

# Taxes on individuals in Latvia

**Inara Funeaux**

**February 11, 2014**

Riga, Latvia

<http://www.financialintelligence.eu>

# Taxable Income

**Resident individuals  
are subject to tax on  
their worldwide  
income**

**Non-residents are  
liable to tax only on  
their Latvian-source  
income.**

**Income is taxable in  
the year in which it is  
paid to the individual**

**OR**

**in the year in which  
the individual has  
received control over  
the income.**

# Taxation of income

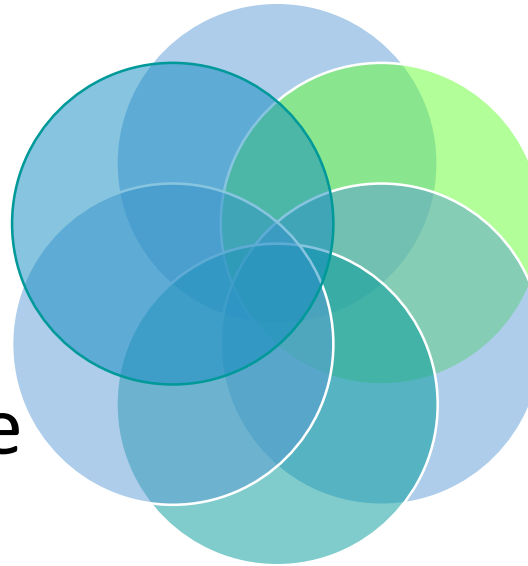
**Individuals are taxed on following sources of income:**

- income from **employment**( salary, bonuses, benefits)
- income from **intellectual** property
- payment of **annual dividends**
- income from **capital** or from increase of capital
- Income from rent of real estate
- licence fees for the performance of separate types of **economic activities**

# Tax rate and base

Real estate tax-  
variable rates

Dividends/interests are  
taxed at rate of **10%**



Social security  
rate- **10,50%**

Personal Income  
Tax rate of **24%**.

Capital gain tax rate  
is **15%**.

# Payroll tax paid by individuals

**Natural persons shall individually calculate the payroll tax from their salary income and pay into the state budget if they are:**

- employed by employers that are foreign companies (non-residents) without representative office in Latvia
- employed by foreign diplomatic and consular representations in Latvia (refers to local personnel of such representations)
- receiving remuneration pursuant to employment contract that is paid either from the funds of foreign aid or loans received from international financial institutions
- employed by employers who are natural persons - foreign taxpayers

# Exempt Income

Daily allowances, millage allowances ad other reimbursements related to business trips

Income from government bonds of Latvia or other EU country

Insurance indemnities

Inheritance  
income

# Deductions and reliefs

**For PIT calculations, Latvian residents are entitled to deduct:**

- social security contributions paid in Latvia or other EU country
- expenses for medical treatment, vocational training, education
- health insurance premiums paid to insurance companies
- contributions to Latvian private pension funds or other private pension funds registered in other EU country ( up to 10% of annual income of individual)
- non taxable personal allowance EUR 75/per month
- non taxable allowance for dependants 165 EUR/per month/per dependant

# Social security contributions

Social security contributions	Employer		Employee	
	Resident	Non resident	Resident	Non resident
Employer resident of Latvia	Resident	<b>23.59%</b>	Resident	<b>10.50%</b>
Employer non resident of Latvia	Non resident	<b>34.09%</b>	Resident	
Employee non resident of Latvia; employee works in Latvia	Non resident	<b>32.00%</b>	Non resident	





# Minimum wage

**Minimum  
wage in  
Latvia is EUR  
320 per  
month/EUR  
1,933 per  
hour.**

# Minimum PIT payable

Self-employed must pay **the minimum annual PIT of EUR 50** to the State budget within 15 days after submission of the annual PIT return if:

- those self-employed individuals have **no turnover** during the taxation period
- their calculated PIT is **less than EUR 50**.

# PIT on unpaid loans

- Starting 1 January 2014 loans granted to individuals and not repaid within **6 months after the loan maturity date** (but not later than **66 months from the loan issue date**), will be considered comparable to taxable income and **subject to PIT**
- Benefit gained from **reduced interest rates** will also be subject to PIT at the standard 24% rate
- Individual borrowers must notify the State Revenue Service by **30 June 2014** about non-repaid loans with outstanding amounts exceeding EUR 15,000 per lender as at 31 December, 2013
- If an individual borrower is the lending party's employee, **management or supervisory board member** on the day when a loan is issued, both 24% PIT and the **additional 22% rate** will apply to the amount of a loan considered comparable to income.

# Tax for the members of the Board

**Payroll tax of at least one minimum salary a month is payable from a board member's income, if:**

- the company's turnover in the pre-taxation year exceeds 12 minimum monthly salaries multiplied by the coefficient 3.3
- the company has no employees or board members who receive at least a minimum monthly salary during the whole pre-taxation year
- the company has turnover during the current month of the taxation year
- the company has no employees who receive at least a minimum monthly salary during the current month of the taxation year.

# Real estate property tax

- Real estate tax is paid by individuals that have a title of deeds of the real estate in Latvia.
- General tax rate is 1,5% from cadastral value of property unit.
- Residential property is taxed at a rate **0,2%-0,4%-0,6%** depending on value of the property.
- Real estate tax is payable **once in a quarter** - no later than on March 31<sup>st</sup>, May 15<sup>th</sup>, August 15<sup>th</sup> and November 15<sup>th</sup> - in the amount of one fourth of the annual amount OR the tax amount can be also paid as a lump-sum annual advance payment.

# Sale of property

**The sale of property or a real estate company by a non-resident to a Latvian resident is subject to a 2% of withholding tax**

**Thank you !**

*Should you require further support you can contact us!*

Email: [info@fiin.lv](mailto:info@fiin.lv)

phone +371 26320041