

Tax system in Latvia

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The Ministry of Finance shall develop state tax and customs policy, as well as prepare recommendations for institutions responsible for tax and customs administration on implementation of tax and customs policy activities.

Taxes and fees system in Latvia consists of:

- state taxes, object and rate of which shall be set by the [Saeima](#);
- state fees which shall be applicable according to Law "[On Taxes and Fees](#)" (LV) specific other laws and regulations of the [Cabinet of Ministers](#);
- local government fees which shall be applicable according to Law "[On Taxes and Fees](#)" (LV) and binding regulations issued by the council of local government;
- directly applicable taxes and other obligatory payments set in the European Union regulatory enactments.



[Presentation of Tax reform in Latvia](#) 

Direct taxes

Corporate income Tax

General information on corporate income tax rules.

[Corporate Income Tax Law](#) provides for the CIT payment at the moment of the distribution of profits (including at the moment of the deemed profit distribution).

Taxpayers

1. Performers of economic activity:

- domestic undertakings;
- institutions financed from the state budget, whose income from economic activity is not provided in the state budget;
- institutions financed from the local government budget, whose income from economic activity is not provided in the local government budget;

2. foreign commercial companies and other persons deriving income in Latvia (hereinafter — non-residents);

3. permanent establishments of non-residents.

CIT rates and main principles



Profits gained by a taxpayer are not taxed until its distribution. CIT at a 20% rate is paid from the profits distributed (calculated dividends, payments treated as dividends and deemed dividends) and deemed profit distributions (expenses not related to economic activity etc.).

CIT rate is 20% on the gross distributed amount or 20/80 on the net income, namely, base subject to CIT has to be divided by a coefficient 0.8. Whereas, the recipient of dividends – a natural person shall not pay personal income tax from the above-mentioned dividends.

CIT rates applied for payments to non-residents

CIT shall be withheld from the following payments made to non-residents:

- remuneration for management and consultancy services – 20% rate;
- remuneration for alienation of the real property located in Latvia – 3% rate;
- payments* to legal, natural and other persons, which are located, are established or founded in low-tax or no-tax countries or territories – 20% rate.

** Any kinds of payments, incl., dividends, interest payments, payment for intellectual property, except for payment for the supplies of goods (if they correspond to the market value) and public securities.*

Tonnage taxpayers



Corporate Income Tax Law provides for a special tax payment regime – tonnage tax, which substantially is taken over from the law “On Corporate Income Tax”. A commercial company, which use ships in international carriage or activities related thereto, and to which the State Revenue Service has granted a tonnage taxpayer’s status, may opt for payment a tonnage tax.

Taxation period



Taxation period is a calendar month. Taxation period return is submitted to the State Revenue Service until the 20th date of the following month, if:

- dividends are calculated;
- payments treated as dividends are made;
- deemed dividends are disbursed;
- expenses not related to economic activity are made;
- liquidation quota is disbursed.

Other CIT taxable objects occurring during the reporting year shall be included in the taxable base in the last taxation period of the reporting year, and the return shall be submitted to the State Revenue Service until the 20th date following the month, in which the reporting year ends.

CIT taxable objects to be included in the CIT taxable base



CIT regime is applied to distributed profits and deemed profit distributions provided that the profits are gained after 1 January 2018.

Distributed profits shall include:

- calculated dividends, incl. extraordinary dividends;
- payments treated as dividends;
- deemed dividends (part of profits for which share capital is increased (CIT not withheld) and which is taken out by reducing share capital).

Deemed profit distributions shall include:

- expenses not related to economic activity (incl. representation and personnel sustainability expenses, exceeding 5% in total of the gross salary fund);
- doubtful debts;
- disproportionate interest payments;
- loans to related persons;
- transfer pricing adjustments (transactions with related persons, which do not correspond to the market value);
- benefits granted to the employees of the permanent establishments or board members;
- liquidation quota.

Taxpayer who has donated to a public benefit organization (PBO), budgetary institution or to the State capital company, carrying out the state culture functions delegated by the Ministry of Culture is entitled to use one of three alternative incentive models:

- not to include the donated amount in the CIT taxable base of the taxation period but not more than 5% from profit of previous reporting year after taxes; or
- not to include the donated amount in the CIT taxable base of the taxation period but not more than 2% from the total gross wage calculated for the employees (with paid state mandatory social insurance contributions) in the previous reporting year; or
- to decrease CIT calculated in the taxation period for the dividends calculated in the reporting year by 75% from the donated amount but not exceeding 20% from the calculated CIT amount for the calculated dividends.
- Amendments to the Law dated of 23 May 2019 provide for to increase the intensity of the relief concerning the donations to PBO. Namely, from the year 2020 to the year 2022 the enterprises providing donations to PBOs, will be able to decrease CIT payable for the dividends calculated in the reporting period for 85% from the donated amount, by simultaneously not exceeding 30% from the calculated CIT amount for the dividends mentioned (until the year 2019 the criteria – 75% and 20%).

Limitations – tax incentive is not applied, if at least one of the following conditions exist:

- a donation is made to a person related to the donor;
- a donation made has a nature of consideration;
- if a tax debt exists;

The inclusion of the name (as well as the brand of the enterprise) of the donor in the list of donors is not considered to be a donation with a counter-obligation, if the location of the name (as well as the brand of the enterprise) of each separate donor does not exceed 1/20 of the text field.

Transitional period



CIT taxable base for the calculated dividends one is entitled to reduce for the part of profits, which is reflected in the balance sheet of the enterprise as of 31 December 2017, that is, the calculated dividends are not taxed with CIT repeatedly.

A taxpayer is entitled not to apply CIT repeatedly to the provisions, which are reflected in the balance sheet as of 31 December 2017, to the accounts receivable written off occurred until 31 December 2017 as well.

A taxpayer is entitled to reduce CIT calculated for the dividends for the amount of losses as well, which was not covered in the year 2017 (15% of the amount of losses, but not more than 50% of CIT calculated for dividends and not longer than 5 reporting years).

The possibility to complete the use of CIT rebate for the supported investment projects is maintained (for taxpayers, to whom the rebate is granted in accordance with the rules of Article 17.² of the law "On Corporate Income Tax"), as well as the possibility to use CIT rebate granted in accordance with the rules of the law "On the Application of Taxes in Free Ports and Special Economic Zones".

Regulations of the Cabinet of Ministers



In order to ensure the implementation of the Corporate Income Tax Law, the relevant regulation of the Cabinet of Ministers have been issued according to the delegation in the above-mentioned law.

- [Regulations of the Cabinet of Ministers, dated of 14 November 2017 No 677 "The implementing Provisions for the Rules of the Corporate Income Tax Law"](#)
- [Regulations of the Cabinet of Ministers, dated of 13 February 2018, No 93 "Regulations on the Information to be included in the Enterprise Income Tax Return"](#)
- [Regulations of the Cabinet of Ministers, dated of 16 January 2018, No 40 "Regulations on Granting the Tonnage Taxpayer's Status and the Tonnage Tax Return"](#)
- [Regulations of the Cabinet of Ministers, dated of 17 December 2020, No 819 "Regulations on Low Tax or Tax free Countries and Territories"](#)

The Regulations provide for:

- 1 explanation of the terms used in the law;
- 2 limitations for taxable base and other conditions, which influence the amount of tax base in a specific situation;
- 3 special conditions for the determination of the taxable object for the domestic enterprises, non-resident permanent establishments, if they carry out transactions with persons located, established or founded in the low-tax or tax free countries or territories;
- 4 procedures, in order payments made by the domestic enterprise of Latvia or non-resident permanent establishments to a person located, established or founded in low-tax or tax free countries or territories, would be exempted from withholding tax;
- 5 methods and procedure for determination of market price (value) of the transaction, if it has been carried out between the related persons;
- 6 examples necessary for the reflection of the practical application of the rules of law;
- 7 in case of reorganization of a taxpayer — tax application procedure;
- 8 the form and its filing procedure for the income derived by a non-resident in Latvia;
- 9 procedure and terms under which a taxpayer submits to the State Revenue Service (hereinafter – SRS) the information on the amounts disbursed to non-residents, as well as the tax withheld;
- 10 procedure for the submission of information on the dividends received or income treated as dividends received by the investment funds and alternative investment funds, for which one is entitled to reduce the investor's CIT taxable base;
- 11 procedure under which a credit institution does not include in the CIT taxable base the loans issued by it, on the basis of general credit conditions or on the conditions arising from the legislative acts governing the operation of the credit institutions.

The Regulations shall determine the information which is necessary for the calculation and administration of CIT in accordance with the Corporate Income Tax Law, including the information on the distribution of profits and other expenses occurred to a taxpayer during the taxation period and the reporting year, the information necessary for the calculation of tax allowances etc. The forms of the tax returns are not approved by the Regulations, as they are not provided for by the delegation of Para 1 of Article 17 of the Corporate Income Tax Law. Taxpayers shall fill in and submit tax returns in the electronic declaration system (EDS) of the State Revenue, thus the return has been developed and available for filling in only by electronic means in the EDS of SRS.

In accordance with the Corporate Income Tax Law, a taxation period shall be one month, and taxpayers shall submit tax returns once in a month, if a CIT taxable object shall occur to them during the corresponding month.

The Regulations on the information to be included in CIT return

Regulations for the procedure on filling out CIT return do not provide for a form of CIT return as such. They set only the information to be included in CIT return, which is necessary for the calculation and administration of CIT in accordance with the Corporate Income Tax Law, including the information on the distribution of profits and other expenses occurred to a taxpayer during the taxation period and the reporting year, information, which is necessary for the calculation of tax allowances etc. Taxpayers shall fill out and submit CIT return^[1] in the SRS EDS. ([1] Regulations of the Cabinet of Ministers, dated of 13.02.2018, "The Regulations on the Information to be included in the Corporate Income Tax Return".)

The Regulations on low tax or tax free countries and territories

On 1 January 2021 the Regulations of the Cabinet of Ministers No 819 "Regulations on low tax or tax free countries and territories" (hereinafter – the Regulations) came into effect (the Regulations of the Cabinet of Ministers, dated from 7 November 2017, No 655 "Regulations on low tax or tax free countries and territories" became ineffective thereof). The Regulations have been developed on the basis of the Conclusions of the Council of the European Union "EU list of non-cooperative jurisdictions in taxation matters", dated from 5 December 2017, and the Guidance on further coordination of national defensive measures in the tax area towards non-cooperative jurisdictions approved by the Conclusions of the Council of the European Union, dated from 5 December 2019.

The Regulations do not change the aim and essence of the Regulations of the Cabinet of Ministers No 655. They provide for the list of low tax or tax free countries and territories with the aim to prevent tax system abuse possibilities by effecting the relevant anti-avoidance provisions provided by law (defensive measures).

The list shall be used only to apply the defensive measures provided by national law, which are compatible with the EU level rules, thus by continuing to ensure the prevention of tax system abuse and, in case it is necessary, it would be possible to use it in other issues.

Current list contains the following countries and territories:

Anguilla, Guam, American Samoa, US Virgin Islands, Barbados, Fiji, Palau, Panama, Samoa, Seychelles, Trinidad and Tobago, Vanuatu.

Personal Income Tax

Tax Rates

As from 1 January 2019 a progressive rate is implemented for

- annual income up to 20 004 *euro* – 20%;
- part of annual income which exceeds 20 004,00 *euro*, but does not exceed 62 800 *euro* – 23%;
- part of annual income, which exceeds 62 800,00 *euro* – 31,4%;
- income from capital gains – 20%;
- 10% for income from property (for example, real estate rental or lease, leasing movable property), if a payer does not apply economic activity expenses (allowed to deduct only the real estate tax payments for the relevant real estate);

- 3% for income of a non-resident from the alienation of real estate in the Republic of Latvia and income from the alienation of other capital assets in accordance with Article 11.9 of the Law On Personal Income Tax,, except for income from the alienation of financial instruments, the circulation of which is regulated by the Financial Instrument Market Law, by withholding tax at the place of disbursement of income.

Taxpayers

- natural persons – domestic taxpayers or residents;
- natural persons foreign taxpayers or non-residents;
- natural persons - owners of individual undertakings, as well as farms and fish farms, for the income of his/her undertaking (as well as a farm or a fish farm),which is not subject to corporate income tax.

Non-taxable minimum

As from 1 January 2018, to the monthly income derived by a taxpayer the monthly non-taxable minimum forecasted by the State Revenue Service shall be applied and in the year 2019, when submitting an annual income declaration for the year 2018,for the annual income derived by a tax payer in the year 2018 (by summing up all the monthly income) the annual differentiated non-taxable minimum of a taxpayer is applied.

Annual differentiated non-taxable minimum

Annual differentiated non-taxable minimum will be calculated according to the formula specified by the Cabinet of Ministers and applied according to the summary procedure by submitting an annual income declaration by a payer.

2018
2019
2020
Maximum annual non-taxable minimum, <i>euro</i>
2 400 (200 per month)
2 760 (230 per month)
3 000 (250 per month)

Annual income up to which maximum non-taxable minimum is applied, <i>euro</i>
5 280 (440 per month)
5 280 (440 per month)
5 280 (440 per month)
Annual income up to which non-taxable minimum will gradually reduce, according to the formula, <i>euro</i>
12 000 (1 000 per month)
13 200 (1 100 per month)
14 400 (1 200 per month)

Non-taxable minimum of a pensioner

2018
2019
2020
3 000 <i>euro</i> per year (250 <i>euro</i> per month)
3 240 <i>euro</i> per year (270 <i>euro</i> per month)
3 600 <i>euro</i> per year (300 <i>euro</i> per month)

Amount of relief for a dependent

2018
2019
2020
2 400 <i>euro</i> per year (200 <i>euro</i> per month)
2 760 <i>euro</i> per year (230 <i>euro</i> per month)
3 000 <i>euro</i> per year (250 <i>euro</i> per month)

Eligible expenditure

- state social insurance mandatory contributions (partly solidarity tax);
- payments of insurance premiums made in conformity with a life insurance contract (with accumulation of funds) to an insurance company which is founded and operates in accordance with the Law On Insurance Companies and Supervision Thereof, or to an insurance company, which is registered in another Member State of the European Union and the payments made into the private pension funds established in accordance with the Law On Private Pension Funds, or in other private pension funds registered in other Member State of the European Union , by not exceeding 10% of annual gross income in total, but not more than 4000 *euro* per year;
- expenditure for the acquisition of education and expenditure for the use of health and medical treatment services;
- amount which in the form of donation or gift has been transferred to a budget institution or association, foundation or religious organisation or the institution thereof registered in the Republic of Latvia, which have been granted a public benefit organisation status, or in another Member State of the European Union or European Economic Area state, with which Latvia has entered into a convention regarding the avoidance of double taxation and the prevention of fiscal evasion, if such a convention has entered into force, a registered non-governmental organisation which is operating in the status comparable to the conditions of the public benefit organisation of Latvia in accordance with the laws and regulations of the relevant Member State of the European Union or European Economic Area State;
- amounts which in the form of donation or gift have been transferred to a political party or an association of political parties in accordance with the Law "On Financing of Political Organisations (Parties)".

! For the total eligible expenditure for the acquisition of education and for the use of health and medical treatment services, donations and gifts, donations and gifts to political parties the percentage limit (50% of the annual taxable income of a payer), as well as the total limit (600 *euro* per year) is set.

Consequently, as from 1 January 2018, a payer of a personal income tax will be entitled to deduct the total eligible expenses for the acquisition of education and for the use of health and medical treatment services, donations and gifts, donations and gifts to political parties in the amount of 50% of the annual taxable income, but not more than 600 *euro* per year.

Special tax regimes

- an amount of licence fee, depending on the type of economic activity, for which a payer may pay a licence fee, is from 50 to 100 *euro* per month;

- the reduced amount of licence fee is 17 *euro* per year (9 *euro* per half a year). One is entitled to pay the reduced licence fee, provided that the criteria specified in the Law are fulfilled (an old age pension is granted to a payer, his/her income from economic activity does not exceed 3 000 *euro* in the pre-taxation year , he/she is not a salary taxpayer, etc.).

Taxation period

The taxation period is a calendar year.

State Social Insurance Mandatory Contributions

Insured persons and their employers shall pay state Social Insurance Mandatory Contributions. If an employee has been insured for all types of social insurance than rate is 35,09% (11% tax rate for employee and 24,09% tax rate for employer).

Tax rate differs for those taxpayers who are insured for less types of social insurance (self-employed persons, pensioner etc. persons).

From 1 January 2018 maximum amount of the object of the State social insurance mandatory contributions is EUR 55 000 per year

General organizational and financial principles of state social insurance is regulated by the Law On State Social Insurance. Law determines the circle of persons who must make social insurance contributions i.e. identify persons for whom social insurance is compulsory (employees, self-employed persons) and persons who can join the social insurance scheme voluntarily.

There are 6 types of social insurance for which either persons themselves or their employers make social insurance contributions: pension insurance, insurance against unemployment, insurance against work injuries and occupational diseases, disability insurance, maternity and sickness insurance and parental insurance.

Persons are insured against those social risks, which can actually set in, for instance, self-employed persons do not make social insurance contributions for unemployment and work injuries because they bear responsibility for their work conditions.

In order to ensure the continuity of social insurance length, separate groups of persons, for instance, receivers of maternity, paternity, child care or parental benefit, persons who receive unemployment benefit, unemployed disabled persons etc., are being insured from state core budget and social insurance special budget for pension, disability and unemployment.

For more information, see [home page of the Ministry of Welfare](#)

Microenterprise tax

A micro-enterprise tax rate for a micro-enterprise turnover up to 40'000 euro is 15%, if a micro-enterprise tax payer does not exceed the designated criteria.

Micro-enterprise tax includes:

- state social insurance mandatory contributions, personal income tax and State fee of the business risk for micro-enterprise employees,
- enterprise income tax, if the micro-enterprise conforms to the features of the enterprise income taxpayer,
- personal income tax of the micro-enterprise owner for the part of the micro-enterprise revenue from the economic activity.

The information on the registration of the micro-enterprise tax payers is available at the State Revenue Service homepage in section [Taxes/Microenterprise tax](#).

The following entities may become a microenterprise tax payer:

- an individual merchant,
- an individual undertaking,
- a farm or fishing enterprise,
- a natural person registered at the State Revenue Service as performing economic activities,
- limited liability company.

In order an entity would be entitled to pay a micro-enterprise tax, a micro-enterprise shall comply with the following criteria:

- 1 The participants (if any) are natural persons.
- 2 The turnover does not exceed 40 000 euros in a calendar year.
- 3 The number of employees does not exceed five at any time. An employee who is absent during employment relationship and who does not receive income from the micro-enterprise for the period of time, as well as employees suspended from work shall not be included in the number of employees.
- 4 Members of the board of directors of a limited liability company may only be employees of the micro-enterprise.
- 5 The natural or legal person referred to in this Clause is not a member of a partnership.

Pursuant to the Microenterprise tax law a micro-enterprise is entitled to opt for payment of the micro-enterprise tax, if the income of a micro-enterprise employee from the taxpaying micro-enterprise does not exceed 720 euros per month.

Within the meaning of the Microenterprise tax law a term micro-enterprise employee shall mean a natural person employed by a micro-enterprise on the basis of an employment contract and the micro-enterprise owner, as well as a procuration holder.

As of 1 January 2019 a natural person is allowed to be employed as a micro-enterprise employee simultaneously in only one micro-enterprise.

Real Estate Tax

Currently the real estate taxation system includes 2 taxes:

- 1 land tax
- 2 tax on immovable property

Real estate tax shall not be imposed on:

- 1 upon immovable property of a local government, which are financed from the resources of the local government budget;
- 2 immovable property owned by a foreign state, which is utilised for the needs of its diplomatic or consular offices,
- 3 from 1 January 2007 – on public waters and land beneath common use highways, roads, underground roads, tunnels, streets, railway tracks, city rail tracks, bridges and trestles;
- 4 engineering structures in the ownership or lawful possession of state, local governments, state or local government capital companies or capital companies that provide regulated public services (for example, railways, airport runways, power station buildings, trunk electricity transmission lines);

- 5 immovable property owned by religious organizations , not used in commercial activities;
- 6 land, located in specially protected nature areas, where by law commercial activities are prohibited, as well as in such territories located buildings and engineering constructions, used for nature protection;
- 7 immovable property that is declared as a state protected cultural monument, but excluding residential buildings and immovable property used in commercial activities;
- 8 land, occupied by renewed or cultivated forest, according to the rules stated by the Cabinet of Ministers;
- 9 National sport centres and land for maintaining of the sport centres;
- 10 buildings and engineering constructions, used for only agriculture;
- 11 auxiliary buildings of residential houses, if the area of the auxiliary building does not exceed 25 m², or auxiliary buildings of residential houses, if the area of the auxiliary building exceeds 25 m² and the local government has determined exemption from a tax with its binding regulations, excluding garages;
- 12 land of the cemetery territories, buildings for funeral ceremonies, crematoria and land for the maintenance thereof;
- 13 immovable property under the jurisdiction of the State and local governments, which has not been transferred for use or leased;
- 14 buildings and engineering structures which are used only for the agricultural production
- 15 buildings or their parts (group of premises) and engineering structures in the ownership of the State, which are used for ensuring the fulfilment of the functions of the National Armed Forces, penal institutions, police, border guards and the fire-fighting and rescue service, as well as State security institutions;
- 16 buildings or their parts (groups of premises), which are used by institutions financed from the State budget
- 17 buildings (or parts of buildings), that are used for education, health, social care needs;
- 18 buildings (or parts of buildings) and engineering constructions, that are used for environmental purposes;
- 19 certain buildings and engineering constructions, owned by society's and foundations, according to rules stated by the Cabinet of Ministers
- 20 the immovable property of the ATHENA mechanism in the Republic of Latvia established for the financial management of the total costs of military or defence operations of the European Union;
- 21 buildings (groups of premises) that are constantly being used by the accredited museums, the accredited libraries, the Latvian National Opera, the State limited liability company *Rīga Circus* and theatres, as well as buildings that are constantly being used by concert organisations which carry out the State delegated functions in the field of culture or the professional creative organisations registered in the Ministry of Culture for the needs of art galleries;
- 22 buildings (groups of premises) that are corroborated in the Land Register in the name of the Free Trade Union Confederation of Latvia and are permanently used for the implementation of the functions laid down in laws and regulations, except the buildings (groups of premises) used in economic activities and residential buildings.

The tax base is a cadastral value.

Tax rates:

- land – 1,5% of the cadastral value;
- buildings used for economic activity, engineering structures – 1.5% of the cadastral value;
- residential buildings, apartments – 0,2% - 0,6%:
 - 0.2% of the cadastral value not exceeding 56 915 euro;
 - 0.4% of the part of the cadastral value exceeding 56 915 euro, but less than 106 715 euro;
 - 0.6% of the cadastral value exceeding 106 715 euro.

An additional 1.5% tax rate is applicable for uncultivated agricultural land, excluding land that has an area less than one hectare.

Special 3% tax rate is applicable for collapsed constructions, constructions degrading the environment or threatening the safety of individuals, if it is determined by the municipality in its binding regulations. The tax base for collapsed object is the highest value of the building or the land, on which the building is located (because the market value for ruins are "0").

The minimum tax payment for each taxpayer in each local municipality shall be 7 euro.

Local municipalities are entitled (by adopting binding regulations) to determine tax rates within 0.2% up to 3% limits. Tax rate exceeding 1.5% shall be determined by a local municipality only in case, if a real estate is not maintained in accordance with laws and regulations

Reliefs

The Law on Real Estate Tax provides the following reliefs:

- for politically repressed persons (regarding land and residential property) 50%,
- for poor persons – 90%,
- for low income persons – up to 90%,
- for families (which have 3 and more children) regarding the residential building or apartment with the land annexed thereto owned by them – 50 %, but not more than ~426 EUR

Local municipalities may issue binding regulations, which provide reliefs for separate categories of taxpayers (specific groups of population (pensioners, disables, performers of economic activities etc.) – 25%, 50%, 75% or 90%.

By adopting binding regulations, a local municipality, after assessing the taxpayer's social status and solvency, is entitled to defer a tax payment for the residential building, where a taxpayer has declared his/her place of residence, and its land annexed thereto until the transfer of title to the immovable property to another person.

Tax Payments

Number of Real Estate Tax payments per year - 1 (in taxable year) or 4 (in taxable year)

Real Estate Tax Payment dates:

- 1) until 31 March in advance;
- 2) split payment – until March 31, May 15, August 15, and November 15.

Solidarity tax

Taxpayers

Taxpayers are employees, employer and self-employed persons.

Tax object

A taxable object is income, which exceeds a maximum amount of the object of the State social insurance mandatory contributions.

From 1 January 2018 until 31 December 2018.

Taxable object is income above 55 000 euro per year.

As from 1 January 2019.

Taxable object is income above 62 800 *euro* per year.

Tax rate

Until 31 December 2018.

Tax rate is the same as the State social insurance mandatory contributions's rate. If an employee has been insured for all types of social insurance than rate is 35,09% (11% tax rate for employee and 24,09% tax rate for employer). Tax rate differs for those taxpayers who are insured not for all types of social insurance (self-employed persons, pensioner etc. persons).

As from 1 January 2019.

Tax rate is 25,50%.

Taxation period

Calendar year for which maximum amount of the object of the State social insurance mandatory contributions is laid down in accordance with the Law On State Social Insurance.

Calculation of the tax and transferring

The State Social Insurance Agency calculates the tax once a month.

Tax is divided and transferred into following budget:

From 1 January 2018 until 31 December 2018.

- 1 percentage point into the State basic budget for healthcare financing;
- 6 percentage points into the taxpayer the State funded pension scheme account;
- 4 percentage points into the tax payers private pension account (taxpayer is a member of the State funded pension scheme) or 10 percentage points into the tax payers private pension account (taxpayer is not a member of the State funded pension scheme);
- 10,5 percentage points into the Personal Income Tax account;
- remaining amount of the tax into the State pension special budget.

As from 1 January 2019.

- 1 percentage point into the State basic budget for healthcare financing;
- 14 percentage points into the State pension special budget, by registering into personal account of taxpayer in accordance with the Law On State Pensions.
- 10,5 percentage points into the Personal Income Tax account.

Indirect taxes

Value Added Tax

Shall be paid by legal persons; natural persons; partnerships; a VAT group, a fiscal representative; as well as an authorised natural person of a group of persons if the group of persons is operating on the basis of an agreement for the performance of joint economic activity.

If a taxable person of another Member State makes at least one taxable transaction in Latvia, it should be registered in Latvia as a taxable person or should authorize its representative for VAT purposes inland.

If a taxable person of a third country or third territory makes at least one taxable transaction in Latvia, it should be registered in Latvia as a taxable person or should authorize its representative for VAT purposes inland.

[Standard tax rate](#) is 21%, reduced tax rates – 12% and 5%.

On 1 January 2013 new [Value Added Tax Law](#) has entered into force. Value Added Tax Law replaces the [Law On Value Added Tax](#), which was into force from 1995 till 2012.

[Excise Duty](#)

Shall be applied to oil products, natural gas, alcoholic drinks, beer, tobacco products, coffee and non-alcoholic drinks (except natural juices and mineral water).

[Electricity Tax](#)

Shall be paid by persons supplying electricity to the end-users and self-governing producers. Tax rate shall be set in lats per megawatt-hour.

[Vehicle Operating Tax](#)

Shall be paid by legal entities and natural persons who own, possess or hold a vehicle, which is registered or is going to be registered in Latvia, or whose owned, possessed or held vehicle is given transit number plates or person who has declared in Latvia and use car which has registered outside of Latvia.

Company Car Tax

Shall be paid by merchant, foreign merchant branch and farm which own or hold passenger vehicle or truck with the total weight up to 3000 kg and which have more than three seats (included driver seat) and which is used also for personal needs of employees and/or proprietaries.

[Customs Duty](#)

Shall be paid by natural persons and legal entities when importing goods into the EU.

Other taxes

[Natural Resources Tax](#)

Shall be paid by legal entities and natural persons if extracting natural resources, distributing or importing environmentally unfriendly goods or which are allowed to perform such activities.

[Subsidised Electricity Tax](#)

Shall be applied to the taxable income obtained from 1 January 2014 until 31 December 2017.

On Lotteries and Gambling Fee and Tax

Gambling tax object

Gambling equipment and revenue from organisation of games.

Gambling tax rates

- roulette (a cylindrical game) – for each gambling table attached to the rotating device of roulette (for each current calendar year) – EUR 28,080 (as of January 1, 2020);
- card and dice games – for each table (for each current calendar year) – EUR 28,080 (as of January 1, 2020);
- gaming machines – for each gambling place of each machine (for each current calendar year) – EUR 5,172 (as of January 1, 2020);
- for a game of chance via the telephone – 15 per cent of the revenue from organisation of this game;
- for a totalisator and betting – 15 per cent of the revenue from organisation of this game;
- for a bingo game – 10 per cent of the revenue from organisation of this game;
- if gambling is organised via telecommunications, irrespective of the type of game – 10 per cent of the revenue from organisation of this game.

Lottery tax object

Revenue from the sale of tickets adjusted depending on the size of prize fund and the type of lottery.

Lottery tax rates

- lottery – 10 per cent (from sale of lottery tickets);
- moment lottery – 10 per cent (from sale of moment lottery tickets).

Gambling fee

The gambling fee shall be paid for issuing or re-registration of a gambling licence for organisation of gambling on gaming

machines, bingo, roulette (cylindrical games), card games, dice games, totalisator, betting and games of chance via the telephone, as well as for issuing or re-registration of a gambling premises licence.

The gambling fee for organisation of gambling

- for issuing of a gambling licence for organisation (including issuing of a gambling licence if gambling is also organised via electronic communications services) – EUR 427,000, for re-registration of this gambling licence – EUR 37,000;
- for issuing of a gambling licence if gambling is only organised via electronic communications services (interactive gambling) – EUR 200,000, for re-registration of this gambling licence – EUR 37,000;
- for issuing or re-registration of a gambling premises licence which gives the right to organise gambling on specific gambling premises (in a casino, a gambling room, a bingo room, or a place where totalisator or bets stakes are accepted), is:
 - for a casino – EUR 30,000;
 - for a gambling room or a bingo room – EUR 4,500;
 - for a place where totalisator or bets stakes are accepted – EUR 2,000.

Gambling fee rates for the provision of gambling services

- for issuing of a licence for providing gambling services, if during the provision of gambling services during the year more than 25 gambling devices will be used (including card games, dice games and roulettes (cylindrical games) tables, lototrons) – EUR 400,000, for reregistration for issuing of such a licence for providing gambling services – EUR 400,000;
- for issuing of a licence for providing gambling services, if during the provision of gambling services during the year 25 or less gambling devices will be used – EUR 120,000, for reregistration for issuing of such a licence for providing gambling services – EUR 120,000.*

** special procedure has to be complied with, in case number of gambling devices changes.*

Lottery fee rates

For issuing of a special permit (licence):

- for national lotteries – for each calendar year – EUR 14,230;
- for local lotteries – for each calendar year – EUR 720;
- for national moment lotteries – for each lottery – EUR 1,000;
- for local moment lotteries – for each lottery – EUR 720;
- for local one-off lotteries – for each lottery – EUR 35;

State fee for issuing of a new series of moment lottery tickets (starting from the second series):

- for a national moment lottery – EUR 720;
- for a local moment lottery – EUR 720.

More information on gambling and lotteries industry:

- on Lotteries and Gambling Supervisory Inspection of Latvia

Legislation

- Law [“On Lotteries and Gambling Fee and Tax”](#)
- Regulations of the Cabinet of Ministers, dated of 4 February 2020, No 67 “Regulations on Model Forms of Lotteries and Gambling Tax Reports and the Procedures for the Completion thereof”

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