduce income tax for small wages.

### *Risk Conclusion*

The risk for this indicator is evaluated as low risk due to following considerations: 1) existing surveys on shadow economy do evaluate level of shadow economy as well as level of the tax avoidance for main sectors of the Latvian economy. Shadow economy studies reveal and mention economy sectors characterized with highest share of shadow economy. Forestry and timber processing are not mentioned as economy sectors with high or very significant contribution to shadow economy; 2) forestry sector is in advanced position compared to other sectors of economy with regard to minimizing tax avoidance because of several anti-tax avoidance mechanisms, effectively implemented already in tax legislation, reformed and extensive accounting requirements for timber in national legislation; 3) The government has launched a nation-wide, cross sectoral program focusing on minimization of the share of shadow economy with aim of reaching average level of EU by 2020. This includes microenterprise tax and no application of profit tax on reinvested income

### **1.7.6. Risk designation and specification**

Low risk

**1.7.7. Control measures and verifiers**

- Consultation with financial authority to verify that all required income and profit taxes have been paid

## TIMBER HARVESTING ACTIVITIES

### 1.8. Timber harvesting regulations

*Any legal requirements for harvesting techniques and technology including selective cutting, shelter wood regenerations, clear felling, transport of timber from felling site and seasonal limitations etc. Typically this includes regulations on the size of felling areas, minimum age and/or diameter for felling activities and elements that shall be preserved during felling etc. Establishment of skidding or hauling trails, road construction, drainage systems and bridges etc. shall also be considered as well as planning and monitoring of harvesting activities. Any legally binding codes for harvesting practices shall be considered.*

#### 1.8.1. Applicable laws and regulations

Applicable Laws:

- Law on Forests (24.02.2000) Available at: <http://likumi.lv/doc.php?id=2825>

Normative regulations:

- Cabinet Regulation No. 935 "On Procedures for Tree Felling in Forest Lands" (18.12.2012) Available at: <http://likumi.lv/doc.php?id=253760> [Accessed 06 August 2018].
- Cabinet Regulation No. 309 "On Tree Felling in Non-forest Lands" (18.12.2012) Available at: <http://likumi.lv/doc.php?id=247350> [Accessed 06 August 2018].
- Cabinet Regulation No. 936 "Nature Protection Regulations in Forest Management" (18.12.2012) Available at: <http://likumi.lv/doc.php?id=253758> [Accessed 06 August 2018].
- Cabinet Regulation No. 88 "Regulations regarding Forest Inventory and Information Flow in the State Register of Forests" (12.02.2013) Available at: <http://likumi.lv/doc.php?id=255162> [Accessed 06 August 2018].

#### 1.8.2. Legal authority

- State Forest Service, Ministry of Agriculture

#### 1.8.3. Legally required documents or records

- Felling Permit
- Harvesting Works Contract
- Technological map
- Harvesting Works Acceptance Act

#### 1.8.4. Sources of Information

*Government Sources*

- State Forest Service (2011). *Statistical reports*. [online]. Available at: [www.vmd.gov.lv](http://www.vmd.gov.lv).

#### 1.8.5. Risk determination

The principal legal acts that regulate timber harvesting are the Law on Forests and subsequent Cabinet of Ministers Regulation No. 935 "On Procedures for tree felling in forest lands".

### *Overview of Legal Requirements*

The Regulations outline the requirements for the minimum rotation age and diameter for final felling depending on tree species and forest growth type; and the minimum basal area for intermediate felling, maximum area for clear-cut, requirements for clear-cut plot configuration and layout, sanitary felling, landscape felling and deforestation felling. The Regulations also provide requirements for nature protection: biodiversity trees, deadwood, preservation of regrowth and local undergrowth tree and bush species, admixture of deciduous species, and situations when the clear-cut felling method is prohibited. Regulations articulate procedures for plot preparation for felling and procedures for the issuing of harvesting permits.

### *Description of Risk*

The State Forest Service periodically controls forest operations on felling sites and completed logging sites. There is no information on substantial violations of the applicable legislation such as would constitute for Specified risk.

### *Risk Conclusion*

This sub-category has been evaluated as low risk. Identified laws are upheld. Cases where law/regulations are violated are efficiently followed up via preventive actions taken by the authorities and/or by the relevant entities.

#### **1.8.6. Risk designation and specification**

Low risk

#### **1.8.7. Control measures and verifiers**

N/A

### **1.9. Protected sites and species**

*International, national, and sub national treaties, laws, and regulations related to protected areas allowable forest uses and activities, and/or, rare, threatened, or endangered species, including their habitats and potential habitats. Risk relates to illegal harvesting within protected sites, as well as illegal harvest of protected species. Note that protected areas may include protected cultural sites, including sites with historical monuments.*

#### **1.9.1. Applicable laws and regulations**

Laws:

- Environmental Protection Law (02.11.2006) Available at: <http://likumi.lv/doc.php?id=147917> [Accessed 06 August 2018].
- Law on Forests (24.02.2000) Available at: <http://likumi.lv/doc.php?id=2825> [Accessed 06 August 2018].
- Law on Specially Protected Nature Territories (02.03.1993) Available at: <http://likumi.lv/doc.php?id=59994> [Accessed 06 August 2018].
- Law on the Conservation of Species and Biotopes (16.03.2000) Available at: <http://likumi.lv/doc.php?id=3941> [Accessed 06 August 2018].

- Law on Compensation for Restrictions on Economic Activities in Protected Areas (04.04.2013) Available at: <http://likumi.lv/doc.php?id=256138> [Accessed 06 August 2018].
- Animal Protection Law (09.12.1999)
- Law on International Plant Protection Convention (05.06.2003)
- Law on Rio de Janeiro Convention on Biological Diversity (31.08.1995, amendments 08.09.1995)
- Law on Convention for the Conservation of European Wildlife and Natural Habitats, Bern, 1979 (17.12.1996, amendments 03.01.1997)
- Law on Convention for the Protection of the World Cultural and Natural Heritage, Paris, 1972 (17.02.1997, amendments 26.02.1997)
- Law on International Plant Protection Convention (05.06.2003)
- Law on European Landscape Convention (29.03.2007)

Normative Acts:

- Cabinet Regulation No. 936 "Nature Protection Regulations in Forest Management" (18.12.2012) Available at: <http://likumi.lv/doc.php?id=253758> [Accessed 06 August 2018].
- Cabinet Regulation No. 507 "Regulation on Nature Protection Board" (02.06.2009) Available at: <http://likumi.lv/doc.php?id=193117> [Accessed 06 August 2018].
- Cabinet Regulation No. 264 "General Regulations on Protection and Use of Specially Protected Nature Territories" (16.03.2010) Available at: <http://likumi.lv/doc.php?id=207283> [Accessed 06 August 2018].
- Cabinet Regulation No. 396 "Regulation Regarding the List of Specially Protected Species and Specially Protected Species of Limited Use" (14.11.2000) Available at: <http://likumi.lv/doc.php?id=12821> [Accessed 06 August 2018].
- Cabinet Regulation No. 421 "Regulation Regarding the List of Specially Protected Habitats" (05.12.2000) Available at: <http://likumi.lv/doc.php?id=13405> [Accessed 06 August 2018].
- Cabinet Regulation No. 940 "Procedure for establishment, management and protection status of microreserves and their buffer zones" (18.12.2012) Available at: <http://likumi.lv/doc.php?id=253746> [Accessed 06 August 2018].
- Cabinet Regulation No. 211 "Regulation on The List of Bird Species Subject to Special Habitat Protection Measures to Ensure the Survival and Reproduction in Population Area" (27.03.2007, amendments 31.03.2007) Available at: <http://likumi.lv/doc.php?id=155227> [Accessed 06 August 2018].
- Cabinet Regulation No. 212 "Regulation on The List of Bird Species Not Covered by The Prohibited Acts" (27.03.2007) Available at: <http://likumi.lv/doc.php?id=155228> [Accessed 06 August 2018].
- Cabinet Regulation No. 468 "List of Invasive Alien Plant Species" (30.06.2008) Available at: <http://likumi.lv/doc.php?id=177511> [Accessed 06 August 2018].

- Cabinet Regulation No. 467 "Regulations Regarding Restriction of the Distribution of Invasive Alien Plant Species" (30.06.2008) Available at: <http://likumi.lv/doc.php?id=177513> [Accessed 06 August 2018].
- Cabinet Regulation No. 213 "Regulation Regarding Criteria for Assessing Impact Significance of the Damage to the Specially Protected Species or Specially Protected Habitats" (27.03.2007) Available at: <http://likumi.lv/doc.php?id=155223> [Accessed 06 August 2018].
- Cabinet Regulation No. 69 "Regulation on Protected Landscape Areas" (23.02.1999) Available at: <http://likumi.lv/doc.php?id=76604> [Accessed 06 August 2018].
- Cabinet Regulation No. 83 "Regulation on Nature Parks" (09.03.1999) Available at: <http://likumi.lv/doc.php?id=22697> [Accessed 06 August 2018].
- Cabinet Regulation No. 212 "Regulation on Nature Reserves (Sequel 1)" (15.06.1999) Available at: <http://likumi.lv/doc.php?id=20122> [Accessed 06 August 2018].
- Cabinet Regulation No. 212 "Regulation on Nature Reserves (Sequel 2)" (15.06.1999) Available at: <http://likumi.lv/doc.php?id=20123> [Accessed 06 August 2018].
- Cabinet Regulation No. 212 "Regulation on Nature Reserves (Sequel 3)" (15.06.1999) Available at: <http://likumi.lv/doc.php?id=20124> [Accessed 06 August 2018].
- Cabinet Regulation No. 131 "Regulation on Protected Dendrological Plantations" (20.03.2001) Available at: <http://likumi.lv/doc.php?id=5773> [Accessed 06 August 2018].
- Cabinet Regulation No. 559 "Regulations Regarding Restricting the Spread of the Invasive Plant Species – Heracleum sosnowskyi Manden" (14.07.2008) Available at: <http://likumi.lv/doc.php?id=179511> [Accessed 06 August 2018].

#### **1.9.2. Legal authority**

- State Forest Service, Ministry of Agriculture
- Nature Protection Board, Ministry of Environment Protection and Regional Development

#### **1.9.3. Legally required documents or records**

- Management plan for protected territory
- Forest Management Plan
- Application for establishing the micro reserve and inventory form
- Decision on establishing the micro reserve

#### **1.9.4. Sources of Information**

##### *Government Sources*

- Ministry of Agriculture (2011). General website. [online]. Available at: [www.vmd.gov.lv](http://www.vmd.gov.lv) [Accessed 06 August 2018].
- Ministry of Environmental Protection and Regional Development of the Republic of Latvia (2017). General webpage. [online]. Available at: [www.vidm.gov.lv](http://www.vidm.gov.lv) [Accessed 06 August 2018].

- State Forest Service (2010–2013). *Statistical reports*. [online]. Available at: <http://www.vmd.gov.lv/valsts-meza-dienests/statiskas-lapas/publikacijas-un-statistika/publiskais-parskats?nid=1048#jump> [Accessed on 19 April 2017]. LINK NOT FOUND

#### *Non Government Sources*

- Habitats Directive Web Tool (2007-2012). *Article 17 of Biogeographical Assessments of Conservation Status of Species and Habitats under Article 17 EU*. [online]. Available at: <http://bd.eionet.europa.eu/article17/reports2012/habitat/report/?period=3&group=Forests&country=LV&region> [Accessed 06 August 2018].

### **1.9.5. Risk determination**

#### *Overview of Legal Requirements*

There is an extensive network of protected areas in the Republic of Latvia. In total, there are 683 nature protected areas and objects, including large scale protected areas such as Biosphere Reserves (one area), National Parks (four areas), Nature parks (42 areas), Landscape Protected Areas (nine areas), sea protected territories (seven areas) and small scale areas such as National Nature Reserves (four areas), National Reserves (261 areas), National Nature Monuments (355 objects). For protection of individual species or habitats outside protected areas, microreserves are established. The State Forest Service is the responsible institution for establishing microreserves in all forests irrespective of ownership type. A total of 2307 microreserves with a total area of 41 thousand ha was in place in 2016. Ninety-three percent of microreserves are established in State forests, with 7% in private forests.

88% of microreserves are established for protection of bird habitats, the rest accounting for protection of biotopes (habitats), endangered plant species, lichens, moss, fungi and invertebrates.

Requirements for nature conservation in protected areas is provided in the Management Plan of the protected area. The Management Plan document is approved by Nature Conservation authorities: Ministry of Environment, administrators of protected areas (National parks), Nature Protection Agency (Dabas aizsardzības pārvalde) and its regional offices. After approval of the Management Plan for a particular territory, nature conservation requirements are incorporated into a specific normative legislation document: Management Rules for a particular protected territory, which is binding on forest owners within the protected area. Microreserves are established based on an application by the forest owner or a third person and reviewed and approved by the State Forest Service.

No detailed statistics on illegal logging in protected territories is available. The State Forest Service compiles statistics on total cases of illegal logging irrespective of forest protection status. Information from the Court Decision Register (available at <http://www.tiesas.lv/nolemumi>) show that there was 1 convicting criminal case proceeding for illegal logging in protected areas in 2016. The total volume of illegally logged timber amounts to less than 2 m<sup>3</sup>. This represents 0.5% of 434 total illegal logging cases identified by the State Forest Service in year 2016. According to information from the State Forest Service, a total of 576 requests to initiate criminal or administrative proceedings against violation of forest legislation were initiated by the State Forest Service officials. The statistics clearly does not reveal all cases of illegal logging, also it does not reflect initiated criminal proceedings. However, the statistics show that volumes of illegally logged wood in protected areas are small

relative to the total volume of illegally harvested wood. The scale of the issue is small and thus the risk level is considered low.

#### *Risk Conclusion*

This sub-category has been evaluated as low risk. Identified laws are upheld. Cases where law/regulations are violated are efficiently followed up via preventive actions taken by the authorities and/or by the relevant entities.

#### **1.9.6. Risk designation and specification**

Low risk

#### **1.9.7. Control measures and verifiers**

N/A

### **1.10. Environmental requirements**

*National and sub-national laws and regulations related to the identification and/or protection of environmental values including but not limited to those relating to or affected by harvesting, acceptable level for soil damage, establishment of buffer zones (e.g. along water courses, open areas, breeding sites), maintenance of retention trees on felling site, seasonal limitation of harvesting time, environmental requirements for forest machineries, use of pesticides and other chemicals, biodiversity conservation, air quality, protection and restoration of water quality, operation of recreational equipment, development of non-forestry infrastructure, mineral exploration and extraction, etc... Risk relates to systematic and/or large-scale non-compliance with legally required environmental protection measures that are evident to an extent that threatens the forest resources or other environmental values.*

#### **1.10.1. Applicable laws and regulations**

Applicable Laws:

- Law on Forests (24.02.2000). Available at: <http://likumi.lv/doc.php?id=2825> [Accessed 06 August 2018].
- Law on the Conservation of Species and Biotopes (16.03.2000). Available at: <http://likumi.lv/doc.php?id=3941> [Accessed 06 August 2018].
- Protection Belt Law (05.02.1997). Available at: <http://likumi.lv/doc.php?id=42348> [Accessed 06 August 2018].

Normative Acts:

- Cabinet Regulation No. 936 "Nature Protection Regulations in Forest Management" (18.12.2012)
- Cabinet Regulation No. 507 "Regulation on Nature Protection Board" (02.06.2009)
- Cabinet Regulation No. 284 "Method of Determining Protection Belts for Waterbeds and Watercourses" (04.08.1998)
- Cabinet Regulation No. 457 "Method of Establishing Protection Belts along Railways" (15.12.1998)
- Cabinet Regulation No. 162 "Method of Establishing Protection Belts for Roads" (10.04.2001)

- Cabinet Regulation No. 63 "Method of Establishing Forest Protection Belt around Urban Centres" (04.02.2003)
- Cabinet Regulation No. 93 "Protection of Hydropower Station's Hydro Technical Structure Safety Measuring Devices and Method of Establishing Protection Belts" (25.02.2003)
- Cabinet Regulation No. 392 "Method of Establishing Protection Belts (Protection Zones) for Cultural Heritage" (15.07.2003)
- Cabinet Regulation No. 43 "Method of Determining Protection Belt around Water Sources" (20.01.2004)
- Cabinet Regulation No. 86 "Method of Determining Protection Belt for Coast of The Baltic Sea and The Riga Gulf" (17.02.2004)
- Cabinet Regulation No. 982 "Methodology for Determination of Power Infrastructure Protection Belts" (05.12.2006)
- Cabinet Regulation No. 131 "Method of Establishing Protection Belts Around Dams" (20.02.2007)
- Cabinet Regulation No. 406 "Methodology for the Determination of Surface Water Body Protection Zones" (03.06.2008)
- Cabinet Regulation No. 502 "Method of Establishing Protection Belts around Cemeteries" (29.12.1998)
- Cabinet Regulation No. 1312 "Regulation on Restricted Operations in Protection Belt Around National Defense Facilities" (10.11.2009)
- Cabinet Regulation No. 85 "Procedure for Determining Type and Extent of Compensation for Damages, Calculation of Losses Related to Installation of Walking Routes and - Restrictions of Property Rights in Protection Belt of The Baltic Sea and The Riga Gulf" (26.01.2010)
- Cabinet Regulation No. 258 "Regulation on Method of Establishing The Operational Protective Zone around The Drainage Structures and Devices in Agricultural Land and Forest Land" (02.05.2012)
- Cabinet Regulation No. 508 "Regulation on Protection Belts and Their Width around National Defense Facilities" (27.06.2006)
- Cabinet Regulation No. 599 "Method of Establishing Security Protection Belts along The Railways Carrying Oil, Oil Products and Hazardous Chemicals and Products" (18.07.2006)

#### **1.10.2. Legal authority**

- State Forest Service, Ministry of Agriculture
- Nature Protection Board, Ministry of Environment Protection and Regional Development

#### **1.10.3. Legally required documents or records**

- Technological map
- Harvesting permit
- Forest Management Plan

#### **1.10.4. Sources of information**

##### *Government Sources*

- Nature Conservation Agency (2017). General webpage. [online]. Available at: [www.daba.gov.lv](http://www.daba.gov.lv) [Accessed 06 August 2018].
- Ministry of Environmental Protection and Regional Development of the Republic of Latvia (2006). General webpage. [online]. Available at: [www.vidm.gov.lv](http://www.vidm.gov.lv) [Accessed 06 August 2018].
- State Forest Service statistical reports (2010–2016). General webpage. [online]. Available at: <http://www.vmd.gov.lv/valsts-mezadienests/statiskas-lapas/publikacijas-unstatistika/publiskais-parskats?nid=1048#jump> [\(LINK NOT WORKING\)](#) [Accessed on 19 April 2017].

#### **1.10.5. Risk determination**

##### *Overview of Legal Requirements*

Environmental requirements applicable to forestry are listed in Forestry and Nature Conservation laws and related normative legal acts. The State Forest Service and Nature Protection Board are institutions responsible for controlling of fulfilment of these laws. The main environmental issues reported by controlling institutions are forest soil damage, damage by game, uncontrolled waste dumps.

##### *Description of Risk*

The State Forest Service periodically controls the implementation of legislation targeting protection of natural values, objects and protected areas. Annual reports show that identified violations of environmental protection regulations in forest management comprise a minor share of total cases. Environmental violations comprise 5% of the total number of violations of forestry-related legislation (up to 36 cases per year in the last five years). There is a trend of decreasing number of cases of violation of environmental requirements in the last 4 years, i.e. 52, 50, 30 and 20 cases in the period from 2013 - 2016.

Based on the reports produced by the above authorities, it is evident that there is no identified systematic and/or large-scale non-compliance with legally required environmental protection measures to an extent that threatens the forest resources or other environmental values. The magnitude of environmental issues in forestry is considered small scale and is not considered as specified risk.

##### *Risk Conclusion*

This sub-category has been evaluated as low risk. Identified laws are upheld. Cases where law/regulations are violated are efficiently followed up via preventive actions taken by the authorities and/or by the relevant entities.

#### **1.10.6. Risk designation and specification**

Low risk

#### **1.10.7. Control measures and verifiers**

N/A

## 1.11. Health and safety

*Legally required personnel protection equipment for persons involved in harvesting activities, use of safe felling and transport practice, establishment of protection zones around harvesting sites, and safety requirements to machinery used. Legally required safety requirements in relation to chemical usage. The health and safety requirements that shall be considered relate to operations in the forest (not office work, or other activities less related to actual forest operations). Risk relates to situations/areas where health and safety regulations are consistently violated to such a degree that puts the health and safety of forest workers at significant risk throughout forest operations.*

### 1.11.1. Applicable laws and regulations

Laws:

- The Labour Protection Law (20.06.2001) Available at: <http://likumi.lv/doc.php?id=26020> [Accessed 06 August 2018].
- The Labour Law (20.06.2001) Available at: <http://likumi.lv/doc.php?id=26019> [Accessed 06 August 2018].
- Plant Protection Law (17.12.1998) Available at: <http://likumi.lv/doc.php?id=51662> [Accessed 06 August 2018].

Normative Acts:

- Cabinet Regulation No. 310 "Labour Protection Requirements in Forestry" (02.05.2012) Available at: <http://likumi.lv/doc.php?id=247351> [Accessed 06 August 2018].
- Cabinet Regulation No. 372 "Labour Protection Requirements When Using Personal Protective Equipment" (20.08.2002) Available at: <http://likumi.lv/doc.php?id=65619> [Accessed 06 August 2018].
- Cabinet Regulation No. 189 "Labour Protection Requirements when coming into Contact with Biological Substances" (21.05.2002)
- Cabinet Regulation No. 378 "Procedures on Calculation, Financing and Disbursement of Work Injury Compensation" (23.08.2001) Available at: <http://likumi.lv/doc.php?id=53426> [Accessed 06 August 2018].
- Cabinet Regulation No. 66 "Labour Protection Requirements for Protection of Employees from the Risk Caused by the Noise of the Work Environment" (04.02.2003)
- Cabinet Regulation No. 284 "Labour Protection Requirements for the Protection of Employees from the Risk Caused by Vibration in the Work Environment" (13.04.2004) Available at: <http://likumi.lv/doc.php?id=87137> [Accessed 06 August 2018].
- Cabinet Regulation No. 325 "Labour Protection Requirements when Coming in Contact with Chemical Substances at Workplaces" (15.05.2007) Available at: <http://likumi.lv/doc.php?id=157382> [Accessed 06 August 2018].
- Cabinet Regulation No. 660 "Procedures for the Performance of Internal Supervision of the Work Environment" (02.10.2007) Available at: <http://likumi.lv/doc.php?id=164271> [Accessed 06 August 2018].

- Cabinet Regulation No. 950 "Procedures for Investigation and Registration of Accidents at Work" (25.08.2009) Available at: <http://likumi.lv/doc.php?id=196653> [Accessed 06 August 2018].
- Cabinet Regulation No. 359 "Labour Protection Requirements in Workplaces" (28.04.2009)
- Cabinet Regulation No. 713 "Regulations Regarding Procedure for Providing Training on First Aid and on Minimum of Medical Materials in First Aid Kits" (03.08.2010) Available at: <http://likumi.lv/doc.php?id=214608> [Accessed 06 August 2018].
- Cabinet Regulation No. 803 "Labour Protection Requirements in Contact With Carcinogenic Substances in the Workplace" (10.03.2009) Available at: <http://likumi.lv/doc.php?id=181871> [Accessed 06 August 2018].
- Cabinet Regulation No. 749 "Regulations Regarding Training in Labour Protection Matters" (10.08.2010) Available at: <http://likumi.lv/doc.php?id=214922> [Accessed 06 August 2018].
- Cabinet Regulation No. 344 "Labour Protection Requirements, when Moving Heavy Loads" (06.08.2002) Available at: <http://likumi.lv/doc.php?id=65158> [Accessed 06 August 2018].
- Cabinet Regulation No. 526 "Labour Protection Requirements when using Work Equipment and Working at a Height" (09.12.2002) Available at: <http://likumi.lv/doc.php?id=69282> [Accessed 06 August 2018].
- Cabinet Regulation No. 1064 "Procedures for Classification, Labeling and Packaging of Plant Protection Products" (28.12.2004) Available at: <http://likumi.lv/doc.php?id=98770> [Accessed 06 August 2018].
- Cabinet Regulation No. 950 "On Using and Handling of Plant Protection Products" (13.12.2011) Available at: <http://likumi.lv/doc.php?id=241853> [Accessed 06 August 2018].

#### **1.11.2. Legal authority**

- State Labour Inspectorate, Ministry of Welfare

#### **1.11.3. Legally required documents or records**

- Occupational Health and Safety Plan
- Occupational Health and Safety Risk Assessment at Workplace;
- Occupational Health and Safety instructions and Procedures;
- Worker H&S instruction records;
- Health check records;
- Records of OHS measurements;
- License (Nodarbinātā apliecība) issued by contractor to persons working in the forest;
- Worker qualification documents (trimmer, chainsaw operator, tractor and self-propelled forest machinery driving licence etc)

#### **1.11.4. Sources of information**

### *Government Sources*

- State Labour Inspectorate (2017). Statistical data. [online]. Available at: <http://www.vdi.gov.lv/lv/par-mums/parskati> [Accessed 06 August 2018].

### *Non Government Sources*

- Eurostat Statistics Explained (2017). General webpage. [online]. Available at: [http://epp.eurostat.ec.europa.eu/statistics\\_explained/index.php/Health\\_and\\_safety\\_at\\_work\\_statistics](http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Health_and_safety_at_work_statistics) [Accessed 06 August 2018].
- Stradavesels (2012-2013). *Work Conditions and Risks in Latvia*. [online]. Available at: [http://stradavesels.lv/Uploads/2014/07/18/Work\\_conditions\\_and\\_risks\\_in\\_Latvia\\_2012\\_2013.pdf](http://stradavesels.lv/Uploads/2014/07/18/Work_conditions_and_risks_in_Latvia_2012_2013.pdf) [Accessed 06 August 2018].

#### **1.11.5. Risk determination**

##### *Overview of Legal Requirements*

The Labour Protection Law provides the legal framework for the occupational health and safety system in Latvia. This includes the rights and obligations of an employer and an employee in creating and ensuring a working environment that is safe for health; the system governing occupational health and safety in organizations; and the procedures relating to challenges and liability for violation of occupational health and safety requirements. Implementation of occupational health and safety legislation is monitored and controlled by the State Labour Inspectorate which collects data on work-related accidents and regularly monitors and reports occupational health and safety compliance statistics relating to companies in different sectors of the economy.

##### *Description of Risk*

According to State Labour Inspectorate data, the wood harvesting and silviculture sector (further referred as forestry sector), which is relevant to the scope of the risk assessment with 20–25 accidents per year ranks in the top 20. As per statistical data, timber harvesting and silviculture sector accounts for 6–7 major injuries per year in average. In year 2015 there were three lethal injuries, two in 2016. In absolute terms, the timber harvesting and silviculture sector accounts for 1-2% of all registered injuries in the workplace.

According to the study by the NGO – Employers Confederation of Latvia (Employers Confederation of Latvia, “TNS Latvia Ltd.” and Institute for Occupational Safety and Environmental Health of Rīga Stradiņš University - RSU DDVVI. *Work Conditions and Risks in Latvia, 2012-2013*) the main issues related to the implementation of the occupational health and safety legislation in the forestry, agriculture and fisheries sector companies are the following: companies lack trained occupational health and safety specialists (39% of verified companies); companies do not undertake physical and chemical measurements of risk factors (49% of cases); work equipment is not safely used and maintained; employees do not use the personal protective equipment (PPE) provided, suggesting lack of supervision by employer; and employees do not take the compulsory medical examination (40% of cases).

Authors of the survey note the relatively few occupational environment measurements at workplace in the forestry sector companies. In the view of the authors of the study, it could be linked to low perception of significance of quality of occupation environment by employers. It is also suggested that the industry is not fully aware of the importance of occupational

environment measurements, as well as preventive measures to be taken (including mandatory health checks) in the context of occupational risk assessment. Self-employment is mentioned as contributing risk factor since self-employed persons are considered being at higher risk with regard to not following OH&S legal requirements compared with other type of entrepreneurship forms.

It is concluded, that with regard to the number of accidents at the workplace, the forestry sector is still regarded as a priority sector. It is recommended that the State Labour Inspectorate should carry out regular thematic checks in the forestry sector.

Eurostat data on accidents per 1000 forestry workers in Latvia is less than 2 (accidents per 1000 workers), which is significantly lower than the average in other EU countries and slightly better than in the other Baltic countries. Employers' Confederation of Latvia in their report "Work Conditions and Risks in Latvia, 2012–2013" link the low rate of accidents to accident under-reporting. Companies in the forestry sector are very likely underreporting minor accidents happening in the workplaces, since the number of minor accidents is not correlating with the number of serious accidents, thus the total number of accidents should be higher than reported.

Also the consulted stakeholders raised a hypothesis that the substantial difference between the Baltic countries and the European Union may be explained by under-reporting of accidents, resulting in incapacity of work for less than 7 days. The hypothesis can be explained by comparing the respective Eurostat data. Regardless of that the accident rates (resulting of incapacity of work for more than 7 days) are lower in the Baltic countries and in particular - in Latvia, compared to the other EU countries.

Available official (Eurostat data on non-fatal accidents at work ([http://ec.europa.eu/eurostat/web/products-datasets/-/hsw\\_n2\\_01](http://ec.europa.eu/eurostat/web/products-datasets/-/hsw_n2_01)); fatal accidents at work ([http://ec.europa.eu/eurostat/web/products-datasets/-/hsw\\_n2\\_02](http://ec.europa.eu/eurostat/web/products-datasets/-/hsw_n2_02)); employment by sex, age and detailed economic activity ([http://ec.europa.eu/eurostat/web/products-datasets/-/lfsa\\_egan22d](http://ec.europa.eu/eurostat/web/products-datasets/-/lfsa_egan22d))) data shows accident ratio in the forestry sector is similar to the average accident ratio in the country (all sectors). This can be considered a good indication, given that forestry is considered as an industry with high risk of accidents. It is also assumed increasing mechanization of forestry works and decreasing share of manual labour over the last years has contributed significantly to reduction of number of accidents at work. The assumption is supported by the fact that no cases of fatal accidents or heavy injuries related to mechanised forestry works were revealed from public summaries of State Labour Inspectorate reports from 2014 to 2018. All registered heavy and fatal accidents in forestry works were associated with manual labour. Arguments in favour of "low risk" include the fact of increasing mechanization of harvesting works, i.e. majority of harvesting works are carried out with forestry machinery. In particular, up to 80% of harvesting works are carried out by mechanical means (timber harvesting and forwarding machinery). But taking into consideration outcomes of the forestry sector company survey and opinion of OH&S experts, the risk level cannot be designated uniformly "low risk" for all operations in the forestry sector as the situation may vary significantly among the companies working in the forestry sector. For example, OH&S records for self-employed persons (or employees of microenterprises) involved in forest harvesting and thinning works may differ significantly compared to professional harvesting companies. Heavy and fatal accidents are associated with manual labour in harvesting and thinning works primarily.

Based on this information the risk for this category is evaluated as specified.

### *Risk Conclusion*

This sub-category has been evaluated as specified risk. Identified laws are not upheld consistently by all entities and/or are often ignored, and/or are not enforced by relevant authorities.

#### **1.11.6. Risk designation and specification**

Specified risk

#### **1.11.7. Control measures and verifiers**

1. Can the products be traced back to the logging company responsible for conducting the harvest operation?

1.1 If yes, go to 2.

1.2 If no, the products cannot be sourced.

2. Does the logging company have a recognized third party certification system covering health and safety procedures such as OHSAS or contractor certification?

2.1 If yes, the wood can be accepted as legal in relation to Health and safety.

2.2 If no, go to 3

3. Does the logging company have a valid contract with FSC FM/CoC-certified operation for providing logging services?

3.1 If yes, the wood can be accepted to be in conformance with health and safety requirements.

3.2 If no, go to 4.

4. Does the logging company have health and safety procedures in place that ensure that all staff involved in the logging operation have all required personal protection required by the legislation?

5. Does audit of ongoing operational sites confirm that staff have all legally required personal protection equipment and are in compliance with health and safety requirements?

5.1 If yes, the wood can be accepted to be in conformance with health and safety requirements.

5.2 If no, do not source.

Supplier auditing based on sampling and risk assessment is carried out for harvesting organized by suppliers (or sub-suppliers): Risk is considered to be lower (fewer audits are necessary) for; the logging companies with valid contracts with FSC FM/CoC certified operation and the logging companies use forest machinery for harvesting works in final felling and/or intermediate fellings. Risk is considered to be higher (audits are carried out more often) for final felling and/or intermediate felling done by chainsaws.

Verifiers

- All safety and health regulations shall be followed and all required safety equipment shall be used.
- Occupational health and safety requirements shall be observed by all personnel involved in harvesting activities.
- Interviews with staff and contractors shall confirm that legally required protection equipment is required/provided by the organization.
- The staff shall demonstrate knowledge of Health and Safety requirements in logging works
- All requirements on prevention of air and water pollution shall be followed and are verified through reports monitoring pollution (when applicable).

## 1.12. Legal employment

*Legal requirements for employment of personnel involved in harvesting activities including requirement for contracts and working permits, requirements for obligatory insurances, requirements for competence certificates and other training requirements, and payment of social and income taxes withhold by employer. Furthermore, the points cover observance of minimum working age and minimum age for personnel involved in hazardous work, legislation against forced and compulsory labour, and discrimination and freedom of association. Risk relates to situations/areas where systematic or large scale noncompliance with labour and/or employment laws. The objective is to identify where serious violations of the legal rights of workers take place, such as forced, underage or illegal labour.*

### 1.12.1. Applicable laws and regulations

Laws:

- The Labour Law (20.06.2001) Available at: <http://likumi.lv/doc.php?id=26019> [Accessed 06 August 2018].
- Law on State Social Insurance (01.10.1997) Available at: <http://likumi.lv/doc.php?id=45466> [Accessed 06 August 2018].
- Law on Compulsory Social Insurance in respect of Accidents at Work and Occupational Health (11.02.1995)

Ratified International Labour Organization (ILO) Conventions:

- Law on ILO Conventions No. 81, 129, 144, 154, 155, 158, 173 (15.06.1994) Available at: <http://likumi.lv/doc.php?id=57421> [Accessed 06 August 2018].
- ILO C100 Equal Remuneration Convention (1993.01.27) Available at: <http://likumi.lv/doc.php?id=71606> [Accessed 06 August 2018].
- ILO C87 Freedom of Association and Protection of the Right to Organise Conventions (1993.01.27) Available at: <http://likumi.lv/doc.php?id=171016> [Accessed 06 August 2018].
- ILO C98 Right to Organise and Collective Bargaining Convention (1993.01.27) Available at: <http://likumi.lv/doc.php?id=171016> [Accessed 06 August 2018].
- ILO C138 Minimum Age Convention (2007.06.02)
- ILO C182 Worst Forms of Child Labour Convention (2007.06.02) Available at: <http://likumi.lv/doc.php?id=209219> [Accessed 06 August 2018].

- ILO C29 Forced Labour Convention (2007.06.02) Available at: <http://likumi.lv/doc.php?id=132859> [Accessed 06 August 2018].

#### Normative Acts:

- Cabinet Regulation No. 10 "Regulations regarding Work in which Employment of Children from the Age of 13 is permitted" (08.01.2002) Available at: <http://likumi.lv/doc.php?id=57347> [Accessed 06 August 2018].
- Cabinet Regulation No. 206 "Regulations regarding Work in which Employment of Adolescents is prohibited and Exceptions when Employment in such Work is Permitted in Connection with Vocational Training of the Adolescent" (28.05.2002) Available at: <http://likumi.lv/doc.php?id=62644> [Accessed 06 August 2018].
- Cabinet Regulation No. 665 "Regulation Regarding Minimum Monthly Wage and the Minimum Hourly Wage" (30.11.2010, amendments 27.08.2013) Available at: <http://likumi.lv/doc.php?id=259405> [Accessed 06 August 2018].
- Cabinet Regulations No. 50 "Procedures for Calculation and Allocation of Insurance Compensation for Compulsory Social Insurance in Respect of Accidents at Work and Occupational Diseases" (16.02.1999., amendments 22.07.2011) Available at: <http://likumi.lv/doc.php?id=21903> [Accessed 06 August 2018].
- Cabinet Regulation No. 378 "Procedures On Calculation, Financing and Disbursement of Work Injury Compensation" (23.08.2001, amendments 06.01.2007) Available at: <http://likumi.lv/doc.php?id=53426> [Accessed 06 August 2018].
- Cabinet Regulation No. 99 "Regulations regarding the Types of Commercial Activities in which an Employer shall Involve a Competent Authority " (08.02.2005, amendments 01.01.2010) Available at: <http://likumi.lv/doc.php?id=101364&search=on> [Accessed 06 August 2018].
- Cabinet Regulation No. 427 "Procedures for the Election of Trusted Representatives and the Activities Thereof" (17.09.2002) Available at: <http://likumi.lv/doc.php?id=66827> [Accessed 06 August 2018].

#### 1.12.2. Legal authority

- State Labour Inspectorate, Ministry of Welfare

#### 1.12.3. Legally required documents or records

- License (Nodarbinātā apliecība) issued by contractor to persons working in the forest (must be present at site);
- Worker qualification documents (trimmer, chainsaw operator, tractor and self-propelled forest machinery driving licence, etc)

#### 1.12.4. Sources of information

##### *Government Sources*

- State Labour Inspectorate (2017). *Statistical data*. [online]. Available at: <http://www.vdi.gov.lv/lv/par-mums/parskatit/> [Accessed 06 August 2018].

- Labor Inspectorate (2013). *Report*. [online]. Available at: [http://www.vdi.gov.lv/files/parskats\\_2013.pdf](http://www.vdi.gov.lv/files/parskats_2013.pdf) [Accessed 06 August 2018].

#### *Non Government Sources*

- Stockholm School of Economics Riga Sustainable Business Centre (2009–2013). *Shadow Economy Index in Baltic States*. [online]. Available at: [http://www.sseriga.edu/files/content/sseriga\\_enuekonomikasindekss\\_2009\\_2012.pdf](http://www.sseriga.edu/files/content/sseriga_enuekonomikasindekss_2009_2012.pdf) [Accessed 06 August 2018].
- Stradavesels (2012-2013). *Work Conditions and Risks in Latvia*. [online]. Available at: [http://stradavesels.lv/Uploads/2014/07/18/Work\\_conditions\\_and\\_risks\\_in\\_Latvia\\_2012\\_2013.pdf](http://stradavesels.lv/Uploads/2014/07/18/Work_conditions_and_risks_in_Latvia_2012_2013.pdf) [Accessed 06 August 2018].

### **1.12.5. Risk determination**

#### *Overview of Legal Requirements*

The Labour Law sets an obligation for the employer and employee to enter into a written contract of employment prior to commencement of work. With a contract of employment, the employee undertakes to perform specific work, subject to specified working procedures and orders of the employer, while the employer undertakes to pay the agreed remuneration and to ensure fair and safe working conditions that are not harmful to health. A signed employment contract is the basis for obligatory social security payments. In addition to signed contracts, employees working in forestry sector companies are obliged to have an Employee License/Card (Nodarbinātā apliecība) issued by the contractor. The Employee License/Card must be present on site in the forest as a proof of legal employment.

#### *Description of Risk*

Official statistics from the State Labour Inspectorate do not provide information on cases of illegal employment in the forestry sector. The statistics are available for the agriculture, forestry and fisheries sectors combined. Agriculture and fisheries sectors are often mentioned as risk sectors related to illegal employment.

According to information from the State Labour Inspectorate, cases of illegal employment in all three sectors combined have decreased in past 4-5 years, and a downward trend is exhibited. According to statistical data there were 248 revealed cases of illegal employment in 2013, 247 in 2014 and 185 and 157 cases in 2015 and 2016 accordingly. That makes around 0.8% of total employees in agriculture, forestry and fisheries sector.

The Labor Inspectorate reports in the last thematic review: "It is evident that unregistered employment within its classical meaning tend to decline". It is indicative of the fact that still more companies operating up to now in the "shadow economy" started fully or partly formalize employment legal relations as laid down in the regulation included in regulatory enactments (Labor Inspectorate report 2016).

The World Bank's assessment shows that illegal employment is falling in the private sector. In year 2009 the share of illegal labour was 9%, and 4% in 2014. (source: Conference "Tax Forum 2016" organized by the Ministry of Finance).

There are 2200 registered microenterprises in forestry sector, covering most of small companies and individual commersants - contractors (logging companies, companies providing

various forestry services - thinning works, forest regeneration works, forest inventory etc.), which have legalised the operation with help of microenterprise status.

#### *Risk Conclusion*

The official data from State authorities and surveys of nongovernment organizations does not provide grounds for justifying the risk as 'specified', thus the risk level for this indicator is designated as 'low risk'.

#### **1.12.6. Risk designation and specification**

Low risk

#### **1.12.7. Control measures and verifiers**

- All workers are employed according to the regulations and required contracts are in place
- Persons involved in harvesting activities shall be covered by obligatory insurances.
- Persons involved in harvesting activities shall hold required certificates of competence for the function they carry out.
- At least the legally established minimum salaries shall be paid for personnel involved in harvesting activities.
- Salaries shall be paid officially and declared by the employer according to requirements for personnel involved in harvesting activities.

## THIRD PARTIES' RIGHTS

### 1.13 Customary rights

*Legislation covering customary rights relevant to forest harvesting activities including requirements covering sharing of benefits and indigenous rights.*

#### 1.13.1. Applicable laws and regulations

Laws:

- The Latvian Civil Code (28.01.1937) Available at: <http://likumi.lv/doc.php?id=225418> [Accessed 06 August 2018].
- Law on Forests (24.02.2000) Available at: <http://likumi.lv/doc.php?id=2825> [Accessed 06 August 2018].
- Hunting Law (08.07.2003) Available at: <http://likumi.lv/doc.php?id=77455> [Accessed 06 August 2018].

Normative Acts:

- Cabinet Regulation No. 421 "Hunting Regulations" (22.07.2014) Available at: <http://likumi.lv/doc.php?id=267976> [Accessed 06 August 2018].
- Cabinet Regulation No. 889 "Terms of deforestation compensation criteria for determining and calculating the reimbursement arrangements" (18.12.2012)

#### 1.13.2. Legal authority

- State Forest Service, Ministry of Agriculture

#### 1.13.3. Legally required documents or records

- Hunting agreement/ contract concluded between user of hunting rights and the land owner

#### 1.13.4. Sources of information

*Government Sources*

- State Forest Service (2010–2016). *Statistical reports*. [online]. Available at: <http://www.vmd.gov.lv/valsts-meza-dienests/statiskas-lapas/publikacijas-un-statistika/publiskais-parskats?nid=1048#jump> [Accessed on 19 April 2017].

#### 1.13.5. Risk determination

*Overview of Legal Requirements*

The Law on Forests allows free access to the forest, as well as free movement in the forest unless it is explicitly prohibited by the owner. According to the legislation, people are allowed to be in private forest and in State forest to pick berries and other non-timber products (except in strict nature reserves). To camp or make a fire in the forest, additional permission is necessary from the land owner.

Regarding hunting rights, associations of hunters need to obtain a hunting agreement for the forest property, with the forest owner. The hunting agreement outlines principal rights and obligations of hunters with regard to game management within the particular forest property.

*Description of Risk*

The applicable legislation (the Hunting Law) is generally followed, but there are some exceptional cases of small-scale violations, such as game enclosures; however, the magnitude does not constitute specified risk.

The State Forest Service controls the implementation of the Hunting Law and compiles statistics on hunting-related cases of violation. Statistical data show that there are about 117–160 cases of violation of game law and hunting regulations from 2012 till 2016. It has to be acknowledged however that the majority of violations are related to violations of the hunting regulations per se. Identified cases of illegal hunting are relatively small.

No information is available on cases of violation of other customary rights such as rights to use non-timber forest resources. Given the facts above, the risk level for this category is assessed as low.

*Risk Conclusion*

This sub-category has been evaluated as low risk. Identified laws are upheld. Cases where law/regulations are violated are efficiently followed up via preventive actions taken by the authorities and/or by the relevant entities.

**1.13.6. Risk designation and specification**

Low risk

**1.13.7. Control measures and verifiers**

N/A

**1.14. Free prior and informed consent**

*Legislation covering "free prior and informed consent" in connection with transfer of forest management rights and customary rights to the organisation in charge of the harvesting operation.*

Not applicable. There is no legislation in place on Free prior and informed consent.

**1.15. Indigenous/traditional peoples' rights**

*Legislation that regulates the rights of indigenous/traditional people as far as it's related to forestry activities. Possible aspects to consider are land tenure, right to use certain forest related resources or practice traditional activities, which may involve forest lands.*

**1.15.1. Applicable laws and regulations**

Not applicable. There are no indigenous people as defined in UN definitions in Latvia

## TRADE AND TRANSPORT

### 1.16. Classification of species, quantities, qualities

*Legislation regulating how harvested material is classified in terms of species, volumes and qualities in connection with trade and transport. Incorrect classification of harvested material is a well-known method to reduce/avoid payment of legality prescribed taxes and fees. Risk relates to material traded under illegal false statements of species, quantities or qualities. This could cover cases where this type of false classification is done to avoid payment of royalties or taxes or where trade bans on product types or species are implemented locally, nationally or internationally. This is mainly an issue in countries with high levels of corruption (CPI<50).*

#### 1.16.1. Applicable laws and regulations

Laws:

- Law on Inventory of Trees and Round Timber (16.12.2004) Available at: <http://likumi.lv/doc.php?id=98597> [Accessed 06 August 2018].

Normative Acts:

- Cabinet Regulation No. 744 "On Accounting of Timber and Roundwood" (06.11.2007) Available at: <http://likumi.lv/doc.php?id=166033> [Accessed 06 August 2018].

#### 1.16.2. Legal authority

- State Forest Service, Ministry of Agriculture
- State Revenue Service, Ministry of Finance

#### 1.16.3. Legally required documents or records

- Timber measurement act

#### 1.16.4. Sources of information

None.

#### 1.16.5. Risk determination

##### *Overview of Legal Requirements*

There is legislation in place that specifies the requirements for roundwood measurement and accounting. Normative regulations specify procedures for roundwood tracking at temporary storage sites, as well as roundwood accounting and the requirements for supporting documentation. Regulations also specify requirements for roundwood tracking at permanent storage locations and requirements for relevant supporting documents. The Regulations also specify requirements for roundwood measurement and operators working in roundwood measurement field. Cabinet of Ministers Regulations No. 744 requires the application of Latvian National Standard LVS 82:2003 "Roundwood measurement" in roundwood measurement and volumetric operations in the Republic of Latvia.

The largest wood processing companies in Latvia use independent surveyor services, thus minimizing the issue of corruption in roundwood measurement and accounting. It is considered a substantial mean in corruption prevention and risk minimization.

#### *Description of Risk*

There is no information on substantial violations of the applicable legislation such as would constitute specified risk.

#### *Risk Conclusion*

This sub-category has been evaluated as low risk. Identified laws are upheld. Cases where law/regulations are violated are efficiently followed up via preventive actions taken by the authorities and/or by the relevant entities.

#### **1.16.6. Risk designation and specification**

Low risk

#### **1.16.7. Control measures and verifiers**

N/A

### **1.17. Trade and transport**

*All required trading permits shall exist as well as legally required transport document which accompany transport of wood from forest operation. Risk relates to the issuing of documents permitting the removal of timber from the harvesting site (e.g., legally required removal passes, waybills, timber tags, etc.). In countries with high levels of corruption, these documents are often falsified or obtained by using bribery. In cases of illegal logging, transport documents from sites other than the actual harvesting site are often provided as a fake proof of legality with the harvested material.*

#### **1.17.1. Applicable laws and regulations**

Laws:

- Law on Carriage by Road (23.08.1995) Available at: <http://likumi.lv/doc.php?id=36720> [Accessed 06 August 2018].
- Law on Carriage by Railroad (21.12.2000) Available at: <http://likumi.lv/doc.php?id=1192> [Accessed 06 August 2018].
- Law on Convention on the Contract for the International Carriage of Goods by Road (CMR) (19.05.1956, amendments 14.04.1994) Available at: <http://likumi.lv/doc.php?id=57846> [Accessed 06 August 2018].
- Law on Additional Protocol to the Convention on the Contract for the International Carriage of Goods by Road (CMR) Concerning the Electronic Consignment Note (17.12.2009) Available at: <http://likumi.lv/doc.php?id=202993> [Accessed 06 August 2018].
- Law on Taxes and Fees (02.02.1995) Available at: <http://likumi.lv/doc.php?id=33946> [Accessed 06 August 2018].
- Normative Acts:

- Cabinet of Ministers Regulations No. 225 "Procedure for Combined Commercial Cargo Transport, A combined Multimodality or with a Hired Vehicle, as well as Requirements for Intermodal Cargo Documents" (29.04.2003) Available at: <http://likumi.lv/doc.php?id=74479> [Accessed 06 August 2018].
- Cabinet of Ministers Regulations No. 158 "Regulations on Railroad cargo delivery" (08.04.2003) Available at: <http://likumi.lv/doc.php?id=73839> [Accessed 06 August 2018].
- Cabinet of Ministers Regulations No. 506 "Rules for acceptance of goods by rail" (04.11.2002) Available at: <http://likumi.lv/doc.php?id=68183> [Accessed 06 August 2018].
- Cabinet of Ministers Regulations No. 533 "Terms of lading filling procedure for rail freight" (18.12.2001)
- Cabinet of Ministers Regulations No. 70 "Rail freight terms" (04.02.2003) Available at: <http://likumi.lv/doc.php?id=71052> [Accessed 06 August 2018].
- Cabinet Regulation No. 17 "Application of Requirements of Law On Value Added Tax and Specific Requirements for Payment and Administering of Value Added Tax" (03.01.2013) Available at: <http://likumi.lv/doc.php?id=254172> [Accessed 06 August 2018].

#### 1.17.2. Legal authority

- State Customs Office, Ministry of Finance
- State Revenue Service, Ministry of Finance

#### 1.17.3. Legally required documents or records

- Delivery notes, transport documents: waybills, Carriage of Goods by Road (CMRs), Bill of Lading etc.

#### 1.17.4. Sources of information

None

#### 1.17.5. Risk determination

##### *Overview of Legal Requirements*

The legislation specifies requirements for transport documents. Each truck transporting domestic wood must have the delivery note that describes the origin and quantity of the material transported and details of consigner and consignee.

If timber is transported to/from abroad by road then according to the Convention on the Contract for the International Carriage of Goods by Road (CMR) the waybill must be present.

In the case of sea transport, relevant sea shipping documentation (Bill of Lading), as required by international maritime law, must be present.

##### *Description of Risk*

Road Police routinely check transport documentation and verify the weight of the load on the road. Inspections are frequent and function effectively. There is no information on substantial violation of the applicable legislation such that would constitute specified risk.

## *Risk Conclusion*

This sub-category has been evaluated as low risk. Identified laws are upheld. Cases where law/regulations are violated are efficiently followed up via preventive actions taken by the authorities and/or by the relevant entities.

### **1.17.6. Risk designation and specification**

Low risk

### **1.17.7. Control measures and verifiers**

N/A

## **1.18. Offshore trading and transfer pricing**

*Legislation regulating offshore trading. Offshore trading with related companies placed in tax havens combined with artificial transfer prices is a well-known way to avoid payment of legally prescribed taxes and fees to the country of harvest and considered as an important generator of funds that can be used for payment of bribery and black money to the forest operation and personnel involved in the harvesting operation. Many countries have established legislation covering transfer pricing and offshore trading. It should be noted that only transfer pricing and offshore trading as far as it is legally prohibited in the country, can be included here. Risk relates to situations when products are sold out of the country for prices that are significantly lower than market value and then sold to the next link in the supply chain for market prices, which is often a clear indicator of tax laundry. Commonly, the products are not physically transferred to the trading company.*

### **1.18.1. Applicable laws and regulations**

Laws:

- Law on Corporate Income Tax (09.02.1995) Available at: <http://likumi.lv/doc.php?id=34094> [Accessed 06 August 2018].
- Law on Personal Income Tax (11.05.1993) Available at: <http://likumi.lv/doc.php?id=56880> [Accessed 06 August 2018].

Normative Acts:

- Cabinet Regulations No. 276 "On Low or Zero Tax Countries and Territories" (26.06.2001) Available at: <http://likumi.lv/doc.php?id=25839> [Accessed 06 August 2018].
- Cabinet Regulation No. 556 "Application of Norms of Law on Corporate Income Tax" (04.07.2006) Available at: <http://likumi.lv/doc.php?id=139741> [Accessed 06 August 2018].

### **1.18.2. Legal authority**

- State Revenue Service, Ministry of Finance

### **1.18.3. Legally required documents or records**

Latvian law currently does not require Latvian companies to have appropriate transfer pricing documentation, in place that provides a reasonable calculation of prices applied to related party transactions.

On a tax audit, however, the SRS may demand transfer pricing documentation or other documents showing that the company's transfer prices are arm's length. In that case, the taxpayer is expected to provide appropriate transfer pricing documentation within 10-30 days after receiving a request from the SRS.

#### 1.18.4. Sources of information

##### *Non Government Sources*

- OECD Tax information exchange portal (2017). *Latvia*. [online]. Available at: <http://www.eoi-tax.org/jurisdictions/LV#default> [Accessed 06 August 2018].
- PriceWaterhouseCoopers (2012). *International transfer pricing*. [online]. Available at: [http://download.pwc.com/ie/pubs/2012\\_international\\_transfer\\_pricing.pdf](http://download.pwc.com/ie/pubs/2012_international_transfer_pricing.pdf) [Accessed on 19 April 2017].
- PWC (2012/2013). *International transfer pricing rules, Latvia*. [online]. Available at: <http://www.pwc.com/gx/en/international-transfer-pricing/assets/latvia.pdf> [Accessed 06 August 2018].
- EOI-Tax (2012/2013). *Peer Review Report, Phase 1: Legal and Regulatory Framework – Latvia*. [online]. Available at: <http://www.eoi-tax.org/jurisdictions/LV#latest> [Accessed on 19 April 2017].
- KPMG (2012). *Global transfer pricing review, Latvia*. [online]. Available at: <http://www.kpmg.com/Global/en/IssuesAndInsights/ArticlesPublications/Documents/gtps-2012/latvia.pdf> [Accessed on 19 April 2017].

#### 1.18.5. Risk determination

##### *Overview of Legal Requirements and description of risk*

The adoption of the Latvian Corporate Income Tax (CIT) Act in 1995 established a requirement that transactions with related parties comply with the arm's-length principle. Since then, the development of transfer pricing law has been relatively slow. However, recently the Latvian State Revenue Service (SRS) has started to actively tackle the transfer pricing issue and a set of supporting regulations has been developed.

Latvia is not yet an OECD member but has committed to join the OECD in the foreseeable future. Latvia has exchange of information relationships with 92 jurisdictions through 57 Double Taxation Conventions (DTCs), two Tax Information Exchange Agreements (TIEAs) and one multilateral mechanism, and is a signatory to the Convention on Mutual Administrative Assistance in Tax Matters.

The Law on Corporate Income Tax regulates offshore trading in Latvia. There is a list of offshore countries specified by the Cabinet of Minister Regulations No. 276 "On Low or Zero Tax Countries and Territories" (26.06.2001). Different legislation taxation rules apply to companies registered in offshore countries.

The requirements for the Transfer Pricing documentation set in the Transfer Pricing Rules are based on Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations prepared by the Organisation for Economic Co-operation and Development. The regulations of the Transfer Pricing documentation in the European Union are laid down in the Code of Conduct

on Transfer Pricing Documentation for Associated Enterprises in the European Union approved by the Council of the European Union.

Law enforcement related to offshore trade and transfer pricing is strictly regulated and monitored by the State Revenue Service. There is no evidence that Offshore Trading and Transfer Pricing pose a specified risk in Latvia. The SRS has established a separate central team specialising in transfer pricing issues.

If regional tax auditors face a difficult transfer pricing issue or if their decision is appealed, then they may seek assistance from the central transfer pricing team. In the last few years there have been some court cases dealing with disputes between taxpayers and the SRS relating to transfer pricing issues. Based on the increasing number of transfer pricing investigations over the past year, the number of cases brought before the court is expected to increase. In the absence of developed transfer pricing auditing practices, there is no particular industry or transaction having any larger transfer pricing risk than others, qualifying for exemption, or governed by stricter rules than others.

Based on the available information, this category is assessed as low risk.

#### *Risk Conclusion*

This sub-category has been evaluated as low risk. Identified laws are upheld. Cases where law/regulations are violated are efficiently followed up via preventive actions taken by the authorities and/or by the relevant entities.

#### **1.18.6. Risk designation and specification**

Low risk

#### **1.18.7. Control measures and verifiers**

N/A

### **1.19. Custom regulations**

*Custom legislation covering areas such as export/import licenses, product classification (codes, quantities, qualities and species).*

#### **1.19.1. Applicable laws and regulations**

Laws:

- Customs Law (18.03.2004) Available at: <http://likumi.lv/doc.php?id=86611> [Accessed 06 August 2018].
- Plant Protection Law (17.12.1998) Available at: <http://likumi.lv/doc.php?id=51662> [Accessed 06 August 2018].

Normative Acts:

- Cabinet of Minister Regulations Nr. 370 "Terms of Customs Pre-clearance operations" (09.05.2005) Available at: <http://likumi.lv/doc.php?id=134802> [Accessed 06 August 2018].

- Cabinet Regulations No. 1048 "Regarding a Simplified Declaration and Local Clearance, Status of the Authorised Consignor and Authorised Consignee, Single Authorisation and Certificate of the Authorised Merchant" (16.11.2010) Available at: <http://likumi.lv/doc.php?id=221563> [Accessed 06 August 2018].
- Cabinet Regulations No. 333 "Regulations Regarding a Single European Union Economic Operator Registration and Identification Number" (6.04.2010) Available at: <http://likumi.lv/doc.php?id=207786> [Accessed 06 August 2018].
- Cabinet Regulations No. 556 "Regulation concerning the handling, transfer and storage process wastages" (14.08.2007) Available at: <http://likumi.lv/doc.php?id=163727> [Accessed 06 August 2018].
- Cabinet Regulations No. 218 "Regulations regarding Plant Quarantine" (30.03.2004) Available at: <http://likumi.lv/doc.php?id=87577> [Accessed 06 August 2018].

#### **1.19.2. Legal authority**

- State Customs Office, Ministry of Finance
- State Revenue Service, Ministry of Finance

#### **1.19.3. Legally required documents or records**

- Customs documents
- Phytosanitary certificate

#### **1.19.4. Sources of information**

None

#### **1.19.5. Risk determination**

##### *Overview of Legal Requirements and Description of risk*

Custom legislation covering areas such as roundwood export, product classification (codes, quantities, qualities and species) is in place as specified in Customs Law and respective normative acts.

The Custom authority of The Republic of Latvia has enforced strict customs control at different levels, including sample checks of product classification, product value evaluations and product country of origin evaluations. Latvia is following EU regulations on import product classification.

There is no information available to indicate that there is a specified risk in this indicator.

##### *Risk Conclusion*

This sub-category has been evaluated as low risk. Identified laws are upheld. Cases where law/regulations are violated are efficiently followed up via preventive actions taken by the authorities and/or by the relevant entities.

#### **1.19.6. Risk designation and specification**

Low risk

### 1.19.7. Control measures and verifiers

N/A

## 1.20. CITES

*CITES permits (the Convention on International Trade in Endangered Species of Wild Fauna and Flora, also known as the Washington Convention). Note that the indicator relates to legislation existing for the area under assessment (and not e.g., the area from which CITES species are imported).*

### 1.20.1. Applicable laws and regulations

Laws:

- Law "On 1973 Washington Convention On International Trade in Endangered Species of Wild Fauna and Flora" (17.12.1996) Available at: <http://likumi.lv/doc.php?id=41732> [Accessed 06 August 2018].

Normative Acts:

- Cabinet Regulation No.133 "Procedure for International Trade with Endangered Wild Animal and Plant Species (06.04.1999) Available at: <http://likumi.lv/doc.php?id=23405> [Accessed 06 August 2018].
- Cabinet Regulation No. 1139 "Procedures On Storage, Registration, Keeping in Captivity, Labeling, Trade and Issuing of Certificates for Wild Species Endangered by the International Trade" (06.10.2009) Available at: <http://likumi.lv/doc.php?id=198890> [Accessed 06 August 2018].
- Cabinet Regulations No. 1019 "Regulations governing permissions and certificate issuing state fees, fee payment arrangements and incentives for the 1973 Washington Convention on International Trade in Endangered Species of Wild Fauna and Flora" (19.12.2006) Available at: <http://likumi.lv/doc.php?id=150402> [Accessed 06 August 2018].

### 1.20.2. Legal authority

- Nature Conservation Agency, Ministry of Environment Protection and Regional Development

### 1.20.3. Legally required documents or records

- CITES import and export permits, CITES import declaration

### 1.20.4. Sources of information

*Government Sources*

- EOI-Tax (2013). *Jurisdictions Latvia*. [online]. Available at: <http://www.eoi-tax.org/jurisdictions/LV#default/> [Accessed 06 August 2018].

### 1.20.5. Risk determination

*Overview of Legal Requirements*

The Republic of Latvia has signed and ratified the Convention on International Trade in Endangered Species of Wild Fauna and Flora (The Washington Convention, 1973). In addition

to the CITES Convention, trade in endangered species of wild fauna and flora is regulated by a number of EU directives that extend the scope of species within the European Union.

Nature Conservation Agency and Customs are institutions responsible for implementation of CITES Convention requirements. Both institutions check import and export of endangered species under the CITES Convention including timber products from protected species. CITES permits are required only when crossing the external borders of the European Union. A special certificate is required when transporting particularly endangered species among the EU countries, in addition to legal origin certificate. These certificates, as well as CITES permits, are issued by the Nature Conservation Agency.

#### *Description of Risk*

No serious violations of CITES and corresponding EU level Directive requirements in relation to import and export of endangered species has been reported by the Nature Conservation Agency, thus scaling the risk level as low.

#### *Risk Conclusion*

This sub-category has been evaluated as low risk. Identified laws are upheld. Cases where law/regulations are violated are efficiently followed up via preventive actions taken by the authorities and/or by the relevant entities.

#### **1.20.6. Risk designation and specification**

Low risk

#### **1.20.7. Control measures and verifiers**

N/A

### **1.21. Legislation requiring due diligence/due care procedures**

*Legislation covering due diligence/due care procedures, including e.g. due diligence/due care systems, declaration obligations, and /or the keeping of trade related documents, legislation establishing procedures to prevent trade in illegally harvested timber and products derived from such timber, etc.*

#### **1.21.1. Applicable laws and regulations**

Laws:

- The State Forest Service Law (25.11.1999) Available at: <http://likumi.lv/doc.php?id=14594> [Accessed 06 August 2018].
- Regulation of the State Forest (SFS) Law - <http://extwprlegs1.fao.org/docs/pdf/lat38229.pdf> [Accessed 06 August 2018].
- Administrative Violation Code - [http://www.vvc.gov.lv/export/sites/default/docs/LRTA/Citi/Latvian\\_Administrative\\_Violations\\_Code.doc](http://www.vvc.gov.lv/export/sites/default/docs/LRTA/Citi/Latvian_Administrative_Violations_Code.doc) [Accessed 06 August 2018].
- Criminal Law - [http://www.vvc.gov.lv/export/sites/default/docs/LRTA/Citi/The\\_Criminal\\_Law.doc](http://www.vvc.gov.lv/export/sites/default/docs/LRTA/Citi/The_Criminal_Law.doc) [Accessed 06 August 2018].
- Law on Accounting

- Law on Inventory of Trees and Round Timber - [http://www.vvc.gov.lv/export/sites/default/docs/LRTA/Citi/Cab\\_Reg\\_No\\_590\\_-\\_Forest\\_Inventory\\_and\\_Info\\_Flow\\_in\\_the\\_State\\_Forest\\_Register.doc](http://www.vvc.gov.lv/export/sites/default/docs/LRTA/Citi/Cab_Reg_No_590_-_Forest_Inventory_and_Info_Flow_in_the_State_Forest_Register.doc) [Accessed 06 August 2018].
- Forest Law - [http://www.vvc.gov.lv/export/sites/default/docs/LRTA/Citi/Law\\_on\\_Forests.doc](http://www.vvc.gov.lv/export/sites/default/docs/LRTA/Citi/Law_on_Forests.doc) [Accessed 06 August 2018].

Normative Acts:

- Cabinet Regulations No. 449 "The Statutes of the State Forest Service" (30.07.2013) Available at: <http://likumi.lv/doc.php?id=258672> [Accessed 06 August 2018].

Binding EU legislation:

- Regulation (EU) No 995/2010 of the European Parliament and of the Council of 20 October 2010 laying down the obligations of operators who place timber and timber products on the market;
- Commission Delegated Regulation (EU) No 363/2012 of 23 February 2012 on the procedural rules for the recognition and withdrawal of recognition of monitoring organizations as provided for in Regulation (EU) No 995/2010 of the European Parliament and of the Council laying down the obligations of operators who place timber and timber products on the market;
- Commission Implementing Regulation (EU) No 607/2012 of 6 July 2012 on the detailed rules concerning the due diligence system and the frequency and nature of the checks on monitoring organizations as provided for in Regulation (EU) No 995/2010 of the European Parliament and of the Council laying down the obligations of operators who place timber and timber products on the market.

**1.21.2. Legal authority**

- The State Forest Service, Ministry of Agriculture.
- The State Revenue Service

**1.21.3. Legally required documents or records**

- Due diligence system, valid registry with the required information and documentation confirming wood origin.

**1.21.4. Sources of information**

*Government sources*

- Communication with Competent Authority of Latvia (State Forest Service) in 2017.
- Commission to the European Parliament and the Council, 2016. EUTR Implementation Report. Available online at: <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52016DC0074> [Accessed 06 August 2018].

- INDUFOR for the European Commission, 2016. Support to the implementation of the EU Timber Regulation (ENV.E.2/SER/2013/0027) Compilation of Results from the Biennial Reports Submitted by Member States by April 30, 2015. Available online: [http://ec.europa.eu/environment/forests/pdf/eutr\\_review/EUTR%20Contractor%20Report.zip](http://ec.europa.eu/environment/forests/pdf/eutr_review/EUTR%20Contractor%20Report.zip) [Accessed 06 August 2018].
- European Commission, 2016. Evaluation of Regulation (EU) No 995/2010 of the European Parliament and of the Council of 20 October 2010 laying down the obligations of operators who place timber and timber products on the market (the EU Timber Regulation). Available online: <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52016SC0034> [Accessed 06 August 2018].
- State Forest Service Latvia, 2015. EUTR biennial reports of Latvia to EC. Available online: [http://ec.europa.eu/environment/forests/pdf/eutr\\_review/EUTR%20Biennial%20Reports.zip](http://ec.europa.eu/environment/forests/pdf/eutr_review/EUTR%20Biennial%20Reports.zip). [Accessed 06 August 2018].
- State Forest Service Latvia, 2016. Annual Report 2016. Available online: [https://www.zm.gov.lv/public/files/CMS\\_Static\\_Page\\_Doc/00/00/01/06/16/Publiskais\\_parskats\\_2016.pdf](https://www.zm.gov.lv/public/files/CMS_Static_Page_Doc/00/00/01/06/16/Publiskais_parskats_2016.pdf). [Accessed 06 August 2018].
- State Forest Service Latvia, 2015. Annual Report 2015. Available online: [https://www.zm.gov.lv/public/files/CMS\\_Static\\_Page\\_Doc/00/00/00/84/06/Publiskaisparskats2015.pdf](https://www.zm.gov.lv/public/files/CMS_Static_Page_Doc/00/00/00/84/06/Publiskaisparskats2015.pdf). [Accessed 06 August 2018].
- State Forest Service, 2017. Statistical reports 2013-16. Available: <http://www.vmd.gov.lv/valsts-meza-dienests/statiskas-lapas/publikacijas-un-statistika/statistikas-parskati?nid=1810#jump>. [Accessed 06 August 2018].

#### 1.21.5. Risk determination

##### *Overview of Legal Requirements*

In Latvia, implementation of the EU Timber Regulation (EUTR) (Regulation) was initiated in January 2014. The State Forest Service, a subordinated institution under the Ministry of Agriculture – has been designated as the Competent Authority (CA). The CA has developed its risk assessment procedures and control system, as well as working on awareness building within the industry. Legislation regarding penalties and confiscation, covering all timber products as provided in the EUTR, has been in place since 1st July 2015. Penalties for infringement of EUTR (ref. EUTR Articles 10 (5), 19) are in place, and include:

- notices of remedial action;
- fines to the Operator;
  - Administrative fines: 70 – 14,000 EUR.
  - Criminal sanctions: Up to 760,000 EUR (Applies only to domestic timber operators).
  - Persons held administratively or criminally liable must compensate damages caused as a result of violations of the legislation. The compensation is calculated based on illegally harvested timber volume and other factors (Applies only to domestic timber operators).

- seizure of timber/ product, and;
- Imprisonment or forced labour (Applies only to domestic timber operators).

It is stated in the Biennial Report on the EUTR (Latvian State Forest Service 2015):

*Locally harvested timber:*

*In Latvia, timber harvesting is based on tree felling confirmation system. Felling Confirmation is a document, specifying the type of harvest, issued by the State Forest Service for any given felling site and it is valid for three years. As the Felling Confirmation is issued to a forest owner, he or she is legally responsible in case of illegal logging, unless proven otherwise (for example, that the harvest company acted illicitly). Furthermore, once a year, the forest owner must report to the State Forest Service if he or she has done any economic activity in the forest and regarding timber. Besides that, there is a special law and regulations on the inventory of trees and round timber which aims at regulating the procedures for record keeping in all stages of trees and round timber circulation.*

*Regarding the control mechanism, all starts with 360 forest inspectors (in total in Latvia), who are responsible for issuing Felling Confirmations and who inspect felling sites before and after the logging. Although they are not obliged to inspect every site, there is a strict procedure, based on risk analyses, on occasions when it should be done and, overall, around 70 % or more of all felling areas are visited.*

*Furthermore, the whole process is controlled by multi-level internal audits, the first stage being the State Forest Service's Regional Units' audits on the work of the forest inspectors. Almost all felling sites are crosschecked in a desk-based way and, further, around 800 audits yearly are conducted on sites. These are directed exactly at the legality of harvesting. Plus, there are many more site audits which are more concerned with other activities in forests, like, tending of the young stands and other.*

*The second stage of the internal audits is the State Forest Service's Central Bureau's organized audits on its Regional Units and, again, on the work of the forest inspectors, including site visits.*

*Meanwhile, the State Revenue Service is responsible for checks on tax paying, accounting, and traceability of round timber.*

*In conclusion, we consider that the documents mentioned above, together with the described control mechanism, make up a DD for locally harvested timber.*

According to the Latvian Competent Authority (Personal Communication 2017), the requirements of the EUTR related to forest harvesting in Latvia, were already included in the existing Latvian laws and is considered to address both provisions of the EUTR with regard to the prohibition of illegal timber, and the due diligence requirements.

Timber harvesting in Latvia is based on felling confirmation system (cutting permit). The felling confirmation specifies the type of harvest and is issued to a forest owner by the State Forest Service. Additionally, once a year, the law requires forest owners or legal administrators to provide information to the State Forest Service regarding their commercial operations,

including timber production and sales, which is also checked by the State Revenue Service. Furthermore, there is a law and regulations on the inventory of trees and round wood for regulating the procedures for record keeping in all stages of round wood timber circulation.

#### *Description of Risk*

The penalties and sanctions at forest level are considered to be one of the reasons for the trends towards a reduction in illegal timber harvesting in Latvia over the past 15 years. Another important factor is that people have regained and acquired private land properties in the period around 1993-1998. Over the years the knowledge and conscience about forest management of privately-owned forests has increased.

Furthermore, the State Forest Service is constantly working on improvements of their audit system on locally harvested timber, which is based on risk analysis and includes large number of staff and large number of on-site visits and inspections.

The State Forest Service is empowered to act, with a member of staff having been trained and dedicated specifically to EUTR. In Latvia, the CA cooperates with the State Revenue Service, the Nature Conservation Agency, which is a CITES supervisory institution, and, when needed, other authorities. Monitoring activities for the EUTR specifically have taken place since 2014, but have focussed on Operators importing timber into Latvia. At the forest level monitoring and control of forest legality as part of the forest legislation was in place prior to the EUTR. As an important part of the CA's control system, the State Forest Service maintains a real-time database, the State Forest Register, with information on the country's forest resources and ongoing management activities. The Land Register, a database which the CA has access to, holds newest information on property rights.

The CA states that, based on Latvia's national legislation, checks are carried out to verify the origin of timber, along with accounting transactions, and based on this, the CA consider that for domestic production the requirements of EU Timber Regulation are met. Documentation and information such as Forest Inventory Data, Application for Felling Confirmation, Felling Confirmation, Report to the State Forest Service, Contract/Delivery Note, Round Wood Accounting Register, as well as Waybills, is considered to cover the requirements of the due diligence. These are all submitted to the CA; issued by the CA, or are available on request to the CA.

However, the national monitoring system for legality of timber does not cover Health and Safety related to harvesting. In this Timber Legality Risk Assessment risk has been identified for health and Safety at harvesting level (See indicator 1.11). Therefore, the current implementation of the national monitoring system in Latvia does not mitigate the risk related to health and safety, and therefore does not address all legality risks related to forest harvesting. We therefore consider this indicator to be specified.

#### *Risk Conclusion*

This sub-category has been evaluated as specified risk. Identified laws are not upheld consistently by all entities and/or are often ignored, and/or are not enforced by relevant authorities.

#### **1.21.6. Risk designation and specification**

Specified risk

### 1.21.7. Control measures and verifiers

1. Can the material be tracked back to the entity placing it on the market – the Operator?

- If the timber is sold as standing stock to a logging company, the logging company will be the operator.
- If the timber is sold as an assortment by the forest owner/manager, then the forest owner/manager will be the operator.

If no: do not buy.

If yes: go to 2.

2. Can the operator document that a Due Diligence System is in place in accordance with the EU Timber Regulation No. 995/2010 (EUTR)? Operators placing for the first time on the internal market for distribution or use in the course of a commercial activity any products listed in the Annex to Regulation (EU) No. 995/2010 (EUTR) should present:

- documents required according to Articles 4.2 and 6 of the Regulation (EU) No. 995/2010;
- documents required according to Article 3, Commission Implementing Regulation (EU) No. 607/2012,
- register of information concerning the operator's supply as provided for in Article 6.1 a) of Regulation (EU) No. 995/2010 and documentation of application of risk mitigation procedures.

If no: don't buy

If yes: risk mitigated for this point.

## Annex I. Timber source types

The table **Timber Source Types in Latvia** identifies the different types of sources of timber it is possible to find in the country of origin.

'Timber Source Type' is a term used to describe the different legal sources of timber in a country, in order to allow a more detailed specification of risk. The Timber Source Type is used to clarify:

- which forest types timber can be sourced from legally;
- what the legal requirements are for each source type, and
- if there are risks related to certain source types and not others.

Timber Source Type can be defined by several different characteristics. It may be based on the actual type of forest (e.g. plantation or natural), or other attributes of forests such as ownership, management regime or legal land classification. In this context Timber Source Types are defined and discerned using the following characteristics:

- Forest type** - refers to the type of forest such as plantation or natural tropical forest, or mixed temperate forest. Often the clearest differentiation is between natural forest and plantations.
- Spatial scale (Region/Area)** - relating to meaningful divisions of a nation. However, in some cases the assessment may be carried out at national level where that allows the risk assessment to establish risk at a meaningful level. E.g. a small country with uniform legislation and a uniform level of risk in all areas of the country, as national level assessment may be enough. In case there are significant differences in the legal framework or legality risks between different types of ownership (e.g. public forest, private forest, industrial forest), between different type of forest (e.g. natural forest and plantations) and/or between different geographical regions the conformance risk evaluation shall specify these differences when specifying the risk and apply the appropriate control measures.
- Legal land/forest classification** - refers to the legal classification of land. Focus is on land from where timber can be sourced, and this could entail a number of different legal categories such as e.g. permanent production forest, farm land, protected areas, etc.
- Ownership** - Ownership of land may differ in a country and could be state, private, communal etc. Ownership of land obviously have impacts on how land can be managed and controlled.
- Management regime** - Independently of the ownership of the land, the management of forest resources may differ between areas. Management may also be differentiated as private, state, communal or other relevant type.
- License type** - Licenses may be issues to different entities with a range of underlying requirements for the licensee. A license might be issued on a limited area, limited period of time and have other restrictions and obligations. Examples could be a concession license, harvest permit, community forestry permit etc.

## TIMBER SOURCE TYPES IN LATVIA

Forest type	Region/Area	Legal Land Classification	Ownership	Management regime	License / Permit Type	Description of source type
Semi-natural	national	Production forests	State		Harvesting Permit (Ciršanas apliecinājums)  Waybills must contain information on wood origin and reference to harvesting permit (permit no.)	State owned production forest
Semi-natural	N/A		Private		Harvesting Permit (Ciršanas apliecinājums)  Harvesting permit, waybills must contain information on wood origin (loading place) and reference to harvesting permit (permit no.)	Privately owned production forest
Semi-natural	N/A	Protected territories/conservation areas	State or private		Harvesting Permit (Ciršanas apliecinājums)  Harvesting permit, waybills must contain information on wood origin (loading place) and reference to harvesting permit (permit no.)	Protected/conservation forest



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## About Supporting Legal Timber Trade

Supporting Legal Timber Trade is a joint project run by NEPCon with the aim of supporting timber-related companies in Europe with knowledge, tools and training in the requirements of the EU Timber Regulation. Knowing your timber's origin is not only good for the forests, but good for business. The joint project is funded by the LIFE programme of the European Union and UK aid from the UK government.



NEPCon (Nature Economy and People Connected) is an international, non-profit organisation that builds commitment and capacity for mainstreaming sustainability. Together with our partners, we foster solutions for safeguarding our natural resources and protecting our climate.

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