

REAL ESTATE GUIDE



SUMMARY ABOUT PURCHASE OF THE REAL ESTATE IN LATVIA

Gencs Valters Law Firm

Riga office: Valdemara Center 3rd floor, Kr. Valdemara street 21, LV-1010, Riga, Latvia
T: +371 67 24 00 90 F: +371 67 24 00 91

Tallinn office: World Trade Center 6th floor, Ahtri street 12, 10151 Tallinn, Estonia
T: +372 61 91 000 F: +372 61 91 007

Vilnius office: Vilniaus vartai, 6th floor, A.Tumėno street 4, LT-01109, Vilnius, Lithuania
T: +370 52 61 10 00 F: +370 52 61 11 00

info@gencs.eu
www.gencs.eu
www.attorneys-at-law.eu

In today's Latvia, a foreign national essentially stands in the same position as a Latvian citizen when it comes to the purchase of the real estate and to the costs associated with buying the real estate in Latvia.

Buying or selling an apartment is the most common real estate transaction version. Purchase of the apartment can be divided into several stages:

1) The examination of the property and collecting data

First of all Buyer has to visit the object and check its actual conditions. After the examination of the object Buyer has to perform the following:

- 1.1. To find out of the Seller's property rights or authorization rights to perform the sale of the real property.
- 1.2. Find out whether the property is registered in the Land Book register; are there registered any encumbrances or other lien marks,
- 1.3. Find out if the property is property of the spouses; has the Seller got the consent of the other spouse to alienate the property; find out of the pre-emption rights.
- 1.4. Ask to acquaint with the Inventory file,
- 1.5. Find out whether the Seller does not have debts for apartment utilities, taxes and other services,
- 1.6. Find out how many persons have registered their place of residence in the apartment,
- 1.7. In Apartment buildings the Buyer has to find out the total debt of the inhabitants (in case of excessive debt the delivery of the service can be turned off).

2) Document keeping

The property rights of the real estate transfer execution in the Land Book registry is quite strictly regulated process. The written form of transaction is required.

Basic documents

- 2.1. Purchase Agreement - the main document, which contains all the important terms and conditions, subject of the contract, the parties' rights and obligations. Attention must be paid to the dispute resolution issues.
- 2.2. Registration request for corroboration of the property rights of the real estate – this document shall be prepared by the sworn notary and requires the submission in the Land Book registry. Mainly the costs of the preparation of the registration request are about EUR 80.
- 2.3. The registration of the property rights in the Land Book registry – Buyer's property right corroboration is performed after in the Land Book registry are submitted Purchase agreement, Registration request and receipts of state and stamp duties.

3) Payment

This process can be selected and determined by the Parties. For example: the purchase price is paid at the moment of signing contract; partial payment of the purchase price before and after corroboration of the property rights in the Land Book register.

The safest and most common way of the payment is payment using the Escrow account. Money is transferred to the special bank account, and after the Buyer's property rights are registered in the Land Book registry, bank transfers the money to the Seller.

4) Payment of taxes and fees

The Seller (in case the real property has been in his possession less than 5 years and the apartment was not declared as the place of residence for 1 year) has to pay the personal income tax 23% of the profit of the sale of the real estate.

The Buyer has to pay the state and stamp duties for recording the property rights in the Land Book register.

The State duty for the purchase transaction is 2% of the value of the real property.

If the cadastral value of the property is higher than the value established in the Purchase agreement, the duty shall be paid from the highest sum.

The Stamp duties are: EUR 14 for the right corroboration in the Land Book registry and EUR 7 for the Land Book certificate.

In case of purchase of the land plot, the Buyer has to pay attention to above mentioned and additional factors.

When buying a land plot, the Buyer has to find out if this particular land plot suits for Buyer's purposes. The status of the land plot has to be determined, is it allowed to build on it, are there any red lines, servitudes and communications, whether local governments have the right of first refusal.

The attention must be paid to the following documents:

- a) Planning and architecture assignment - document issued by the Construction board and is the basic document for development of construction plan,
- b) Land boundary plan - a document that reflects the land size, servitudes, communications and red lines and land status,
- c) Land Book certificate - in this document are established the property rights and encumbrances of the land plot.

5) Conveyance of the property

After the purchase of the property, the deed of conveyance shall be signed regarding the conveyance of the real estate from the Seller to the Buyer.

Gencs Valters Law Firm

Riga office:

Valdemara Center 3rd floor,
Kr. Valdemara street 21, LV-1010, Riga, Latvia
T: +371 67 24 00 90
F: +371 67 24 00 91

Tallinn office:

World Trade Center 6th floor,
Ahtri street 12, 10151 Tallinn, Estonia
T: +372 61 91 000
F: +372 61 91 007

Vilnius office:

Vilniaus vartai, 6th floor,
A.Tumėno street 4, LT-01109, Vilnius, Lithuania
T: +370 52 61 10 00
F: +370 52 61 11 00

valters.gencs@gencs.eu
info@gencs.eu
www.gencs.eu
www.attorneys-at-law.eu