

## Latvia Tax Knowledgebase

### Employee personal income tax

#### Tax residence

Criteria for Tax Residency: An individual is considered a tax resident of Latvia if they meet any of the following conditions:

1. Physically present in Latvia for 183 days or more during a 12-month period.
2. Their primary place of residence is in Latvia.
3. Their centre of vital interests (e.g., family, economic interests) is in Latvia.
4. Employed in the civil service of Latvia.

#### Conditions for the obligation to file the PIT

Individuals must file an annual Personal Income Tax (PIT) return if:

1. Their annual taxable income exceeds EUR 105,300.
2. They have received income from economic activity (self-employment).
3. They have received income from which tax was not withheld at source or was withheld at a lower rate than applicable (e.g., certain foreign income).
4. They need to pay the additional 3% PIT on annual income exceeding EUR 200,000.
5. They have received income from capital gains (specific declaration rules apply: quarterly if gains exceed EUR 1,000, or annually by January 15 if less).
6. They are a non-resident who has received Latvian-sourced income that is taxable in Latvia and not finally taxed through withholding.
7. They wish to claim eligible expenses (e.g., for education, medical costs, pension fund contributions) or a refund for overpaid tax.

#### Tax report in question (Form name)

The primary tax report for an individual is the "Gada ienākumu deklarācija" (Annual Income Declaration). It is submitted electronically through the State Revenue Service (VID) Electronic Declaration System (EDS). Key annexes include: D1 (Latvian income), D1' (Income not subject to non-taxable minimum/reliefs), D2 (Foreign income), D3/D3' (Income from economic activity), D4 (Eligible expenses).

#### Tax year

The tax year in Latvia is the calendar year: January 1 to December 31.

## Tax rates

For 2025, progressive Personal Income Tax rates apply to most types of an individual's income (employment, self-employment, etc.):

- 25.5% on annual taxable income up to EUR 105,300.
- 33% on annual taxable income exceeding EUR 105,300.

An additional PIT rate of 3% applies to the portion of an individual's total annual taxable income (including employment income, capital gains, dividends subject to PIT, etc.) that exceeds EUR 200,000.

## Tax returns and payment of tax

**Tax returns:** Filed annually by individuals via the Electronic Declaration System (EDS). The deadline is generally from March 1 to June 1 of the year following the tax year. If an individual's annual taxable income exceeds EUR 105,300, the deadline is from April 1 to July 1.

**Filing status:** Individuals file separately; joint filing for spouses is not permitted.

**Non-residents:** Individuals who are non-residents usually file if they have Latvian-sourced income not subject to final withholding tax or if they wish to claim deductions/treaty benefits.

**Tax payments:** Income tax on employment income is generally withheld at source by the employer. If tax is due from an individual after filing the annual return, if the amount is less than EUR 640, it's due by June 23 (or July 23 for higher income filers). If over EUR 640, it can be paid in three equal instalments by June 23, July 23, August 23 (or July 23, August 23, September 23 for higher income filers).

**Residual tax/refunds:** Interest is charged on late payments by individuals. Overpaid tax is refunded to the individual after the tax return is processed. Automated PIT refunds may occur in certain simple cases for individuals.

## Personal deductions (salary)

**1. Annual non-taxable minimum (personal allowance):** A fixed amount of EUR 510 per month (EUR 6,120 per year) applies to all employees who have submitted their electronic wage tax book to their employer.

**2. Allowance for dependents:** EUR 250 per month (EUR 3,000 per year) for each eligible dependent of the taxpayer (e.g., minor children, non-working spouse with no income supporting a disabled child).

**3. Non-taxable minimum for pensioners:** EUR 1,000 per month (EUR 12,000 per year) for individuals receiving a pension. Working pensioners can choose to apply this to their pension or split it between their pension and employment income.

**4. Additional allowances for disability:** EUR 1,848 per year (EUR 154 per month) for individuals with disability groups I and II; EUR 1,440 per year (EUR 120 per month) for individuals with disability group III.

## Tax allowances

**1. Employer gifts:** The value of gifts received from an employer is tax-free up to EUR 100 per year for the employee.

**2. Childbirth allowance:** An allowance paid by an employer upon the birth of an employee's child is tax-free up to EUR 500 per child. This is typically if paid within a certain timeframe after birth (e.g., six months).

**3. Funeral allowance:** An allowance paid by an employer upon the death of an employee or their close relative is tax-free up to EUR 500.

**4. Compensation for use of personal vehicle for work:** Amounts paid by an employer to an employee for the wear and tear of a personal vehicle used for work purposes (if stipulated in the employment contract) can be tax-free up to EUR 0.04 per kilometre, but not exceeding EUR 57 per month.

## Additional tax reliefs (not mentioned above)

**1. Additional allowance for politically repressed persons/National resistance members:** EUR 1,848 per year (EUR 154 per month) for eligible individuals.

**2. Eligible expenses (claimed by the individual in the annual tax return):**

- Expenses for education and medical/dental services (for the taxpayer and their family members): up to EUR 600 per person annually, not exceeding 50% of the taxpayer's taxable income.
- Contributions to private pension funds (3rd pillar) and life insurance premium payments (with fund accumulation, policy term at least 10 years) made by the individual: up to 10% of annual taxable income, capped at EUR 4,000 per year.
- Donations made by the individual to registered public benefit organisations and political parties (subject to limits).

## How to submit the tax return

**1. Electronic Declaration System (EDS):** Annual personal income tax returns in Latvia must be filed electronically using the State Revenue Service (SRS) Electronic Declaration System (EDS). You can log in using Latvian online banking credentials, an eID card, or an eParaksts (e-signature).

**2. Pre-filled declaration:** For most individuals, the tax return in the EDS will be largely pre-filled with information already available to the SRS (e.g., income from employers, information from banks about pension fund contributions, etc.).

**3. Review and complete:** Verify the accuracy of the pre-filled information. You will need to manually add any information not automatically populated, such as:

- Income from sources not automatically reported (e.g., certain foreign income, rental income if not declared differently).
- Eligible deductible expenses (e.g., for education, medical services, private pension contributions) and attach supporting documents (scanned copies or photos) if required.
- Information related to specific tax regimes (e.g., seafarers' income). The EDS has an integrated wizard that asks questions to help determine which sections and annexes need to be completed.

**4. Submit:** Once all information is correctly entered and reviewed, submit the declaration through the EDS.

**5. Confirmation:** You will receive confirmation of submission. If tax is due, the EDS will display the amount and payment deadlines. If a refund is due, it will also be calculated.

## Employee taxation of income (int, div, royalties)

### Interest income: Tax rates

Interest income is classified as capital income and is subject to the following personal income tax (PIT) rates.

Personal income tax rates on interest income:

- 25.5% on annual income up to €105,300 (or €8,775 per month)
- 33% on annual income exceeding €105,300

Additionally, an extra 3% tax applies to total annual income exceeding €200,000.

### Dividend income: Tax rates

Dividends received by an individual from Latvian or EU/EEA companies (and other countries if Corporate Income Tax (CIT) or PIT payment abroad is proven at the company level) are generally 0% PIT for the recipient if the profits from which dividends are paid have already been subject to CIT or equivalent PIT at the company level. Dividends from profits not subject to CIT (e.g., from a company under a special tax regime not paying CIT, or from a tax haven) are taxed at 25.5%. Dividends are included in the total annual income base for the additional 3% PIT if the individual's total income exceeds EUR 200,000.

### Capital gains: Tax rates

Capital gains realised by an individual are taxed at a flat rate of 25.5%. The additional 3% PIT applies to the portion of an individual's total annual income (including capital gains) exceeding EUR 200,000. For capital assets acquired before December 31, 2024, where the transaction was initiated but not completed by that date, a 20% rate may apply in 2025, 2026, and 2027, provided a special notification was submitted to the State Revenue Service by the end of 2024. Certain capital gains are exempt for individuals, e.g., from the sale of a

primary residence held for at least 60 months and lived in for at least 12 months, or sole real estate held for 60 months.

## Royalty: Tax rates

Royalties received by a Latvian resident are generally subject to Personal Income Tax (PIT) at a rate of 25.5%.

A special regime, extended until December 31, 2027, applies if the recipient of the royalty is an individual not registered as a self-employed person. In such cases, the payer of the royalty is required to withhold PIT at a rate of 25% from the gross royalty amount.

In addition to PIT, if royalties are paid to a Latvian resident individual, the payer of the royalty is also required to pay National Social Insurance Contributions (NSIC) at a rate of 10% on the royalty amount.

## Withholding

### Withholding tax on interest: Rates

#### **Residents:**

Interest income received by resident individuals is generally included in their annual income tax return and taxed at a rate of 25.5%. If interest is paid by a Latvian payer (e.g., a Latvian bank), the tax may be withheld at source at the same rate, aligning with the individual's final tax liability.

#### **Non-residents:**

Interest paid to non-resident individuals may be subject to withholding tax, depending on the nature of the payer and applicable tax treaties:

- 0% withholding applies to interest derived from Latvian, EU, or EEA government securities and deposits with Latvian credit institutions, provided specific conditions are met.
- A 10% withholding tax generally applies to other interest payments.
- A 20% rate applies to interest paid to individuals who are tax residents in jurisdictions listed as low-tax or no-tax (blacklisted) jurisdictions by Latvia.

In the absence of a withholding tax or specific exemption, such interest income may be subject to 25.5% tax, unless a double tax treaty provides for a lower rate or exemption.

## Withholding tax on dividends: Rates

**Residents:** Generally, no withholding tax if dividends are paid from CIT-paid profits by a Latvian company to a resident individual. If PIT is due (e.g., 25.5% rate applies), it's usually declared in the individual's annual tax return.

**Non-residents:** Typically 0% WHT on dividends paid by Latvian companies from profits that have been subject to Latvian CIT (as CIT at 20% is applied at the moment of profit distribution by the company). A WHT of 20% may apply to dividends paid to individuals in listed low-tax/no-tax jurisdictions. Tax treaties may provide for different rates for individual recipients.

## Withholding tax on capital gains: Rates

Generally, capital gains are declared by the individual and tax is paid via the annual or quarterly tax return. There is no general withholding tax on capital gains for resident individuals. For non-resident individuals, a 3% withholding tax applies to the proceeds from the sale of Latvian real estate; this can be credited or refunded upon the individual filing a tax return and calculating the actual capital gain.

## Withholding tax on royalties: Rates

### **Residents:**

If the special regime applies (you are not registered as self-employed), the payer withholds 25% PIT. The payer also pays an additional 10% NSIC.

If you are registered as self-employed, your royalty income is part of your general business income and taxed at the progressive PIT rates (25.5% or 33%), which you will be responsible for declaring and paying.

### **Non-residents:**

The general withholding tax rate on royalties paid to you as a non-resident individual is 25.5%, unless a lower rate is provided under an applicable Double Taxation Treaty (DTT) between Latvia and your country of residence.

If royalties are paid to you and you are resident in a jurisdiction listed as a low-tax or no-tax country or territory (tax haven) by Latvian regulations, a 20% withholding tax applies.

The EU Interest and Royalties Directive might provide for a 0% withholding tax rate if specific conditions are met (though this directive typically applies to payments between associated companies, its principles can sometimes influence treaty interpretations for individuals under specific circumstances, but direct application to individuals is less common).

## Fees for technical services

### **If you are a resident individual providing technical services**

If you provide technical services as a registered self-employed individual in Latvia, the income is part of your business income, subject to progressive PIT and NSIC. No withholding tax is applied at source by the Latvian payer; you are responsible for your tax payments through your annual declaration and any advance payments.

### **If fees for technical services are paid to you as a non-resident individual**

Generally, Latvia does not impose withholding tax on technical service fees paid to non-resident individuals, unless the payment is made to you and you are resident in a jurisdiction listed by Latvia as a low-tax or no-tax country or territory (tax haven). In such cases, a 20% withholding tax applies.

For consulting and management fees paid to you as a non-resident individual (if these are distinct from other technical services), a 20% withholding tax could be applicable, unless a lower rate is available under an applicable Double Taxation Treaty.

It is important to check the specific nature of the "technical services" you provide and the provisions of any relevant DTT between Latvia and your country of residence, as these can alter the withholding tax obligations. If your activities in Latvia create a permanent establishment (PE), the income attributable to that PE would be taxed in Latvia based on your net income attributable to the PE, rather than via a withholding tax on the gross payment.

## Employee tax - Special regimes to apply

### Special tax regimes (if applicable)

**1. Micro-business Tax (MBT):** For individual small entrepreneurs (sole traders/performers of economic activity) with turnover up to EUR 40,000 (or EUR 50,000 in certain cases if applying for VAT registration). The MBT rate for an individual economic operator is 25% of their turnover. From 2025, re-registration is allowed during the tax year under certain conditions, and individuals without turnover will lose MBT status.

**2. Regime for royalties/copyright holders:** Individuals receiving royalties (authors' fees for literary, scientific, or artistic works, discoveries, inventions, industrial designs) can choose not to register as self-employed and have the income payer withhold tax at a flat rate of 25%. This regime is extended until December 31, 2027. Alternatively, they can register as self-employed and pay PIT at progressive rates after deducting expenses.

**3. Controlled Foreign Company (CFC) rules:** Apply to Latvian resident individuals holding substantial participation in foreign entities located in low-tax jurisdictions, potentially leading to taxation of the individual on the CFC's undistributed income.

## Impatriate Law (Inbound employee regulations)

Latvia does not have a specific "impatriate law" or a broad special tax regime (e.g., flat tax rate) for highly skilled foreign specialists similar to some other countries. General tax rules apply to individuals.

However, from 2025, employers with a collective bargaining agreement and meeting other conditions can provide certain tax-exempt benefits to employees (including inbound ones) for mobility expenses. These can cover relocation, accommodation, and transport costs, up to EUR 700 per employee annually. The total amount for the company is also capped. This benefit is available to individual employees.

## Expatriate Law (Working abroad rules)

Latvian tax resident individuals working abroad remain subject to Latvian tax on their worldwide income. To prevent double taxation, Latvia applies provisions from its double taxation agreements, typically allowing the individual a credit for taxes paid in the other country. There are no specific "expatriate tax regimes" for Latvian individuals working abroad beyond these general treaty provisions.

## Digital nomads' tax regimen

Latvia offers a Digital nomad visa, which allows individuals who are citizens or residents of OECD countries and can work remotely for a foreign employer or as self-employed for foreign clients to reside in Latvia for up to one year (with a possible extension for another year). Applicants need to prove sufficient income (at least 2.5 times the Latvian average gross monthly salary).

If a digital nomad stays in Latvia for more than 183 days in any 12-month period, they become a Latvian tax resident and are taxed on their worldwide income according to standard Latvian PIT rates. If their stay is shorter, they are considered non-residents and are only taxed on Latvian-sourced income (which is typically nil for true digital nomads). There is no special reduced tax rate for income earned by the individual under the digital nomad visa; general PIT rules apply upon becoming a tax resident.



## Double taxation agreements ( link website)

Everything about double taxation treaties (DTTs) in Latvia can be found here:

<https://www.fm.gov.lv/en/tax-conventions>

## Digital nomads' tax regime

### How to apply and deadlines for employees

#### **Digital nomad visa and your tax situation as an individual**

Latvia offers a specific visa for digital nomads, allowing individuals to reside in Latvia while working remotely.

#### **- Description of the visa:**

The Latvian digital nomad visa allows you to legally reside in Latvia for up to one year (with a possible extension for a second year) while working remotely for an employer registered in an OECD country or as a self-employed individual registered in an OECD country.

#### **- Requirements for you to obtain the visa:**

To be eligible for the Latvian digital nomad visa, you must typically:

- Be a citizen of an OECD country or be self-employed and registered in an OECD country.
- Work for an employer registered in an OECD member state, or be a self-employed individual registered in an OECD member state.
- Be able to perform your work duties remotely using telecommunications.
- Prove sufficient monthly income. Sources indicate a minimum of €2,857 per month for at least the previous six months. (It's advisable to check the very latest official income threshold from the Latvian Office of Citizenship and Migration Affairs (OCMA) when applying.)
- Have valid health insurance covering your stay in Latvia.
- Have a clean criminal record.

### How to apply for the visa

**Application submission:** You typically submit your application to the Latvian embassy or consulate in your country of residence, or directly to the OCMA in Latvia under certain conditions.

**Required Documents:** Generally include a valid passport, application form, proof of remote work (employment contract or business registration), proof of income (bank statements, payslips), proof of health insurance, and a document confirming payment of the state fee.

**State fee:** A standard state fee applies (e.g., €60, but can vary).

**Processing time:** This can vary.

**Registration upon arrival:** Once your visa is granted and you arrive in Latvia, you may need to register your place of residence with the OCMA.

Applications should be made well in advance of your planned travel.

## **Your tax situation as a digital nomad in Latvia**

**Tax residency:** As a digital nomad visa holder, you will become a Latvian tax resident if you stay in Latvia for more than 183 days in any 12-month period.

**Taxation as a resident:** If you become a Latvian tax resident, you are subject to Latvian Personal Income Tax on your worldwide income at the standard progressive rates (25.5% / 33%, plus the 3% solidarity tax on income over €200,000 if applicable).

**No special tax rate currently confirmed for 2025:** While there were earlier discussions about a potential favourable flat tax rate for digital nomad visa holders, current official information for 2025 does not confirm that such a special rate has been enacted. Therefore, you should expect standard Latvian tax residency rules and rates to apply if you become a tax resident.

**Remote work expense allowance:** Amendments related to the COVID-19 pandemic introduced a tax exemption for employer-covered remote work expenses (e.g., electricity, internet) up to €30 per month for full-time work. You should verify with the SRS whether this specific provision remains applicable for all remote workers, including digital nomads, in 2025 without direct linkage to pandemic measures.

**Double Taxation Treaties:** Latvia has an extensive network of DTTs. If you become a Latvian tax resident, these treaties may affect the taxation rights between Latvia and the country where your employer or clients are located.

Everything you need to know about becoming a digital nomad in Latvia can be found here: <https://www.nomad-visa.com/country/latvia-digital-nomad-visa>