Text consolidated by Valsts valodas centrs (State Language Centre) with amending laws of:

14 January 1994 [shall come into force on 19 January 1994];

27 October 1994 [shall come into force on 5 November 1994];

1 March 1995 [shall come into force on 4 March 1995];

31 May 1995 [shall come into force on 4 July 1995];

29 February 1996 [shall come into force on 27 March 1996];

19 December 1996 [shall come into force on 1 January 1997];

2 October 1997 [shall come into force on 28 October 1997];

20 November 1997 [shall come into force on 19 December 1997];

25 November 1999 [shall come into force on 1 January 2000];

27 January 2000 [shall come into force on 23 February 2000];

30 November 2000 [shall come into force on 1 January 2001];

22 November 2001[shall come into force on 1 January 2002];

21 February 2002 [shall come into force on 1 April 2002];

19 June 2003 [shall come into force on 1 January 2004];

11 December 2003 [shall come into force on 1 January 2004];

20 December 2004 [shall come into force on 1 January 2005];

10 March 2005 [shall come into force on 6 April 2005];

20 October 2005 [shall come into force on 1 January 2006];

8 June 2006 [shall come into force on 4 July 2006];

28 September 2006 [shall come into force on 1 November 2006];

19 December 2006 [shall come into force on 1 January 2007];

19 December 2006 [shall come into force on 16 January 2007];

17 May 2007 [shall come into force on 12 June 2007];

8 November 2007 [shall come into force on 11 December 2007];

24 April 2008 [shall come into force on 27 May 2008];

14 November 2008 [shall come into force on 1 January 2009];

12 December 2008 [shall come into force on 1 January 2009];

16 June 2009 [shall come into force on 1 July 2009];

16 July 2009 [shall come into force on 1 August 2009];

1 December 2009 [shall come into force on 1 January 2010];

13 May 2010 [shall come into force on 9 June 2010];

9 August 2010 [shall come into force on 1 September 2010];

21 October 2010 [shall come into force on 24 November 2010];

28 October 2010 [shall come into force on 1 February 2011];

20 December 2010 [shall come into force on 1 January 2011];

16 June 2011 [shall come into force on 30 June 2011];

8 September 2011 [shall come into force on 27 September 2011];

22 September 2011 [shall come into force on 19 October 2011];

15 December 2011 [shall come into force on 1 January 2012];

8 March 2012 [shall come into force on 17 March 2012];

24 May 2012 [shall come into force on 1 January 2013];

31 May 2012 [shall come into force on 14 June 2012];

15 November 2012 [shall come into force on 1 January 2013]

19 September 2013 [shall come into force on 1 January 2014];

6 November 2013 [shall come into force on 1 January 2014];

28 November 2013 [shall come into force on 30 November 2013];

20 February 2014 [shall come into force on 20 March 2014];

6 March 2014 [shall come into force on 1 June 2014];

17 December 2014 [shall come into force on 1 January 2015];

19 February 2015 [shall come into force on 1 March 2015];

30 April 2015 [shall come into force on 3 June 2015];

29 October 2015 [shall come into force on 3 December 2015];

30 November 2015 [shall come into force on 1 January 2016];

16 June 2016 [shall come into force on 30 June 2016];

23 November 2016 [shall come into force on 1 January 2017];

28 July 2017 [shall come into force on 1 Jaunary 2018];

22 November 2017 [shall come into force on 1 January 2018];

10 May 2018 [shall come into force on 30 May 2018];

31 May 2018 [shall come into force on 1 October 2018];

27 September 2018 [shall come into force on 1 January 2019];

13 December 2018 [shall come into force on 1 January 2019];

21 March 2019 [shall come into force on 16 April 2019];

23 May 2019 [shall come into force on 1 January 2021];

9 July 2020 [shall come into force on 4 August 2020];

27 November 2020 [shall come into force on 1 January 2021];

17 December 2020 [shall come into force on 12 January 2021];

4 February 2021 [shall come into force on 10 February 2021];

16 November 2021 [shall come into force on 1 January 2022];

7 January 2022 (Constitutional Court Judgment) [shall come into force on 7 January 2022];

12 May 2022 [shall come into force on 19 May 2022];

20 October 2022 [shall come into force on 14 November 2022];

1 December 2022 [shall come into force on 9 December 2022];

23 March 2023 [shall come into force on 25 March 2023].

If a whole or part of a section has been amended, the date of the amending law appears in square brackets at the end of the section. If a whole section, paragraph or clause has been deleted, the date of the deletion appears in square brackets beside the deleted section, paragraph or clause.

The Supreme Council of  
the Republic of Latvia has adopted a law:

**On Personal Income Tax**

**Chapter I**

**General Provisions**

**Section 1. Structure of Personal Income Tax**

1. Personal income tax (hereinafter – the tax) shall be the tax which is imposed on income acquired by a natural person, and it shall consist of:

1) the salary tax calculated from the income acquired by the employee and paid by the employer;

2) [6 November 2013 / See Paragraph 96 of Transitional Provisions];

3) the tax for income from economic activity where it is not the object of the enterprise income tax, and tax from other sources of income;

4) the tax for income from capital, including the tax from the capital gains;

5) licence fees for the performance of separate types of economic activities;

6) the parts of the micro-enterprise tax in accordance with the Micro-enterprise Tax Law;

7) the seasonal agricultural worker income tax.

2. The tax is calculated and paid into the budget in two ways: in advance, also in the form of salary tax, and in accordance with the summary procedures, by drawing up an annual income return (hereinafter – the return), also by way of a micro-enterprise tax and reduced licence fee.

3. The tax paid shall also include the part of solidarity tax laid down in accordance with the Solidarity Tax Law which is transmitted to the personal income tax distribution account.

[*31 May 1995; 19 December 1996; 25 November 1999; 8 November 2007; 1 December 2009; 9 August 2010; 6 November 2013; 6 March 2014; 28 July 2017; 27 November 2020*]

**Section 2. Tax Payers**

The tax shall be paid by natural persons (hereinafter – the payers):

1) who are domestic taxpayers (hereinafter – also the residents) in accordance with the law On Taxes and Fees and who have obtained income in the Republic of Latvia and/or foreign states during the taxation period (calendar year);

2) who are foreign taxpayers (hereinafter – also the non-residents) in accordance with the law On Taxes and Fees and who have obtained income in the Republic of Latvia during the taxation period;

3) owners of individual undertakings, also farms and fish farms, who have obtained income during the taxation period (calendar year) which is not subject to enterprise income tax;

4) owners of micro-enterprises in accordance with the Micro-enterprise Tax Law.

[*31 April 1995; 19 December 2006; 9 August 2010*]

**Section 3. Taxable Object**

1. The tax shall be imposed on the amount of the taxable income of the taxation period (calendar year) of the payer of domestic tax. The object of the salary tax shall be the monthly taxable income of the payer. The part of revenue of a micro-enterprise shall be taxable in accordance with the Micro-enterprise Tax Law.

1.1 The taxable object shall be determined by the Micro-enterprise Tax Law for a person who, in accordance with the Micro-enterprise Tax Law, is a micro-enterprise taxpayer.

2. The annual taxable income of the domestic taxpayer (the monthly taxable income of the payer of salary tax), unless otherwise provided for in Paragraph 2.4 of this Section, shall be his or her annual (monthly) income, except for the non-taxable income referred to in Section 9 of this Law from which the following shall be subtracted:

1) the eligible expenditure laid down in Section 10 of this Law;

2) the annual differentiated non-taxable minimum of the payer (the monthly non-taxable minimum projected by the State Revenue Service or the monthly non-taxable minimum projected by the payer);

3) relief laid down in Section 13 of this Law.

2.1 [1 December 2009]

2.2 [1 December 2009]

2.3 [1 December 2009]

2.4 If the annual income of the domestic taxpayer (the monthly income of the payer of salary tax), except for the non-taxable income referred to in Section 9 of this Law, exceeds EUR 20 004 per year (EUR 1667 per month), the annual (monthly) taxable income shall be determined as follows:

1) the subtractions specified in Paragraph two, Clauses 1, 2, and 3 of this Section shall be subtracted from the annual income of the payer (the monthly income of the payer of salary tax) up to EUR 20 004 per year (EUR 1667 per month);

2) the subtractions specified in Paragraph two, Clauses 1, 2, and 3 of this Section shall be subtracted from the annual income of the payer (the monthly income of the payer of salary tax) that exceeds 20 004 euros per year (1667 euros per month) only when the annual income of the payer (the monthly income of the payer of salary tax) up to EUR 20 004 per year (EUR 1667 per month) is insufficient to cover the abovementioned subtractions.

2.5 The subtractions referred to in Paragraph two, Clauses 1, 2, and 3 of this Section shall not be made for those types of taxable income to which the tax rates specified in Section 15, Paragraphs five, six, seven, eight, nine, ten, eleven, twelve, and thirteen of this Law are applied.

2.6 The conditions laid down in the Law on Aid for the Activities of Start-up Companies shall be applied to an employee of a start-up company for the income subject to the salary tax that has been obtained by the start-up.

3. The taxable income of the foreign taxpayer (the non-resident) shall be:

1) employment income, including income from paid employment performed in the Republic of Latvia for an employer who is not the resident of the Republic of Latvia or who does not have a permanent representation office in the Republic of Latvia, or for the work which has been performed outside the Republic of Latvia for an employer of the Republic of Latvia;

2) income from professional activities performed in favour of the residents of the Republic of Latvia or of permanent representations of the non-residents in or outside the Republic of Latvia;

3) income from the professional activities of artists, athletes, or trainers in the Republic of Latvia irrespective of whether this income is received by the artist, athlete, or trainer himself or herself or by another legal or natural person;

4) income from the performance of duties in a council or board of directors of a capital company or a cooperative society registered in the Republic of Latvia irrespective of whether the income is received from capital companies or cooperative societies registered in the Republic of Latvia or from other capital companies or cooperative societies, which are not the residents of the Republic of Latvia. The amounts disbursed in relation to work travel and official travel which exceed the norms laid down in the laws and regulations which determine the procedures for compensating the expenditure associated with work travel and official travel of employees shall also belong to such income;

5) income from an alternative investment fund which has been established in the Republic of Latvia as a limited partnership;

6) [1 December 2009];

7) income from the use of an immovable property located in the Republic of Latvia;

71) income from the alienation of an immovable property located in the Republic of Latvia and income from the alienation of other capital assets in accordance with Section 11.9 of this Law, except for income from the alienation of financial instruments present in the public circulation, also from the alienation of debt securities of Latvia or another European Union Member State or a European Economic Area State and local governments;

8) income from the use of a movable property in the Republic of Latvia;

9) income from the agricultural production of a personal subsidiary farm, home farm as well as farm and fish farm;

91) income from the alienation of a forest growing on the property of a natural person for felling and the alienation of the timber obtained therein, and also support sums for economic activity restrictions to the forest owners for whom the forest management is not the type of economic activity;

92) income from scrap sale;

10) dividends, unless otherwise provided for in Section 9 of this Law;

101) income equal to dividends and notional dividends, unless otherwise provided for in Section 9 of this Law;

11) interest income and income equivalent thereto and income related to the interest income, except for:

a) interest income from Latvian or other European Union Member State or European Economic Area state and local government securities;

b) interest income, income equivalent to the interest, and income related to the interest income from financial instruments present in the public circulation;

12) payment for intellectual property:

a) remuneration (remuneration for the copyright and related rights) for the creation of works of literature, science, or art, and remuneration for the creation of discoveries, inventions, and industrial models, taking into account rates of the imputed expenditures in accordance with Section 10, Paragraph one, Clause 4 of this Law;

b) payments for other types of intellectual property;

13) insurance indemnity which, in accordance with the life, health, and accident insurance contract entered into by the employer (or another policyholder – legal person) in the interests of the insured, is disbursed when the end of the time period provided in the contract has come or when terminating the contract before the time period;

14) pensions disbursed in accordance with the laws of the Republic of Latvia;

141) income equivalent to pension;

142) State funded pension capital which is inherited in case of the death of a participant of a State funded pension scheme and which is calculated for an heir prior to extinguishing liabilities of the heir against the social insurance special budget and the State basic budget arising out of overpayments of social insurance services, State social benefits, and service pensions in accordance with the law On State Social Insurance if the heir has decided to receive it by a transfer to a payment account with a credit institution;

15) supplementary pension capital which has formed from payments made by the employer into private pension funds in conformity with licensed pension plans or into a pension plan of a private pension fund in accordance with the Solidarity Tax Law and disbursed to pension plan participants;

16) [15 December 2011];

17) an increase in the value of immovable property or a part thereof which was obtained upon expiry of the lease contract and which was ensured by the reconstruction, restoration, renovation, improvement or other capital investments performed by the lessee to the leased property, if the abovementioned increase or part thereof the payer has not compensated to the lessee;

18) [28 July 2017];

19) [28 July 2017];

20) income from investment of payments in private pension funds;

21) income of hired personnel or income equivalent thereto irrespective of who receives this income on behalf of a natural person;

22) income from life insurance contracts entered into with an accumulation of funds;

23) income from life-long pension insurance contract (with accumulated funded pension capital in accordance with the State Funded Pension Law) which is formed from gratifications granted by an insurer;

24) loans equalised to income;

25) income caused by reduced loan interest payments;

26) prizes of lotteries and gambling, unless it is otherwise provided for in Section 9, Paragraph one, Clause 5 of this Law.

4. In conformity with Paragraph three, Clause 7.1 of this Section, income of the non-resident from the alienation of existing immovable property in Latvia includes also the income from capital shares, stocks or other types of alienation of participation in a commercial company established in Latvia or abroad or another person (within the meaning of the Enterprise Income Tax Law) if in the year of alienation or in the previous year the existing immovable property in Latvia directly or indirectly makes or has made (through participation in one or more persons established in Latvia or abroad) more than 50 per cent of the value of the assets of such person. The proportion of the asset value of the immovable property of a person shall be determined, on the basis of the person’s balance sheet data, as of the situation at the beginning of the relevant year. If the proportion of the asset value of the immovable property in the previous year has changed because the alienation of the immovable property has occurred the result of which the person’s taxable income has been taken into account, then only the proportion of the balance sheet asset value of the immovable property in the year of alienation shall be taken into account.

5. The income referred to in Paragraph three, Clauses 7.1, 10, 10.1, and 11 of this Section shall be determined in accordance with Section 11.9 of this Law.

6. The income of the non-resident obtained as a seasonal agricultural worker income shall be taxable in accordance with Section 11.12 of this Law.

[*31 May 1995; 19 December 1996; 25 November 1999; 30 November 2000; 11 December 2003; 20 December 2004; 20 October 2005; 19 December 2006; 17 May 2007; 24 April 2008; 14 November 2008; 1 December 2009; 9 August 2010; 20 December 2010; 8 September 2011; 22 September 2011; 15 December 2011; 15 November 2012; 6 November 2013; 6 March 2014; 14 December 2014; 30 November 2015; 23 November 2016; 28 July 2017; 22 November 2017; 13 December 2018; 21 March 2019; 27 November 2020; 16 November 2021*]

**Section 4. Way of Calculation and Collection of the Tax**

1. The tax shall be calculated and paid into the budget:

1) the salary tax (of the payer) – by the employer;

2) from the income laid down in Section 17, Paragraphs ten and twelve of this Law – by the disburser thereof;

3) from the income referred to in Section 1, Paragraph one, Clause 3 of this Law, and also the reduced licence fee – by the payer;

4) where the payer is employed by an employer – a foreign tax payer, the salary tax – by the employer or payer himself or herself;

5) the salary tax of such payer whose work is remunerated from foreign financial or technical assistance or loans from international financial institutions granted to the Republic of Latvia – by the employer or payer himself or herself;

6) the salary tax (of the payer) from the income referred to in Section 8, Paragraph two of this Law within the framework of compensation for losses – by a State administration institution, local government institution, other derived legal person governed by public law or an institution with an autonomous budget which, based on a decision of the institution or a court ruling, disburses a compensation for losses related to the existing or former employment (service) relations from the State budget, local government budget, budget of other derived legal person governed by public law or autonomous budget of the institution respectively in accordance with the Law on Compensation for Losses Caused by the State Administration Institutions;

7) the seasonal agricultural worker income tax (of the payer) – by a disburser of the seasonal agricultural worker income.

2. The payer, except for the persons referred to in Section 20 of this Law, shall pay the tax in conformity with the return in accordance with summary procedures. Advance payments of the tax shall be made during the taxation year.

3. [23 March 2023]

4. For a natural person – the non-resident, with the acquisition of the status of the resident, the final tax shall be the tax calculated and paid into the budget.

[*31 May 1995; 25 November 1999; 30 November 2000; 11 December 2003; 20 October 2005; 19 December 2006; 8 November 2007; 1 December 2009; 8 September 2011; 6 November 2013; 6 March 2014; 13 December 2018; 27 November 2020; 23 March 2023* / *Amendment regarding the deletion of Paragraph three shall be applicable from 1 January 2023.* *See Paragraph 193 of Transitional Provisions*]

**Section 5. Restrictions for the Employer**

[30 November 2000]

**Section 6. Restrictions for the Payer**

1. Each resident of the Republic of Latvia may have only one salary tax booklet (hereinafter – the booklet) granted by the State Revenue Service. The booklet shall be submitted at one place of earning the income by the payer’s choice. A micro-enterprise taxpayer has no right to submit the booklet at the place of earning the income.

2. The Cabinet shall determine the procedures for granting and submission of the booklet, the data to be included in the booklet, and also the procedures by which the State Revenue Service provides the information to the employer or other institution on changes in respect of reliefs to be applied to the payer.

[*6 November 2013; 16 November 2021*]

**Section 6.1 Special Conditions Arising from the Membership of Latvia in the European Union**

In order to ensure free movement of persons, goods, services, and capital in accordance with the Treaty Establishing the European Community:

1) the State Revenue Service shall apply the same conditions to the income of a domestic taxpayer obtained in other European Union Member States or European Economic Area States (the country of origin of such income is another European Union Member State or a European Economic Area State) as to the income obtained in Latvia, unless it has been laid down otherwise in this Law;

2) a foreign taxpayer who is a resident of another European Union Member State or a European Economic Area State is entitled, in calculating the tax, to apply exemption from tax and to perform the deductions specified in the law (the non-taxable minimum, reliefs for dependant persons, eligible expenditure, and also to deduct mandatory State social insurance contributions from the income of the taxation year) in the same amount as a resident if he or she has obtained income during the taxation year in Latvia which exceeds 75 per cent of all total income obtained by a non-resident.

[*16 November 2021*]

**Chapter II**

**Determination of the Annual Taxable Income**

**Section 7. The Annual Income of the Payer**

The annual income of the payer shall consist of the aggregate of money, natural values and services received within the whole taxation period (calendar year).

[*31 May 1995*]

**Section 8. Sources of the Annual Taxable Income**

1. The income for which salary tax must be paid in accordance with Paragraphs two, four, and five of this Section, and also the rest of the income referred to in Paragraph three of this Section shall constitute the annual taxable income of the payer.

2. Salary, premiums, single and regular remuneration and other income an employee receives on the basis of current or past employment relationship in commercial companies, cooperative societies, European commercial companies, European cooperative societies, European interest groups, State and local government institutions, associations, foundations, farms or fish farms, organisations and from natural persons (also individual merchants), and also remuneration for the performance of duties of the civil service and income from the performance of other contracts of employment shall be regarded as the income for which the salary tax must be paid in conformity with Cabinet regulations.

2.1 Salary tax shall be paid for income which is acquired for the fulfilment of duties in the council or board of directors of capital companies, cooperative societies, European commercial companies and European cooperative societies registered in the Republic of Latvia irrespective of whether the income is received from a capital company registered in the Republic of Latvia or another capital company which is not the resident in the Republic of Latvia, and also regarding income which is acquired for the fulfilment of duties in an elected State administration institution, other elected offices and in an office to which the person is appointed on the basis of a decision of the *Saeima*, the Cabinet or a local government council.

2.2 It shall be considered that a natural person (payer) acquires income in respect of which salary tax shall be paid if at least one of the following features has been determined:

1) the payer has economic dependence upon the persons to whom he or she provides services;

2) the assumption of financial risk in the fulfilment of non-profit work or in the case of a lost debtor debt;

3) the integration of the payer into an undertaking to which he or she provides his or her services. Integration into an undertaking within the meaning of this Section is the existence of work or recreational areas, a duty to observe the internal procedures regulations of the undertaking and other similar features;

4) the existence of actual holidays and leave for the payer and the procedures for the taking thereof in association with the internal procedures regulations of the undertaking or the work schedule of other natural persons employed in the undertaking;

5) the work of the payer occurs under the management or control of other person, and the payer does not have possibility of involving in the implementation of work his or her personnel or to use sub-contractors;

6) the payer is not the owner of fixed assets, material or other assets, which are used in economic activities (this criteria does not apply to personal automobiles or separate personal instruments, which are used for the implementation of work tasks).

2.3 The income referred to in Paragraphs two and 2.1 of this Section shall also include the benefit of an employee, a participant, a member of the board of directors or member of the council of a capital company, a person who fulfils duties in an elected position, and also of the family members of such persons (hereinafter – the beneficiary) gained from the use of a passenger car belonging to an employer or at the disposal of an employer for such tasks or requirements which are not related to the performance of employment or service duties or the economic activities of the employer, if an enterprise tax for a passenger car is not paid for a passenger car in the month of gaining of the benefit. Within the meaning of this Paragraph of the Section, parents, grandparents, spouse, children, and grandchildren shall be considered as the family members of a natural person. A salary tax should be paid for the benefit gained from the use of the passenger car belonging to the employer or at the disposal of the employer, if an enterprise tax for a passenger car is not paid for such a passenger car.

2.4 In respect of the benefit gained from cars which are exempted from imposition of company car tax in accordance with Section 14, Paragraph one, Clause 6 of Law on the Vehicle Operation Tax and Company Car Tax, Paragraph 2.3 of this Section shall not be applied to a merchant corresponding to the requirements of Section 14, Paragraph one, Clause 6 of the Law on the Vehicle Operation Tax and Company Car Tax (also permanent representation of the non-resident), to members of the council or the board of directors and employees thereof, and also to an owner of farm, family members and employees thereof. Paragraph 2.3 of this Section shall not be applicable to the owner of a fish farm, family members and employees thereof, and members of the council and board of directors and employees of a cooperative society of agricultural services corresponding to the annual conformity criteria necessary for granting of aid laid down in the laws and regulations.

2.5 Income obtained from the implementation of the stock (within the meaning of the Enterprise Income Tax Law) purchase option which has been granted to an employee, member of the council or board of directors by the employer or capital company, which is a person related to the employer within the meaning of the law On Taxes and Fees, on the basis of employment relationship shall also be considered as income for which the salary tax must be paid. Income obtained from the implementation of the abovementioned stock purchase option shall not be subject to tax in the cases referred to in Section 9, Paragraph one, Clause 43 of this Law.

2.6 Within the meaning of Paragraph 2.5 of this Section, and also Section 9, Paragraph one, Clause 43, Section 9, Paragraph eleven, and Section 11.11 of this Law an employment relationship with a council or board of directors of a capital company shall be equalled also to relations established on another basis, on the basis of which members of the council or board of directors of the capital company fulfil their duties in the capital company, in turn a member of the council or board of directors of the capital company shall be equalled to an employee.

2.7 The issued cash or non-cash advance which is granted to an employee, a member of the board of directors, a member of the council, an owner, a participant or a member by commercial companies, cooperative societies, European commercial companies, European cooperative societies, European economic interest groups, associations, foundations, individual undertakings, farms or fish farms, organisations, individual merchants or natural persons who have registered with the State Revenue Service as the performers of economic activity, if settlement of accounts has not been performed for it or a part thereof within 90 days after the end of an official travel or work trip, but in other cases – within 90 days from the day when cash or non-cash advance was issued. Within the meaning of this Paragraph the period of 90 days shall be counted from the next day after the end of an official travel or work trip, or after the day when cash or non-cash advance was issued.

2.8 Paragraph 2.7 of this Section shall not be applied, if the total remaining amount of cash or non-cash advances at the disposal of a recipient of the advance does not exceed the amount of minimum monthly salary determined in the State.

2.9 It shall be considered that a member of the board of directors of a capital company has obtained income taxable with salary tax which conforms to the amount of minimum monthly salary laid down in the laws and regulations in the current month of the taxation year, when there was no employee or member of the board of directors in a capital company who obtained remuneration which was not less than the amount of minimum monthly salary laid down in the laws and regulations if the monthly turnover of the relevant taxation year exceeds the amount of five minimum monthly salaries laid down in the laws and regulations.

2.10 Paragraph 2.9 of this Section shall not be applied:

1) if any member of the board of directors in a capital company which conforms to the criteria referred to in Paragraph 2.9 of this Section obtains remuneration which is not less than amount of five minimum monthly salaries specified in the laws and regulations in the current month in other capital company as a member of the board of directors, and both capital companies are in one group of companies;

2) in the calendar year when the capital company has been registered with the Register of Enterprises.

2.11 The seasonal agricultural worker income tax shall be paid for seasonal agricultural workers in accordance with Section 11.12 of this Section.

2.12 [27 November 2011 / See Paragraph 162 of Transitional Provisions]

3. The following shall be regarded as the rest of the income of a natural person for which the tax must be paid:

1) income from undertaking contracts, commercial agent and brokerage activities;

2) income from individual undertaking activities, and also farm or fish farm, unless they are not object of enterprise income tax, and income from individual merchant activities;

3) income from a foreign partnership if such partnership is not the enterprise income taxpayer or payer of the tax equal thereto in the foreign state, and also from alternative investment fund which is established as a limited partnership;

4) income which participants (members) to a commercial company, cooperative society, organisation, association and foundation receive in the case of liquidation or reorganisation of the commercial company, cooperative society, organisation, association and foundation, unless it is otherwise provided for in Section 9, Paragraph one, Clause 2.2 of this Law;

5) income from the leasing or renting of immovable property (buildings, parts of buildings, apartments, land);

6) income from the transfer of an object (land, premises) further to a sub-lessee or sub-tenant;

7) income from leasing movable property;

8) payment for intellectual property;

9) donations received from merchants, cooperative societies, individual undertakings, farms or fish farms, institutions, organisations, associations and foundations, and also donations received from natural persons – performers of economic activity which have been disbursed within the scope of the economic activity of the natural person;

10) pensions irrespective of the source of the disbursement thereof;

101) income equivalent to pension;

102) State funded pension capital which is inherited in case of the death of a participant of a State funded pension scheme and which is calculated for an heir prior to extinguishing liabilities of the heir against the social insurance special budget and the State basic budget arising out of overpayments of social insurance services, State social benefits, and service pensions in accordance with the law On State Social Insurance if the heir has decided to receive it by a transfer to a payment account with a credit institution;

11) income from the alienation of immovable property and income from the alienation of other capital assets in accordance with Section 11.9 of this Law if not specified otherwise in Section 9 of this Law;

111) other income from capital, other than referred to in Clauses 11, 12, 13, 18, and 20 of this Paragraph;

12) dividends, unless otherwise provided for in Section 9 of this Law;

121) income equal to dividends and notional dividends, unless otherwise provided for in Section 9 of this Law;

122) income from significant participation in a foreign company in accordance with the conditions of Section 17.3 of this Law regardless whether profit of the foreign company has been divided;

13) interest income and income equivalent thereto and income related to the interest income;

14) an increase in the value of immovable property or a part thereof which was obtained upon expiry of the lease contract and which was ensured by the reconstruction, restoration, renovation, improvement or other capital investments performed by the lessee to the leased property, if the abovementioned increase or part thereof the payer has not compensated to the lessee;

15) income from the alienation of a forest growing on the property of a natural person for felling and the alienation of the timber obtained therein, and also the support sums economic activity restrictions to the forest owners for whom the forest management is not the type of economic activity;

151) income from scrap sale;

16) [28 July 2017];

17) [28 July 2017];

18) income from investment of payments in private pension funds;

19) income of hired personnel or income equivalent thereto irrespective of who receives this income on behalf of a natural person;

20) income from life insurance contracts entered into with accumulation of funds;

201) income from life-long pension insurance contract (with accumulated funded pension capital in accordance with the State Funded Pension Law) which is formed from gratifications granted by an insurer;

202) loans equivalent to income;

203) income caused by reduced loan interest payments;

204) prizes of lotteries and gambling, unless otherwise provided for in Section 9, Paragraph one, Clause 5 of this Law;

205) income arising as a result of reduced or extinguished liabilities, except for the income referred to in Section 9, Paragraph one, Clauses 8.3, 35.1, 35.2, 35.3, 35.4, 35.5, 35.6, and 45 of this Law;

21) other income not referred to in Section 9 of this Law.

4. Paragraph two of this Section shall not apply to the income that a natural person obtains on the basis of employment relationship which provides for the employment of such person on a ship used in international transport. For the month of the taxation year in which the person was employed (in employment relationship) on a ship used in international transport, the income of the referred to person for which salary tax has to be paid shall be the part of the income obtained on the basis of employment relationship in the following amount:

1) to officers – in the amount of 2.5 monthly minimum salaries stipulated by the Cabinet;

2) to other personnel – in the amount of 1.5 monthly minimum salaries stipulated by the Cabinet.

4.1 The provisions of Paragraphs two and three of this Section shall not apply to income, which in conformity with Council Regulation No 259/68 a natural person – resident of the Republic of Latvia – receives from the European Community (the institutions thereof) and which is taxed with Community taxes in accordance with Council Regulation No 260/68.

4.2 The provisions of Paragraphs two and 2.2 of this Section shall not apply to the seasonal agricultural worker income for which the seasonal agricultural worker income tax is paid in accordance with Section 11.12 of this Law.

5. The premium amounts made for private pension funds registered in the Republic of Latvia or other European Union Member State or European Economic Area State, or Member State of Organisation for Economic Co-operation and Development in conformity with licensed pension plans and for life insurance (with accumulation of funds) to insurance company registered in the Republic of Latvia or other European Union Member State or European Economic Area State, or Member State of Organisation for Economic Co-operation and Development which in total do not exceed 10 per cent of the gross remuneration for work calculated for the payer in the taxation year and amounts of payments of insurance premiums made for life, health and accident insurance of employees (without accumulation of funds) which do not exceed 10 per cent of the gross remuneration calculated for the payer in the taxation year, but not more than EUR 426.86 per year shall be excluded from the income of the payer for which the salary tax is paid, provided that the following conditions have been met:

1) the term of validity of the life insurance contract (with accumulation of funds) is not less than 10 years;

2) the term of validity of the life, health and accident insurance contract (without accumulation of funds) is not less than one year;

3) the provisions of the life, health and accident insurance contract provide that the insurance indemnity regarding an insurable event is disbursed to the insured person (or the acquirer of its benefit), other amounts pertaining to validity of the contract or the termination thereof is disbursed to the employer (insurance policy holder), and do not provide for the issuing of loans to the insured persons;

4) [20 December 2004].

5.1 If a life insurance contract (with accumulation of funds) is terminated before the term, without reaching the term of validity of 10 years specified in Section 8, Paragraph five, Clause 1 of this Law, a taxable income in the taxation year when the repurchase amount is disbursed (or – if the calculated repurchase amount is zero – in the year when the contract is terminated before the term), shall be increased by payments of insurance premiums included in eligible expenditure in the previous taxation years in relation to such terminated contract. Such tax rate determined for paid employment income which has been determined in the year when the requested repurchase amount is disbursed shall be applied to the referred to income.

5.2 The percentage restriction laid down in Paragraph five of this Section – 10 per cent of the gross remuneration for work calculated for the payer in the taxation year – shall not be applied to the payer in proportion to those calendar days of the taxation year when the payer has been on child-care leave, and also to calendar days of temporary incapacity, prenatal and maternity leave for which the payer has been issued a sick-leave certificate B, in respect of:

1) the paid in life (without accumulation of funds), health or accident insurance premiums;

2) contributions in private pension funds in conformity with licensed pension plans and life insurance premium payments (with accumulation of funds) of the abovementioned contributions and payments:

a) do not exceed the amount of payments made before the payer has taken child care leave or before issuance of the sick-leave certificate B;

b) are carried out in conformity with usually implemented policy of the employer, including in conformity with agreements governing employment relationship or internal rules of procedure issued by the employer.

6. [1 December 2009]

7. [1 December 2009]

8. [1 December 2009]

9. [1 December 2009]

10. [28 July 2017]

11. Within the meaning of this Law, the income equivalent to dividends shall be:

1) the income of the owner of an individual undertaking (also farm or fish farm) who is an enterprise income taxpayer, when performing the distribution of retained profits of the individual undertaking (also farm or fish farm) for the reporting year and previous years;

2) refund of the profit made by a cooperative society to the members of the cooperative society in conformity with the amount of services of the cooperative society used by them, or any other distribution of the profit of the cooperative society to its members;

3) a part of the profit of a partnership disbursed to a member of the partnership, except for the taxable income referred to in Section 3, Paragraph three, Clause 5 and Section 8, Paragraph three, Clause 3 of this Law.

11.1 Within the meaning of this Law, income equivalent to the interest shall be income from the alienation of debt securities.

11.2 Within the meaning of this Law, payment for intellectual property shall be any payment received as remuneration for the copyright and related rights or as remuneration for the right to use copyright and related rights to works of literature, science, or art, including computer programs, films, sound recordings, patents, trademarks, sample design or model, plan, secret formula or process, or for the right to use manufacturing, commercial, or scientific equipment or for the use thereof, or for information in respect of industrial, commercial, or scientific activity and experience.

11.3 If the payment for intellectual property is disbursed by a disburser of the income other than a collective management organisation, the abovementioned income is considered, within the meaning of this Law, income from economic activity, unless the income obtained, according to its economic essence, is considered to be paid work income in accordance with the conditions of Paragraph 2.2 of this Section.

12. In applying Paragraph three of this Section, dividends or profit, or a part of increase in assets value which has been disbursed to the payer by a foreign company in which the payer (resident) has a significant participation from income for which tax has been paid already in accordance with Section 17.3 of this Law shall not be included in the payer’s income subject to tax.

13. Within the meaning of this Law, the income equivalent to pension shall be insurance indemnity which is disbursed to an insured person according to the agreement on life-long pension insurance (with accumulated funded pension capital in accordance with the Law on State Funded Pensions).

14. Within the meaning of this Law, to income obtained from the alienation of a forest growing on the property of a natural person for felling and the alienation of the timber obtained therein shall also be equated income obtained by selling branches which are intended for chipping and obtained outside forest land, by cleaning the agricultural lands from bushes or in the forest by making felling area.

15. Catering expenses and medical treatment expenses of an employee specified in the collective agreement and paid by an employer shall be excluded from the income of the payer for which the salary tax is paid, if they do not exceed EUR 480 per year (on average EUR 40 per month) and the employer fulfils the following conditions:

1) catering expenses and medical treatment expenses of all employees specified in the collective agreement and paid by an employer do not exceed five per cent of the total annual gross salary fund of the employer;

2) the employer employs at least six employees;

3) on 15 December of the pre-taxation year the employer has no tax (duty) debts (including debts of the State social insurance mandatory contributions) which in total exceed EUR 150 in accordance with the information present on the date of the last data update of the database of tax (duty) debtors administered by the State Revenue Service;

4) the employer, upon such a decision of a competent authority or a court ruling which has entered into effect and has become not subject to appeal, has not been found guilty of an infringement within two taxation years which presents itself as:

a) employment of one or more such citizens or nationals of countries who are not citizens or nationals of the European Union Member States, if they reside in the territory of the European Union Member States illegally;

b) employment of a person without an employment contract entered into in writing if data on obtaining the status of an employee has not been provided within the time period specified in tax laws and regulations;

c) failing to investigate an accident at work in conformity with the requirements of laws and regulations or concealment thereof if serious health disorders have been caused or death has set in for an employee in the result of such accident;

5) the employer has carried out economic activities for at least one complete calendar year before the taxation year in which the exemption application is commenced in respect of employees;

6) insolvency proceedings have not been declared for the employer, its economic activities have not been suspended or it is not under liquidation.

16. If an employer is a participant to the group of companies and conditions of the collective agreement apply to the entire group of companies, the criterion referred to in Paragraph fifteen, Clause 5 of this Section shall be applied to all participants of the group of companies in general.

17. If the conditions referred to in Paragraphs fifteen and sixteen of this Section are not fulfilled, an employer shall pay a tax from his or her own funds for the exemption referred to in Paragraph fifteen of this Section used unjustifiably.

18. If the employer to employees – payers – of which the exemption from tax laid down in Paragraph fifteen of this Section is applied fails to meet any of the criteria laid down for the application of the exemption, the referred to exemption shall be applied to the payer from the beginning of the taxation year up to the month in which the employer meets the criteria laid down for the application of the exemption (in proportion to the number of months).

19. The exemption laid down in Paragraph fifteen of this Section shall not be applied if the employer is a State, local government, public person or public-private capital company.

20. Within the meaning of this Law, a group of companies shall consist of a main company and all sub-companies of the main company where:

1) the parent undertaking – a member of the group of undertakings – shall be a legal person or natural person who is a resident of the Republic of Latvia or of such state with which Latvia has entered into a convention or an agreement on the prevention of imposition of double taxation and tax evasion, or a resident of another state of the European Economic Area which is not recognised also as a resident of another state (that is not a state of the European Economic Area) subject to the effective convention on the prevention of imposition of double taxation;

2) the subsidiary undertaking of the parent undertaking – a member of the group of undertakings – shall be a domestic undertaking within the meaning of the Enterprise Income Tax Law or an undertaking that is a resident of such state with which Latvia has entered into a convention or an agreement on the prevention of double taxation and tax evasion, or a resident of another state of the European Economic Area, which is not recognised also as a resident of another state (that is not a state of the European Economic Area) based on the effective convention on the prevention of imposition of double taxation, of which at least 90 per cent are held by:

a) the parent undertaking;

b) one subsidiary undertaking of the parent undertaking or several such undertakings;

c) the parent undertaking and one of its subsidiary undertakings or jointly by several subsidiary undertakings in any combination.

21. In applying Paragraph twenty of this Section, it is considered that 90 per cent of the undertaking are held by one member of the group of undertakings or several such members if the provisions of Clause 1 or 2 of this Paragraph are conformed to:

1) in cases when all stock or capital shares of the undertaking grant equal rights and privileges to their owners, if one member of the group of undertakings or several such members hold at least 90 per cent of the stock or capital shares of that undertaking;

2) in cases when all stock or capital shares of the undertaking do not grant equal rights and privileges to their owners, if both of the following conditions are fulfilled:

a) one member of the group of undertakings or several such members hold at least 90 per cent of the market value of the issued stock or capital shares of that undertaking;

b) one member of the group of undertakings or several such members hold at least 90 per cent of all votes of the shareholders (owners of shares) of that undertaking, which may be counted upon each case of voting.

22. Within the meaning of Paragraph three, Clause 20.5 of this Section, the extinguished or reduced tax liability (debts) and related extinguished or reduced late payment charges and fines shall not be considered as income.

[*31 May 1995; 19 December 1996; 20 November 1997; 30 November 2000; 22 November 2001; 21 February 2002; 11 December 2003; 20 December 2004; 20 October 2005; 19 December 2006; 17 May 2007; 8 November 2007; 14 November 2008; 1 December 2009; 9 August 2010; 20 December 2010; 8 September 2011; 22 September 2011; 15 November 2012; 19 September 2013; 6 November 2013; 6 March 2014; 17 December 2014; 30 November 2015; 23 November 2016; 28 July 2017; 22 November 2017; 27 November 2020; 17 December 2020; 16 November 2021; 20 October 2022*]

**Section 8.1 Loans Equivalent to Income**

1. A loan (part thereof) which a natural person who does not take the loan within the framework of economic activities has not repaid within six months after the time period for loan repayment specified in the loan agreement, but not later than within 66 months from the day of issue of the loan, shall be equivalent to income, except for the cases laid down in Paragraph two of this Section.

2. The following shall not be equivalent to income:

1) a loan issued by one creditor (also sum of several loans) which does not exceed EUR 1500;

2) a loan issued to a natural person, spouse thereof, or persons in kinship thereto to the third degree within the meaning of the Civil Law, in order to cover expenditure for medical treatment within the meaning of Section 9, Paragraph one, Clause 35, Sub-paragraph “d” of this Law or expenditure for education within the meaning of Section 9, Paragraph one, Clause 35, Sub-paragraph “c” of this Law, if the loan is received in the form of a non-cash settlement and the beneficiary of the loan justifies the use thereof for medical treatment or education accordingly with the following documents at his or her disposal:

a) the referral or diagnosis of a physician which certifies the need for medical treatment (is at the disposal of the payer commencing from the day when the loan was received);

b) corroborative documents which certify the use of the loan within two years from the day of receipt of the loan for the purpose of medical treatment or education laid indicated in the loan agreement;

3) loans which are issued to a natural person by the person with whom he or she is connected by marriage or kinship to the third degree within the meaning of the Civil Law.

3. Criteria of the loan agreement for the application of procedures for determining of taxable income in accordance with Paragraph nine or ten of this Section, if the loan for a natural person who does not take a loan within the scope of economic activity is issued by a merchant, individual undertaking (farm or fish farm), cooperative society, permanent representation of the non-resident, association, foundation, organisation, natural person who has registered with the State Revenue Service as a performer of economic activity or two or more persons joined on the basis of the agreement shall be as follows:

1) a loan agreement has been entered into in writing;

2) a loan is issued in the form of a non-cash settlement and repayment of loan is to be performed in the form of a non-cash settlement;

3) a time period for repayment of the loan laid down into the loan agreement does not exceed 60 months;

4) on the day of issuing of the loan a creditor does not have any tax debts older than one month from the day of payment laid down in the relevant tax law;

5) the maximum amount of a loan (total sum thereof) does not exceed multiplication acquired by multiplying 30 per cent of the average monthly gross income of the borrower at the creditor during the last 12 months until the day of issuing of the loan by 60, but, if the borrower – owner (participant, member) does not acquire income from the creditor – maximum amount shall not exceed the amount of own capital of the creditor applicable to the borrower (in accordance with the last approved annual account);

6) the sum of all loans provided by a creditor to natural persons who do not take the loan within the framework of economic activities shall not exceed the own capital of the creditor (according to the last approved annual account).

4. If a loan agreement entered into by a natural person who does not take a loan within the framework of his or her economic activities is entered into with the non-resident other than the resident of other European Union Member State or European Economic Area state, and a creditor is located, is established or founded in a country with which Latvia has not entered into convention on prevention of double taxation and tax evasion and it has not come into force, or in the country or territory of low taxes or tax haven, the loan agreement shall be entered into in the form of a notarial deed.

5. Information to the State Revenue Service on loans issued to a natural person during a taxation year the amount of which (total amount thereof) for one natural person exceeds EUR 15 000, or regarding loans the amount of which (total amount thereof) does not exceed EUR 15 000 in a pre-taxation year, but together with a loan issued in a taxation year exceeds EUR 15 000, and also the information on the entered into loan agreement and the amount of loan until 1 June of the post-taxation year, shall be provided in accordance with the procedures and in the amount stipulated by the Cabinet by:

1) a creditor, if it is a merchant, individual undertaking (farm or fish farm), cooperative society, permanent representation of the non-resident, association, foundation, organisation, natural person who is registered with the State Revenue Service as a performer of economic activity, or two or several person joined on the basis of the agreement;

2) payer or a natural person himself or herself – a borrower, if the creditor is a natural person – resident who does not issue a loan within the framework of his or her economic activities, or the resident, or in other cases.

6. The information laid down in Paragraph five of this Section shall be provided also in the case when the creditor issue a new loan to a natural person in addition to the loan (total sum thereof), on which the information has already been provided to the State Revenue Service and non-repaid part of the previously issued loan exceeds EUR 15 000 on the day of issue of the loan.

7. A borrower shall not provide the information referred to in Paragraph five, Clause 2 and Paragraph six of this Section to the State Revenue Service, if the creditor is connected with the borrower by marriage or kinship to the third degree within the meaning of the Civil Law.

8. If the day of coming into effect of the loan agreement is other than the day of money transfer, the day of money transmission (also set-off) or day of disbursement shall be regarded as the day of issue of the loan. If the total amount of loans issued to a natural person by one creditor exceeds EUR 1500, the onflow of the time period for repayment of the loan laid down in Paragraph one of this Section shall be started to count from the day of issue of the loan with which the total amount of loans exceeds EUR 1500.

9. If a loan is equalled to income and the loan agreement conforms to the criteria laid down in Paragraph three of this Section or if the creditor is a natural person who does not provide the loan within the framework of economic activities thereof or the non-resident, the non-repaid part of the received loan shall be equalled to the taxable income (gross income) of the payer from which the payer shall calculate personal income tax in accordance with the rate specified in Section 15, Paragraph two of this Law and in the cases laid down in this Law – also additional rate laid down in Section 15, Paragraph eleven.

10. If a loan is equalled to income and the loan agreement fails to conform to the criteria laid down in Paragraph three of this Section, the non-repaid part of the received loan shall be equalled to the income of the payer after payment of tax. The creditor shall calculate the taxable income of the payer – borrower and apply thereto the rate specified in Section 15, Paragraph two of this Law, and in the cases laid down in the Law – also additional rate specified in Section 15, Paragraph eleven of this Law, and also pays the tax into the budget from its own means in accordance with the procedures laid down in Section 17 of this Law.

11. If a loan is equalled to income and the loan agreement fails to conform to the condition referred to in Paragraph four of this Section or a natural person – borrower – has not provided information in accordance with Paragraph five, Clause 2 of this Section, the loan shall be equalled to income, by considering that the income is obtained on the day of detection of the loan fact (if the repayment of the loan is not performed until that day). If the fact of the loan taking is detected during the tax review (audit) and the information thereon is not provided to the State Revenue Service in accordance with the procedures laid down in the law, it shall be considered that income is obtained on the last day of the taxation period regarding which tax review (audit) is performed.

12. If the payer –resident performs repayment of loan after the borrower (disburser of the income) has sent a notification in respect of this income to the State Revenue Service in accordance with the procedures laid down in the law regarding the disbursed income, the payer – resident shall inform the State Revenue Service of repayment of loan equalled to income by appending documents attesting the repayment thereof.

13. If the payer – resident following the submission of the return for the taxation year performed repayment of loan equalled to income, he or she is entitled to submit adjusted return for the relevant taxation year in accordance with the procedures laid down in the law and request the State Revenue Service to repay the overpaid tax sum.

14. If the payer – non-resident performs repayment of loan after the borrower (disburser of the income) has sent a notification in respect of this income to the State Revenue Service in accordance with the procedures laid down in the law regarding the disbursed income and has deducted the tax, the payer – non-resident may submit the return for the taxation year in accordance with the procedures laid down in the law and request the State Revenue Service to refund the overpaid tax sum.

15. If a borrower – merchant, individual undertaking (farm or fish farm), cooperative society, permanent representation of the non-resident, association, foundation, organisation, natural person who has registered with the State Revenue Service as a performer of economic activity, or two or more persons joined on the basis of the agreement – cede the claim referred to in this Section, he or she shall calculate the taxable income in accordance with Paragraph ten of this Section and pay tax into the single tax account (within the meaning of the law On Taxes and Fees) by the 23rd day of the month following the month of ceding the claim.

16. Onflow of the time period of repayment of loans laid down in Paragraph one of this Section shall be suspended on the day of announcement of the insolvency proceedings of a natural person – borrower for a time period of the insolvency proceedings. If a court, upon termination of the procedure for extinguishing of obligations laid down in the Insolvency Law, takes a decision to release a debtor from the obligations of the remaining debt that are indicated in the plan for extinguishing of obligations of a natural person, the loan (part thereof) shall not be equalled to income in accordance with the procedures laid down in this Section, and the relief laid down in Section 9, Paragraph one, Clause 35.2 of this Law shall be applied to the income obtained by the payer.

17. Provisions of this Section shall not be applied, if a creditor is a credit institution or the Development Financial Institution, or a savings and loan company, or a capital company which has received a special permit (licence) for the provision of consumer crediting service.

[*6 November 2013; 17 December 2014; 28 July 2017; 23 May 2019*]

**Section 8.2 Income Caused by Reduced Interest Payments of the Loan**

1. For a natural person for whom a loan has been issued by a merchant, individual undertaking (farm or fish farm), cooperative society, permanent representation of the non-resident, association, foundation, organisation, natural person who has registered with the State Revenue Service as a performer of economic activity, or two or more persons joined on the basis of the agreement (hereinafter in this Section – the creditor), if such natural person does not take a loan within the framework of his or her economic activity, the income caused by reduced interest payments of the loan shall be determined as a positive difference between interest payments that are calculated by applying to the issued loan an annual weighted interest rate of the credits issued to domestic non-financial undertakings in a pre-taxation year stipulated by *Latvijas Banka* for credits issued in the relevant currency in the pre-taxation year which is multiplied with a coefficient 0.7 (hereinafter – the conditional market price) and interest payments calculated in a taxation year in conformity with the loan agreement.

2. A borrower referred to in Paragraph one of this Section can be both, resident and non-resident.

3. If in accordance with the law On Taxes and Fees a borrower has an obligation to provide information on transactions with related persons, the borrower shall determine the income caused by the reduced interest payments of the loan as a positive difference between the interest payments calculated in conformity with the law On Taxes and Fees and interest payments calculated for a taxation year in conformity with a loan agreement.

4. If the income caused by reduced inters payments of the loan that is laid down in accordance with Paragraph one of this Section and the income that is laid down in accordance with Paragraph three of this Section differ, the smallest income of these two shall be regarded as income caused by reduced interest payments of the loan.

5. If a loan is equalled to income in accordance with Section 8.1 of this Law, the interest payments laid down in the loan agreement, but actually not paid (a part of non-paid interest payments), shall be regarded as income.

6. If a loan is issued for a period of time which is shorter than a calendar year, the income referred to in Paragraph one of this Section shall be determined in proportion to the number of months until the time period for repayment of loan laid down in the loan agreement.

7. The provisions of this Section shall not be applied to interest payments for loans which are issued by a credit institution, the Development Financial Institution, a savings and loan company, or a capital company which has received a special permit (licence) for the provision of consumer crediting service.

8. The provisions of this Section shall not be applied, if the creditor is an individual undertaking (farm or fish farm), but a borrower – the owner of such individual undertaking (farm or fish farm).

[*6 November 2013; 17 December 2014 /* *Amendments to Paragraph seven shall come into force on 1 March 2015.* *See Paragraph 113 of Transitional Provisions*]

**Section 9. Types of Non-taxable Income**

1. The following types of income shall not be included in the annual taxable income and the tax shall not be imposed upon:

1) income from agricultural production and the provision of rural tourism services, and also of mushrooming, berry-picking, the collection of wild medicinal plants and flowers or individuals of non-game species – edible snails (Helix pomatia) if it does not exceed EUR 3000 a year taking into account the conditions in Paragraphs 3.1, 3.2 and 3.5 of this Section;

2) [1 December 2009];

21) dividends, income equal to dividends or notional dividends if regarding calculated dividends, income equal to dividends or notional dividends on the level of undertaking from the part of the profit from which the dividends, income equal to dividends or notional dividends are paid if one of the following conditions is fulfilled:

a) the enterprise income tax has been paid in the Republic of Latvia in accordance with the Enterprise Income Tax Law (this exemption shall not be applied if the enterprise income tax has been paid in accordance with the law On Enterprise Income Tax);

b) the enterprise income tax or tax equal thereto has been paid in a foreign state or the personal income tax or tax equal thereto has been deducted from dividends, income equal to dividends or notional dividends;

22) liquidation quota if one of the following conditions has been fulfilled:

a) the enterprise income tax has been paid in the Republic of Latvia in accordance with the Enterprise Income Tax Law;

b) the enterprise income tax or tax equal thereto has been paid in a foreign state or the personal income tax or tax equal thereto has been deducted from a liquidation quota in a foreign state;

3) [1 December 2009];

4) insurance indemnities which have been disbursed by insurance companies registered in the Republic of Latvia which have been founded and operate in accordance with the laws and regulations governing the field of insurance and also insurance companies registered in another European Union Member State or a European Economic Area State, or a Member State of the Organisation for Economic Co-operation and Development which have been founded and operate in accordance with the laws and regulations of the relevant state, except for such insurance indemnities disbursed in conformity with:

a) a life, health and accident insurance contract entered into by the employer (or other policyholder – a legal person) on behalf of the insured, upon the expiry date of the contract of insurance provided for in the contract of insurance or by terminating a contract before expiry of the term of validity thereof;

b) a life-long pension insurance contract (with accumulated funded pension capital in conformity with the State Funded Pension Law);

41) insurance indemnities which have been disbursed upon the occurrence of an insurable event in relation to the life and health of the insured person due to an accident or illness in accordance with the life insurance contract (including with accumulation of funds) regardless of who has entered into the insurance contract;

42) supplementary pension capital which is formed from payments made by the natural person himself or herself, spouse thereof or persons in kinship thereto to the third degree within the meaning of the Civil Law into private pension funds in conformity with licensed pension plans and disbursed to pension plan participants;

5) prizes of lotteries and gambling if the amount (total amount) of the prize (value thereof) does not exceed EUR 3000 in a taxation year;

6) income from Latvian or other European Union Member State or European Economic Area states, state and local government securities;

7) benefits to be disbursed from the budget specified in the laws and regulations (provided for in budget appropriations), also benefits disbursed from the budget of other European Union Member States or European Economic Area States, benefits which are laid down in Clauses 37, 37.1, 37.2, 38, 39, and 40 of this Paragraph, compensation for the performance of guardian duties and compensation for the performance of duties of a foster-family, except for benefits for the temporary loss of the ability to work and benefits the basis of granting of which is the persons work or service relations with a budget financed institution, or performance of duties in elected position in which a person is appointed on the basis of the decision of the *Saeima*, Cabinet or local government council, and also other benefits to be disbursed from the associations and foundations stipulated by the Cabinet;

8) scholarships disbursed from the resources of the budget, association, or foundation approved by the Cabinet or resources of those international educational or co-operation programmes participation in which has been approved by the Cabinet;

81) scholarships of up to EUR 280 per month which are disbursed by a merchant, institution, association, foundation, natural person registered as a performer of economic activity, and also an individual undertaking, including a farm or fish farm, and other performers of economic activity in accordance with the procedures stipulated by the Cabinet for organising and implementing the work-based learning;

82) scholarships which are disbursed to an educatee of higher educational institution who studies medical education programme, for promoting the acquisition of the education programme, and which are disbursed from the means of a medical treatment institution;

83) income obtained as a result of repaying a study loan and a student loan;

9) income obtained as a result of inheritance, except for the remuneration (remuneration for the copyright and related rights) which is disbursed to the heirs of the copyright and for the State funded pension capital which is inherited in case of the death of a participant of a State funded pension scheme and which is calculated for the heir prior to extinguishing the liabilities of the heir against the social insurance special budget and the State basic budget arising out of overpayments of social insurance services, State social benefits, and service pensions in accordance with the law On State Social Insurance if the heir has decided to receive it by a transfer to a payment account with a credit institution;

10) material and monetary prizes (premiums) received at competitions and contests the total value of which in the taxation year does not exceed EUR 143, and the prizes and premiums acquired at international contests the total value of which does not exceed EUR 1423 a year, and also the financial incentive disbursed to the laureates of the prizes of the Baltic Assembly and prizes of the Cabinet;

11) allowance (alimony);

12) amounts received on the basis of a judgement of a court or in accordance with agreement entered into in the form of a notarised document regarding division of joint property of spouses in connection with a divorce;

13) compensation in accordance with the procedures laid down by legislative enactments for losses in the case of loss of ability to work related to mutilation or other damage to health, and also in connection with the loss of a provider;

14) funeral benefit which is granted in the case of the death of an employee, the kin (immediate family) thereof and the value of which does not exceed EUR 250;

15) assistance in the case of a natural disaster or other exceptional circumstances if it has been provided on the basis of a decision of State or local government administrative bodies;

16) disbursements of compensation within the scope of the norms laid down in laws and stipulated by the Cabinet, except for compensation for unused leave;

161) the norms for the compensation of the expenses of official travel and work travel in the amount stipulated by the Cabinet or in the amount specified in the State in which employment or service duties are performed (the place of work is located in another State);

17) provision in kind determined by a decision of the Cabinet, and also the amounts disbursed instead of this provision;

18) compensation for donating blood and for other types of donor help;

19) [1 December 2009];

191) [14 November 2008];

192) income from the alienation of personal property (movable objects such as furniture, clothing, and other movable objects belonging to a natural person intended for personal use), except for income from:

a) the sale of items (tangible or intangible) prepared for sale or purchased;

b) the capital gains and other income from capital;

c) scrap sale;

20) assistance provided on the basis of a decision of a trade union institution from the funds of the trade union which are formed from the payments of membership fees and donations (gifts) of foreign trade unions – EUR 1000 per year;

21) [19 December 2006];

22) [1 December 2009];

23) [19 December 2006];

24) [1 December 2009];

25) assistance in the form of money or other things, or services provided from a religious organisation or monies of an institution thereof on the basis of a decision of the religious organisation or a body of the institutions thereof (officials) – EUR 1000 per year;

26) goods and services lottery prizes;

261) receipt lottery prizes in accordance with the Receipt Lottery Law;

262) lottery prizes received in the instant win game “Sporta loterija” or the interactive game “Sporto visi”;

27) assistance in the form of money or other things, or in the form of services provided from the resources of a public benefit organisation (except for a religious organisation), or assistance which has been provided by institutions financed from the budget, charity or philanthropic organisations in things to which exemption from customs duties has been applied – EUR 1000 a year, or monetary assistance which has been provided from the resources of a public benefit organisation to a person who has been continuously ill for more than three months, or a person with disability, or a family member of such persons – EUR 2000 a year. Monetary assistance received from a public benefit organisation for covering expenditure for medical treatment (including in order to ensure transport of a patient and accompanying person to a medical treatment institution) shall not be included in the annual taxable income and shall not be taxed, if the use of the relevant sum for the purposes of medical treatment has been certified with corroborative documents which are kept by the public benefit organisation;

28) compensation for the termination of rental agreements and the freeing of dwelling space in denationalised houses or houses returned to lawful owners to tenants who have lived in the relevant house up to the restoration of property rights to the lawful owner (his or her heirs);

29) income which is acquired by providing assistance or secretly co-operating with persons performing investigative field work;

30) [1 December 2009];

31) maintenance funds which are received from special protection institutions;

32) an award granted to an employee by the employer (also a certificate of gratitude, a certificate of honour, a thank-you certificate, a diploma, a medal, a memorial cup) which does not have a nature of remuneration, but the nature of moral appreciation;

321) a gift from the employer which does not exceed EUR 15 within a taxation year;

322) a childbirth allowance of up to EUR 250 for each child born in multiple births has been granted to an employee of the employer if the allowance is disbursed within six months from the day of the birth of the child;

33) income from the alienation of immovable property which has been in the ownership of the payer for more than 60 months (from the day when the relevant immovable property was registered in the Land Register) and has been the declared place of residence of the person (which has not been declared as an additional address of the payer) for at least 12 months until the day of the entering into the alienation contract. If an immovable property which is being alienated has been inherited by legal, testamentary, or lawful manner from a natural person who is connected to the payer by marriage or kinship to the third degree within the meaning of the Civil Law, within the meaning of the Paragraph of this Section it shall be considered that the immovable property is in the ownership of the surviving spouse from the day when the relevant immovable property has been registered in the Land Register as the property of the estate-leaver;

331) income from the alienation of the immovable property that is in the ownership of the payer (from the day when the relevant immovable property is registered in the Land Register) for more than 60 months and the last 60 months until the day of the alienation of the immovable property it has been the only immovable property of the payer. If an immovable property which is being alienated has been inherited by legal, testamentary, or lawful manner from a natural person who is connected to the payer by marriage or kinship to the third degree within the meaning of the Civil Law, within the meaning of the Paragraph of this Section it shall be considered that the immovable property is in the ownership of the surviving spouse from the day when the relevant immovable property has been registered in the Land Register as the property of the estate-leaver;

34) income from the alienation of immovable property which has occurred in relation to the division of property in the case of dissolution of marriage, if it has been the declared place of residence (which has not been declared as an additional address) of both spouses at least 12 months until the day of entering into the alienation contract;

341) income from immovable property alienated in accordance with the procedures laid down in the Law on Alienation of Immovable Property for the Public Needs, provided that the abovementioned property has been in the ownership of the payer for more than 60 months (from the day when the relevant immovable property has been registered with the Land Register) or if such income is invested anew in functionally similar immovable property within 12 months after alienation of immovable property for the public needs. If the immovable property is compensated with another immovable property in accordance with the Law on the Alienation of Immovable Property for the Public Needs, in alienating the immovable property acquired through such compensation the day, on which the immovable property alienated in accordance with the Law on the Alienation of Immovable Property for the Public Needs has been registered in the Land Register, shall be deemed as the day of purchase thereof;

342) income from alienation of immovable property (the relevant immovable property is registered in the Land Register as only immovable property of the payer), if this income is invested anew in a functionally similar immovable property within 12 months following the alienation of the immovable property or before alienation of the immovable property;

343) income from a land parcel alienated in accordance with the procedures laid down in the Law on Termination of Compulsory Divided Property in Privatised Apartment Houses, if the abovementioned land parcel has been in the ownership of the payer for more than 60 months (from the day when the relevant immovable property has been registered with the Land Register);

35) gifts from natural persons;

a) in full amount – if the giver is connected to the payer by marriage or kinship to the third degree within the meaning of the Civil Law. The abovementioned norm shall not be applicable if the gift is given within the scope of economic activity;

b) up to EUR 1 425 within one taxation year – if the giver is a natural person not referred to in Sub-paragraph “a” of this Clause. This norm shall not be applicable if the gift is given by a natural person within the scope of the economic activity thereof, or if the natural person has received the gift of compensatory nature within the meaning of the Civil Law;

c) in full amount – regardless of whether the giver is connected to the payer by marriage or kinship to the third degree within the meaning of the Civil Law, if the gift is intended and the payer uses it to cover his or her expenditure for the acquisition of higher education and all levels of vocational education, expenditure for the acquisition of a speciality (occupation, profession, trade) in State accredited education institutions of Latvia, or in training institutions of the European Union Member States and European Economic Area States or upon acquiring State accredited education programmes;

d) in full amount – regardless of whether the giver is connected to the payer by marriage or kinship to the third degree within the meaning of the Civil Law, if the gift is intended and the payer uses it in order to cover his or her expenditure for using medicinal and medical treatment services, except cosmetic surgeries;

351) income which has been obtained during the time period from 1 January 2011 to 31 December 2022 as a result of reduction or repayment of loan (credit) liabilities, if all the conditions referred to below in this Clause are fulfilled:

a) the repayment of liabilities is (or at the time of occurrence of the liabilities was) ensured with a mortgage of immovable property;

b) the beneficiary of income has undertaken the liabilities with the purpose of ensuring himself or herself (or his or her family) with an immovable property intended for habitation and has used this loan for the purchase, construction, reconstruction, or improvement of immovable property;

c) [30 April 2015];

d) the beneficiary of income (in relation to the lender) is not and has not been connected with an undertaking within the meaning of the Enterprise Income Tax Law;

e) the lender and beneficiary of income are not connected by marriage or kinship to the third degree within the meaning of the Civil Law;

352) income obtained within the framework of the procedure for extinguishing of obligations laid down in the Insolvency Law when a court takes a decision to release a debtor from the remaining debt obligations, and also extinguished penalties, fines, or interest on delayed payments related to principal debt;

353) income obtained when the limitation period expires for the liabilities between a creditor and a debtor, because the creditor has not submitted the creditor’s claim in accordance with the procedures laid down in the Insolvency Law;

354) income obtained as a result of repayment of loan (credit) if in accordance with the Consumer Rights Protection Law a loan (credit) agreement provides that the immovable property for the purchase of which the loan (credit) is taken serves as a sufficient security for repayment of liabilities against the creditor in full amount and an agreement on extinguishing the loan (credit) is concluded in writing;

355) income obtained as a result of extinguishing loan (credit) obligations which have not been fulfilled due to the economic downturn in 2008 if they are extinguished unilaterally in the cases, in accordance with the procedures, and within the time period provided for in the Credit Institution Law;

356) income obtained from the release of a natural person from debt obligations in accordance with the procedures laid down in the Law on Release of a Natural Person from Debt Obligations;

357) income obtained from the alienation of a capital asset in insolvency proceedings of a natural person if the natural person has been exempted from obligations in accordance with Section 164 of the Insolvency Law;

36) compensations to be disbursed from the State budget on the basis of a court judgment which are not related to employment relationship or termination thereof or which are not compensations for the intellectual property and right thereto (remuneration, remuneration of performer, royalties of the authors of the works of science, literature and art, discoveries, inventions and works of industrial models and their heirs) or compensations for the right to use the right to intellectual property;

361) the compensation for losses not related to employment (service) relations or termination thereof and having a non-profit nature which is to be disbursed based on a decision of a State administration institution or local government institution, other derived legal person governed by public law or an institution with an autonomous budget, or a court ruling and in accordance with the Law on Compensation for Losses Caused by the State Administration Institutions;

362) a compensation paid to a victim for caused damage on the basis of a court ruling or voluntarily in criminal proceedings;

363) the compensation for losses not related to employment (service) relationship or termination thereof or having a non-profit nature which is disbursed in accordance with the Law on Compensation for Damages Caused in Criminal Proceedings and Administrative Violation Proceedings;

364) a compensation for non-pecuniary damage on the basis of a court ruling in a civil case;

37) benefit within the scope of the norms laid down in laws and stipulated by the Cabinet for injury, mutilation, or other damage caused to health to an official (employee) or a soldier, and also in case of health impairment to a soldier, if it has been obtained when performing duties of office (service, employment);

371) the benefit within the scope of the rates laid down in laws for an injury, mutilation, or other damage caused to health (except for an occupational disease) to an official with a special service rank of the institutions of the system of the Ministry of the Interior and the Prisons Administration, and an official of the State security institutions, if the person has suffered an accident but has not performed duties of service (office) associated with threats (risk) to life or health;

372) the benefit within the scope of the rates laid down in laws in the case of death of an official with a special service rank of the institutions of the system of the Ministry of the Interior and the Prisons Administration, and an official of the State security institutions;

38) benefit within the scope of the norms laid down in laws and stipulated by the Cabinet in the case of death of an official (employee), if he or she has died when performing the duties of office (service, employment), the performance of which is related to risk, or has died within one year after an accident from the health impairments sustained therein;

39) benefit within the scope of the norms laid down in laws and stipulated by the Cabinet in case of the death of a soldier, if he or she has died when performing service duties, or has died within one year after an accident from the health impairments sustained therein;

40) benefits for service in foreign states within the scope of the rates stipulated by the Cabinet;

41) benefit from the use of a passenger car belonging to an employer or at the disposal of an employer, if an enterprise tax for a passenger car is paid for such a passenger car in the month of gaining of the benefit;

42) aid for covering the costs for the implementation of the Emission Allowance Auction Instrument project;

43) income from implementation of the stock purchase option referred to in Section 8, Paragraph 2.5 of this Law, if the stock purchase option has been granted in compliance with a plan for the implementation of the stock purchase option and the following conditions implement:

a) the minimum period for holding of stock purchase option (a period from the day of granting of the stock purchase option until the day when an employee is entitled to commence the implementation of the stock purchase option) is not less than 12 months;

b) during the minimum period for holding the stock purchase option the employee is in an employment relationship with a capital company which has granted the stock purchase option to the payer or a person related thereto within the meaning of the law On Taxes and Fees has granted the stock purchase option to the payer;

c) an employer has submitted the information referred to in Section 11.11, Paragraph four of this Law to the State Revenue Service;

d) the stock purchase option is implemented not later than within six months from the day when an employment relationship has been terminated between the payer and the employer (a capital company which has granted the stock purchase option to the payer or which is a person related to the employer within the meaning of the law On Taxes and Fees);

e) a capital company which has granted the stock purchase option to the payer or a person related thereto within the meaning of the law On Taxes and Fees has failed to grant a loan to the payer which has not been repaid by the moment of implementation of the stock purchase option, except for loans which are granted by the person referred to in Section 8.1, Paragraph seventeen of this Law which is a capital company, unless the specific loans are granted for the purchase of the stock of the lender itself in implementing the stock purchase option;

44) compensations for personified expenditure related to volunteering which, in accordance with provisions of a volunteering agreement, shall be covered for a volunteer by organisers of volunteering:

a) for catering, hotel (accommodation), travel (transportation) expenses, fuel, clothing and training – within the framework of the composition and norms stipulated by the Cabinet, and the total amount of which (regardless of the disburser) shall not exceed EUR 1 000 in a taxation year;

b) for health and life insurance against accidents during volunteering if the laws and regulations provide for a mandatory obligation of an organiser of volunteering to ensure such accident insurance;

c) for civil liability insurance against third parties (except for compulsory civil liability insurance of owners of motor vehicles) if the laws and regulations provide for a mandatory obligation of an organiser of volunteering to ensure such civil liability insurance;

d) for medical examinations if the laws and regulations provide for a mandatory obligation of an organiser of volunteering to ensure such health examinations;

441) compensations for personified expenditure related to serving in a religious organisation in accordance with the types and amounts of expenditure referred to in Paragraph one, Clause 44 of this Section covered by the religious organisation for the personnel serving there according to a written agreement;

45) income obtained as a result of reduced or extinguished liabilities if one of the following conditions is met:

a) the reduced or extinguished liabilities have been included in the creditor’s base taxable with the enterprise income tax in accordance with the Enterprise Income Tax Law;

b) the reduced or extinguished liabilities have been excluded from the creditor’s base taxable with the enterprise income tax, and one of the conditions referred to in Section 9, Paragraph three, Clauses 4, 5, 6 and Clause 8, Sub-clause “b” or Clause 11 of the Enterprise Income Tax Law has been met;

46) benefit to be disbursed from the State budget for multiple (three or more children) birth;

47) grants which have been allocated within the scope of the one apartment aid programme for the restoration of residential houses and improvement of their energy efficiency for the improvement of the energy class of the building and receipt of technical assistance, and the amount of credit liabilities which has been reduced or extinguished by *akciju sabiedrība “Attīstības finanšu institūcija Altum”* [joint-stock company Development Finance Institution Altum] instead of the credit recipient within the scope of the abovementioned programme;

48) the support payment of the European Regional Development Fund for the improvement of individual thermal supply systems in households;

49) the co-financing of the territorial local government for connecting an immovable property to the centralised water supply system or centralised collecting system;

50) aid for covering the costs for ensuring asbestos waste management for households in case of changing slate roofs and thermal insulating materials.

2. If the income referred to in Paragraph one, Clauses 1, 10, 14, 16, 16.1, 20, 25, 27, Clause 35, Sub-clause “b”, Clauses 37, 38, 39, and 40 of this Section, and also in Paragraph 3.5 of this Section, exceeds the amount of the sum (rate) laid down in these Clauses, tax shall be imposed on the excess amount of the income.

3. The provisions of this Section shall not apply to an income obtained by the non-resident in Latvia, except for:

1) the income which is obtained by the non-resident who is the resident of another Member State of the European Union or a European Economic Area state, in Latvia in a taxation year and which exceeds 75 per cent of the total income obtained by the relevant non-resident;

2) the income obtained by the non-resident and referred to in Paragraph one, Clauses 2.1, 14, and 17of this Section and the compensations referred to in Paragraph one, Clauses 16 and 16.1 of this Section disbursed to the non-resident in order to cover expense of official travel or work travel related to performance of his or her work or duties of office;

3) the income referred to in Paragraph one, Clauses 33, 33.1, 34, 34.1, and 34.2 of this Section obtained by the non-resident who is the resident of another Member State of the European Union or a European Economic Area state;

4) the income referred to in Paragraph one, Clauses 2.1 and 2.2 of this Section obtained by the non-resident.

3.1 Within the meaning of this Law the agricultural production referred to in Paragraph one, Clause 1 of this Section shall be the production of products of crop production (also tree nursery growing, mushroom growing, wild berry growing), animal husbandry (also rabbit farming, poultry farming, bee-keeping and fur-farming), inland water fisheries (fish farming in private bodies of water or bodies of water transferred for use by natural persons) and horticulture also floriculture, greenhouse farming). Within the meaning of this Law, plant or animal kingdom products which are marketed in the initial (non-processed) form or after initial processing shall be considered as the products of agricultural production of the payer’s farm. The products of agricultural production prepared for selling in the payer’s farm may have a higher processing level if all the processing (except the slaughtering of livestock) is performed in his or her own farm.

3.2 The rural tourism services referred to in Paragraph one, Clause 1 of this Section within the meaning of this Law shall be the visitor accommodation services provided in rural territories or rural populated areas in specially fitted-out visitor accommodation housing or other adapted premises in which the basic number of beds does not exceed 12 and the number of supplementary beds is not larger than 6, as well as additional services associated thereof, which are based upon local cultural and nature resources.

3.3 [1 December 2009]

3.4 Paragraph one, Clause 4 of this Section shall not be applied to disbursed insurance indemnities, if the insurance premium has been included in the expenditure of economic activity of the payer.

3.5 The income referred to in Paragraph one, Clause 1 of this Section shall also include the payments received within the framework of the State aid or the European Union aid for agriculture and rural development up to EUR 3 000 per year.

3.6 For the application of Paragraph one Clauses 2.1 and 2.2 of this Section, it is assumed that the enterprise income tax or personal income tax is paid if dividends or income equal to dividends, or a liquidation quota is disbursed by a capital company registered in other European Union Member State or European Economic Area state which is established and performs its activities in accordance with the laws and regulations of the relevant state. The norm of Paragraph one, Clauses 2.1 and 2.2 of this Law shall not be applied if the disburser of the income is located, set up, or established in low tax or tax haven countries or territories referred to in the laws and regulations.

3.7 Within the meaning of this Law, notional dividends are the notional dividends within the meaning of the Enterprise Income Tax Law.

3.8 The exemption laid down in Paragraph one, Clause 2.1 of this Section shall not be applied for the calculation of the personal income tax if dividends, income equal to dividends, or notional dividends are disbursed through the use of commercial companies or other legal persons established in the Republic of Latvia, or foreign companies (hereinafter within the meaning of this Law – the structure), or a range of the structures established only or mainly with a view to evade from income tax payments or to reduce them. The following features (but not only) may indicate such purpose:

1) the structure by assessing all facts and circumstances (the economical content and essence rather than only a legal form shall be taken into account for the calculation of taxes) is to be considered as artificially established;

2) if the dividends, income equal to dividends, or notional dividends disbursed to a payer directly from the source of origin would be subject to higher personal income tax than by disbursing them through the use of the structure or a range of the structures.

4. The scholarship referred to in Paragraph one, Clause 8 of this Section shall be a single amount or an amount of money disbursed systematically for a longer period of time to a person:

1) who acquires a general or selected educational (study) programme at an educational establishment or independently;

2) for facilitating the acquisition of an educational (study) programme of dependent persons thereof at an educational establishment;

3) for the support of research work or creative work thereof.

5. Benefits within the meaning of Paragraph one, Clause 7 of this Section shall also include the lifelong grants granted in accordance with the Cabinet regulations to the State scientists emeritus and lifelong scholarships granted by the Cultural Capital Foundation to workers in the fields of culture and the arts for their contribution in the development of culture and the arts.

6. The Cabinet shall determine the procedures by which scholarships from the foundations or international educational or co-operation programmes referred to in Paragraph one, Clause 8 of this Section are granted an exemption from the imposition of personal income tax.

6.1 The State Revenue Service shall not issue the decision in writing to register the by-laws of a scholarship established but shall notify the decision by publishing information on the website of the State Revenue Service. The State Revenue Service shall post the information within one working day from the day of taking the decision. The decision shall enter into effect on the working day following the publication of the information.

6.2 In order to ensure transparency of the process of granting scholarships and to prevent evasion from personal income tax payments, the State Revenue Service, in assessing the scholarship regulations and in taking of control measures related to the disbursement of scholarships, has the right to assess the conformity of the scholarship with the definition of the scholarship referred to in Paragraph four of this Section not only according to the legal form but also economic nature, including (but not only):

1) whether, taking into account the requirements set for the beneficiary of the scholarship, another type of income (paid work income or remuneration of another type) is disbursed according to substance;

2) whether an association or foundation (fund) is used as an intermediary for the disbursement of income to a specific person (including – whether any person who meets the criteria for the receipt of a scholarship may apply for a scholarship or whether the requirements set for the applicants for scholarships narrow the potential range of beneficiaries of scholarships without justification);

3) the source of the disbursement resources of a scholarship.

7. [14 November 2008]

8. If such immovable property is alienated that is formed by a building or structure and land on which a building or structure is located, but the ownership rights to this land have been acquired and registered in the Land Register later than to the building or structure, the time of acquisition of the immovable property shall be considered the day when the building or structure is registered in the Land Register. If such immovable property is alienated that is formed by a newly erected building, a building or structure and land, but the ownership rights to this newly erected building, a building or structure have been acquired and registered in the Land Register later than to the land, the time of acquisition of the immovable property shall be considered the day when the newly erected building, building or structure is registered in the Land Register, except for the case specified in Paragraph one, Clause 33.1 of this Section.

8.1 When applying Paragraph one, Clause 33 of this Section, if a person having Latvian citizenship is residing outside Latvia for more than six months and he or she has notified the Office of Citizenship and Migration Affairs through a consular or diplomatic representation or directly regarding his or her place of residence in a foreign country in accordance with the Population Register Law, the time period referred to therein when the immovable property has been a declared place of residence of a person (12 months) shall be summarily any 12 months during the last 60 months until the day of entering into alienation agreement.

8.2 If several immovable property objects have been registered in the Land Register for the payer, then, in order to apply Paragraph one, Clause 34.2 of this Section, the State Revenue Service on the basis of a submission of the payer shall assess whether the abovementioned aggregate of objects forms one immovable property within the meaning of the Law on Residential Properties. If the immovable property has been acquired in accordance with Paragraph one, Clause 34.2 of this Section before its alienation, the payer shall inform the State Revenue Service thereon within one month following the obtaining of income from increase in capital.

9. The gift provided for in Paragraph one, Clause 35, Sub-clauses “c” and “d” of this Section shall be received only in the form of a non-cash settlement, and the beneficiary of the gift shall justify the use thereof for education or medical treatment accordingly with the following documents at his or her disposal:

1) the referral or diagnosis of a physician which certifies the need for medical treatment and is at the disposal of the payer, commencing from the day when the gift was received;

2) corroborative documents which certify the use of the gift sum within two years from the day of receipt of the gift for the purpose of education or medical treatment indicated.

10. If the relief specified in Paragraph one, Clause 35 of this Section is applied to the income obtained as a result of reduction or repayment of the liabilities of the payer, the relief provided for in Paragraph one, Clause 35.1 of this Section shall not be applied. If the relief specified in Paragraph one, Clause 35.5 of this Section is applied to the income obtained as a result of reduction or extinguishing of the liabilities of the payer, the relief provided for in Paragraph one, Clause 35.1 of this Section shall not be applied.

10.1 For the purpose of application of this Law it shall be considered that a guarantor does not obtain an income, if he or she is released from liabilities or liabilities are reduced as a result of repayment or reduction of a guaranteed loan (credit), regardless of whether the guarantor has become obliged to fulfil liabilities on the basis of a court ruling or an agreement reached between the parties on amicable settlement.

11. Within the meaning of Paragraph one, Clause 43, Sub-clause “b” of this Section the relevant conditions implement in the following cases:

1) during the period of holding the stock purchase option the payer, after termination of employment relationship with a capital company which has granted the stock purchase option, has entered into an employment relationship with a capital company which is a person related to an employer within the meaning of the law On Taxes and Fees;

2) during the period of holding the stock purchase option the State old-age pension (including before the due time) has been granted to the payer and the payer and employer have terminated employment relationship.

[*31 May 1995; 29 February 1996; 19 December 1996; 20 November 1997; 25 November 1999; 27 January 2000; 30 November 2000; 22 November 2001; 19 June 2003; 11 December 2003; 20 December 2004; 20 October 2005; 28 September 2006; 19 December 2006; 17 May 2007; 24 April 2008; 14 November 2008; 16 June 2009; 1 December 2009; 13 May 2010; 9 August 2010; 21 October 2010; 28 October 2010; 20 December 2010; 16 June 2011; 8 September 2011; 22 September 2011; 31 May 2012; 15 November 2012; 19 September 2013; 6 November 2013; 20 February 2014; 17 December 2014; 19 February 2015; 30 April 2015; 29 October 2015; 30 November 2015; 23 November 2016; 28 July 2017; 22 November 2017; 10 May 2018; 13 December 2018; 21 March 2019; 9 July 2020; 27 November 2020; 17 December 2020; 4 February 2021; 16 November 2021; 12 May 2022; 20 October 2022* / *Clause 34.3 of Paragraph one shall come into force on 1 January 2023.* *See Paragraph 186 of Transitional Provisions*]

**Section 10. Eligible Expenditure**

1. Prior to imposing tax on income, the following expenditure of the payer shall be deducted from the amount of annual taxable income:

1) the amount of the social tax paid and State social insurance contributions or payments similar in essence laid down in the laws and regulations of other European Union Member States or European Economic Area states;

11) solidarity tax;

2) expenditure for raising the qualification, acquisition of a speciality, acquisition of education, including acquisition of interest-related education programmes for children, for the use of health and medical treatment services and payments of health insurance premiums to insurance companies which have been established and operate in accordance with the laws and regulations governing the field of insurance by the payer and family members thereof (of both whose country of residence is the Republic of Latvia and whose country of residence is another European Union Member State or a European Economic Area State). The Cabinet shall determine the composition and procedures for the application of the referred to expenditure;

3) amount which in the form of donation or gift has been transferred to a budget institution or association, foundation and religious organisation or the institution thereof registered in the Republic of Latvia, which have been granted 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 laws and regulations of the relevant Member State of the European Union or European Economic state;

4) imputed expenditures related to obtaining a payment for intellectual property in the amount of 25 or 50 per cent of the payment for intellectual property (if the payment is disbursed by a collective management organisation or it is disbursed to a non-resident) for specific types of authors’ works and performances. The Cabinet shall determine the types of the abovementioned authors’ works and performances and the amount of the application of the imputed expenditures depending on the type of the author’s work or performance.

5) contributions made to private pension funds established in accordance with the law On Private Pension Funds or to private pension funds registered in other Member States of the European Union or European Economic Area states or Member States of the Organisation for Economic Co-operation and Development;

6) payments of insurance premiums made in conformity with a life insurance contract (with accumulation of funds) to an insurance company which has been founded and operates in accordance with the laws and regulations governing the field of insurance or an insurance company which is registered in another European Union Member State or a European Economic Area State, or a Member State of the Organisation for Economic Co-operation and Development, if the following conditions are conformed to:

a) the policy holder and the insured person are the same taxpayer;

b) the term of operation of a life insurance contract (with accumulation of funds) is not less than 10 years;

c) it is provided for in the provisions of a life insurance contract (with accumulation of funds) that an insurance indemnity for an insurance event (except for the event of the death of the insured person) is disbursed to the insured person who is concurrently a policy holder, but other sums which are related to the operation of the contract or the discontinuation thereof are disbursed to the policy holder who is concurrently an insured person;

7) [1 December 2009];

8) 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).

1.1 Money or other things which a natural person – taxpayer – transfers without consideration to a budget institution or the organisation referred to in Paragraph one, Clause 3 or 8 of this Section for the achievement of the aims specified in the articles of association, constitution or by-laws thereof, within the meaning of this Section shall be deemed to be a donation, if the recipient has not been specified a corresponding duty to perform activities which are deemed to be a consideration.

1.2 Paragraph one, Clause 3 of this Section shall not be applied if the recipient of the taxpayer’s donation for the specified aim of the donation is included a direct or indirect indication to a concrete person as the recipient of the donated resource, which is an associated person with the donor, or an employee of the donor, or a member of the donor’s family.

1.3 Eligible expenditure referred to in Paragraph one, Clauses 2, 3, and 8 of this Section of the payer may not all together exceed 50 per cent of the amount of taxable income of the payer for the taxation year, but not more than EUR 600 (if the payer includes the eligible expenditure for family members referred to in Paragraph one, Clause 2 of this Section in eligible expenditure – not more than EUR 600 for each family member, unless it has been included in the return of another family member).

1.4 Paragraph one, Clause 2 of this Section shall not be applied, if expenditure of a natural person is covered from the income referred to in Section 9, Paragraph one, Clause 27 or Clause 35, Sub-clause “c” or “d” of this Law. A payer is also entitled to apply the eligible expenditure referred to in Paragraph one, Clause 2 of this Section to his or her brother or sister – a person with Group 1 or 2 disability.

1.5 Paragraph one, Clause 3 of this Section shall not be applied, if a taxpayer who donates to a non-governmental organisation registered in the Member State of the European Union or European Economic Area state has not submitted to the State Revenue Service the documents concurrently with the return which certify that:

1) a recipient of the donation is the resident in any of the Member States of the European Union or European Economic Area state;

2) a recipient of the donation has a status comparable to the public benefit organisation in the country of residence;

3) a recipient of the donation is operating in the field of public benefit which provides significant benefit for the public or any part thereof, especially if it is directed towards charity, protection of human rights and individual rights, development of civic society, promotion of education, science, culture and health and disease prevention, supporting of sports, environmental protection, provision of aid in case of disasters and emergency situations, raising of social welfare of the public, especially for the groups of persons in need and socially low-protected persons;

4) at least 75 per cent of the amount donated by the payer have been used for the public benefit purposes.

1.6 If the payer – participant to the pension scheme – makes contributions to the pension scheme of a private pension fund in the taxation year and includes them in eligible expenditure of the taxation year in accordance with Paragraph one, Clause 5 of this Section, but during the taxation or post-taxation year makes also disbursements from the pension scheme, the taxable income of the payer shall be increased as follows:

1) if the participant to a pension scheme begins participation in the pension scheme in the taxation year and has made contributions to the pension scheme for the first time or if the participant to the pension scheme has not accumulated additional pension capital before 31 December of the pre-taxation year and he or she has not made contributions to the pension scheme in the pre-taxation year – the taxable income of the post-taxation year shall be increased by the difference between the amount of disbursements made from the private pension fund in the taxation and post-taxation year and pension capital accumulated as of 31 December of the pre-taxation year;

2) in other cases – increases the taxable income of the post-taxation year for the difference between the disbursements made from the private pension fund in the post-taxation year and pension capital accumulated as of 31 December of the pre-taxation year.

1.7 Paragraph 1.6 of this Section shall not be applied in case of the death of a participant to the pension scheme or when the participant to the pension scheme is Group I permanently disabled person.

1.8 When determining the increase of the taxable income, contributions to all pension funds and disbursements from them shall be summed up in accordance with Paragraph 1.6 of this Section and all accumulated pension capital shall be taken into account regardless of the pension fund. When determining summary contributions to private pension funds and disbursements from them, transmissions of the accumulated pension capital (a part thereof) from other pension funds or transmissions to them shall not be taken into account.

1.9 The total eligible expenditure of the payer referred to in Paragraph one, Clauses 5 and 6 of this Section may not exceed 10 per cent of the amount of the annual income of the payer within the meaning of Section 15, Paragraph twenty one of this Law (in Paragraph two of this Section – of monthly gross remuneration for work which is a remuneration for work of a calendar month before deduction of those amounts by which it is allowed to reduce the taxable income of an employee in accordance with this Law, and also before making any deduction), but not more than EUR 4000 per year.

1.10 When calculating the tax in accordance with summary procedures, the amount of State social insurance mandatory contributions paid in the taxation year included in eligible expenditure shall be reduced by the amount which in conformity with that specified in the Solidarity Tax Law is transmitted to the personal income tax distribution account.

2. Prior to imposing salary tax on the income of the employee, the payments referred to in Paragraph one, Clauses 1, 5, and 6 of this Section shall be deducted from the amount of the monthly income.

3. Only the eligible expenditure referred to in Paragraph one, Clauses 1, 3, 4, 5, 6, and 8 of this Section may be deducted from the taxable income of non-residents on a lawful basis.

4. Paragraph three of this Section shall not be applied to the non-resident who is the resident of another Member State of the European Union or European Economic Area state and in a taxation year has acquired more than 75 per cent of his or her total income in Latvia.

5. The expenditure referred to in Paragraph one, Clauses 1, 2, 3, 5, 6, and 8 of this Section shall not be applicable to the income of a micro-enterprise taxpayer from a micro-enterprise, the income to which the tax rate laid down in Section 15, Paragraphs five, six, seven, eight, and twelve of this Law shall be applicable, and to loans equalled to income. The expenditure referred to in Paragraph one of this Section shall not be applicable to the income from economic activity for which a reduced licence fee is paid.

6. If a life insurance contract (with accumulation of funds) is terminated before the term, without reaching the term of validity of 10 years determined in Section 8, Paragraph five, Clause 1 of this Law, Clause 6 of Paragraph one of this Law shall not be applied to all years of validity of the abovementioned contract.

7. If in accordance with a life insurance contract (with accumulation of funds) a partial disbursement of accrual occurs, in such case the provisions of Paragraph one, Clause 6 of this Section shall not be applied to insurance premium payments made after partial disbursement of accrual.

8. If in accordance with a life insurance contract (with accumulation of funds) a partial disbursement of accrual occurs prior to expiry of the term of 10 years specified in Section 8, Paragraph five, Clause 1 of this Law, in such case in addition to the condition of Paragraph seven of this Section the conditions of Paragraph one, Clause 6 of this Section shall not be applied to insurance premium payments made prior to the partial disbursement of accrual.

9. Income of a taxation year may not be reduced by the eligible expenditure referred to in Paragraph one, Clause 1 of this Section if one of the following conditions has been met:

1) State social insurance contributions made by the payer – the owner of individual undertaking (also a farm or a fish farm) – for himself or herself as a self-employed person are included in the expenditure of economic activity of the individual undertaking (also the farm or fish farm);

2) their object of contributions is not subject to tax in the Republic of Latvia.

[*31 May 1995; 19 December 1996; 25 November 1999; 30 November 2000; 22 November 2001; 11 December 2003; 20 December 2004; 20 October 2005; 19 December 2006; 17 May 2007; 8 November 2007; 1 December 2009; 13 May 2010; 9 August 2010; 20 December 2010; 22 September 2011; 15 December 2011; 8 March 2012; 6 November 2013; 6 March 2014; 30 April 2015; 30 November 2015; 23 November 2016; 28 July 2017; 22 November 2017; 27 November 2020; 16 November 2021*]

**Section 11. Specification of Taxable Income Obtained from Economic Activity**

1. The income of a natural person from economic activity shall be calculated as the difference between the revenue specified in this Section and the expenditure related to the obtaining thereof.

1.1 Any activity focused on production of goods, work performance, trade and provision of services for consideration shall be regarded as economic activity of a natural person. Economic activity shall also include activity related to the work-performance contract, professional activity, management of an immovable property, commercial agent, brokerage and individual merchant activities, and also activities of individual undertaking (also farm and fish farm) owned by a natural person.

1.2 Professional activity shall be any independent provision of professional services outside of employment relationship, and also scientific and literary activity, and the activity of a lecturer, actor, producer, doctor, sworn advocate, sworn auditor, sworn notary, sworn land surveyor, sworn assessor, artist, composer, musician, consultant, engineer, sworn bailiff, accountant, or architect.

1.3 The activity of a natural person shall qualify as an economic activity if it conforms to one of the following criteria:

1) the frequency and regularity of transactions (three and more transactions in a taxation period or five and more transactions in three taxation periods);

2) the revenue from a transaction exceeds EUR 14 229 and more in a taxation year, except income from the alienation of personal property in accordance with Section 9, Paragraph one, Clause 19.2 of this Law;

3) the economic nature of an activity or the amount of items owned by a person indicates a regular activity with the aim of earning remuneration.

1.4 Income obtained by a natural person from capital and income obtained from the alienation of a forest growing on the property of a natural person for felling and the alienation of the timber obtained therein shall not qualify as an economic activity, if the expenditure related to the earning of such income has not been recognised as expenditure of economic activity.

1.5 Income obtained by a natural person from the sale of scrap shall not be classified as economic activities regardless of the compliance with the criteria referred to in Paragraph 1.3 of this Section, except the case when scrap is sold by an individual merchant which has received a licence in accordance with the procedures laid down in the laws and regulations for the purchase of ferrous and non-ferrous metal cuttings and scrap in Latvia.

2. The following shall be included in the revenue obtained from economic activity:

1) revenue from the sale of goods, works, and services;

2) revenue from the leasing or letting of property or premises;

21) [28 July 2017];

3) amounts received in the form of fines;

4) revenue from other economic activity.

3. If the expenditure is related to acquiring income in the taxation year from economic activity, the following shall be included:

1) expenditure for raw materials, materials, semi-finished goods, products, for stocks the value of which does not exceed EUR 1000, and for goods, fuel and energy;

2) expenditure related to the use of regular paid labour in the cases permitted in legislative enactments;

3) expenditure on official travel, advertisements, office, post, telegraph, telex, telefax, marketing and the assessment of artistic works;

4) depreciation of fixed assets which is calculated in accordance with Section 11.5 of this Law and the procedures laid down in Cabinet regulations;

5) expenditure related to the current repair of capital assets;

6) lease and rent payments;

7) the mandatory State social insurance contributions for employees, and also, in conformity with the provisions of Section 8, Paragraph five of this Law, regarding the premium amounts for life assurance (with accumulation of funds) and the premium amounts paid into private pension funds in conformity with licensed pension plans and life, health and accident insurance (without accumulation of funds) paid in for employees;

71) payment of mandatory insurance premiums for the fixed assets used in economic activities;

72) solidarity tax on employees;

8) expenditure for training employees and raising the qualifications thereof;

9) costs for the works of a manufacturing nature performed by another person and services received from other persons, except for costs for capital investments;

10) interest payments for the use of bank credits or leasing services, except for payments of fines;

11) payments for the licences;

12) losses in the amount determined by a court which are caused to parties to a contract by failing to fulfil or failing to fulfil appropriately the obligations undertaken thereof;

13) payments of taxes determined in the Republic of Latvia (except for the personal income tax and the value added tax) and fees (except for the State fee for a statement of claim to a court);

14) reforestation costs in the amount of 25 per cent if an agreement regarding reforestation has been entered into with the forest owner or the legal possessor accordingly and the reforestation costs will not be included in the expenditure of economic activity;

141) costs related to the preparation and alienation of timber in the amount of 50 per cent of the timber alienation revenue, if such costs are not justified by documents;

15) other expenditure which is related to the economic activity and is necessary for the provision thereof in accordance with Cabinet regulations.

3.1 [Declared as invalid by the judgment of the Constitutional Court of 7 January 2022]

3.2 [20 October 2022]

3.3 [20 October 2022]

3.4 [20 October 2022]

3.5 The imputed expenditures related to obtaining the payment for intellectual property (except for the income which is disbursed by a collective management organisation), and also the expenditure of authors and performers of works of literature, science, or art, discoveries, inventions, and industrial models which is related to the creation, publication, performances, or other use of such works and for which authors and performers receive remuneration if such payers do not obtain revenue from economic activity of another type, for specific types of authors’ works and performance shall be in the amount of 25 or 50 per cent of the revenue from economic activity. The Cabinet shall determine the types of the abovementioned authors’ works and performances and the amount of the application of the imputed expenditures depending on the type of the author’s work or performance. If the actual expenditure of economic activity of the payer is higher, he or she is entitled to apply expenditure of economic activity on the basis of corroborative documents (in such case, the rate of imputed expenditures in the amount of 25 or 50 per cent of the revenue from economic activity shall not be applicable).

3.6 If the payment for intellectual property is disbursed by a collective management organisation, the abovementioned income shall not be included in the income from economic activity of the payer.

4. The expenditure which in accordance with the Enterprise Income Tax law is accounted as expenditure not related to economic activity shall not be included in the expenditure related to economic activity.

5. [19 December 2006]

6. In taxable income shall not be included agricultural products (self-consumption), which have been used for their own use by the payer and his or her family members as well as persons who are related to the payer to the third degree of kinship or affines to the second degree.

7. [22 September 2011]

8. [13 May 2010]

9. The losses of the payer from economic activity in a taxation year shall be covered in chronological sequence from the taxable income of economic activity from the next three taxation years.

9.1 Losses in the economic activity of a natural person in a taxation year which have occurred to the payer – micro-enterprise owner when he or she was a micro-enterprise taxpayer shall not be transferred to subsequent taxation years, determining the taxable income of economic activity.

10. [6 November 2013]

11. [1 December 2009]

12. If the payer has not created any expenditure of economic activity or they are negligible, the payer in acquiring income from property [leasing or renting immovable property (also selling of tenancy rights), transferring the matter further to a sub-lessor or sub-tenant, leasing movable property or acquiring payment for the use of natural resources or restrictions of use] or earning income from the alienation of movable property which conforms only to Paragraph 1.3, Clause 2 of this Section, need not register with the State Revenue Service as a performer of economic activity. In such case, the payer is not entitled to apply the expenditure of economic activity and include in them expenditure associated with the maintenance and management of the property, except for immovable property tax payments for the relevant immovable property. The payer shall perform an accounting of the revenue from economic activities. The payer shall account for economic activity revenue in chronological order in a revenue accounting register in which shall be indicated the sequence number of the entry, date, the number and date of the corroborative document, the participant in the transaction (the given name and surname of a natural person, the name of a legal person), a description of the transaction, the amount of the transaction and other necessary information. The payer has the right not to account the revenue from economic activity in the revenue accounting register if revenue from economic activity has been gained only in non-cash form.

13. The payer who obtains income from a home farm or a personal subsidiary farm, or from mushrooming, berry-picking, the collection of wild medicinal plants and flowers or individuals of non-game species – edible snails (Helix pomatia), if the abovementioned income does not exceed EUR 3 000 a year in accordance with Section 9, Paragraph one, Clause 1 of this Law, needs not register as a performer of economic activity. In order to determine the day when the income in the taxation year referred to in this Paragraph of this Section reaches EUR 3000, the payer shall register income in writing in a freely chosen form by summing up the obtained income.

14. The provisions of this Section, except for Paragraph 9.1, shall not be applied to the payer who has chosen to pay the micro-enterprise tax in accordance with the Micro-enterprise Tax Law.

15. The expenditure of economic activity related to the taxation periods during which the payer was a micro-enterprise taxpayer shall not be taken into account, when determining the income from the economic activity taxable with personal income tax.

16. The payers who use the single entry system for accounting shall include the sums of State aid for agriculture or of the European Union aid for agriculture and rural development, which have been granted according to the conditions of aid in order to compensate the expenditure for the purchase of fixed assets, gradually in the revenue of the economic activity over a period of several taxation years according to the depreciation value of the relevant fixed asset specified for the needs of tax calculation in the relevant taxation year. If the amount of State aid received for agriculture or of the European Union aid for agriculture and rural development partly covers the costs of the purchase or establishment of fixed assets, it shall be included in the revenue of the relevant accounting years according to the parts of the sums of the depreciation and write-off of the value of fixed asset in the current year which relate to the received State aid for agriculture or the European Union aid for agriculture and rural development.

17. The payers who use the single entry system and who have received advance payments of the State aid or the European Union aid for agriculture and rural development which, in compliance with the provisions of aid, have been granted in order to compensate expenditure that will actually be caused to the payer for the administration and disbursement of such payments in the economic year beginning on 1 July of the taxation year and ending on 30 June of the post-taxation year, are entitled to include such amounts in the revenue from the economic activity of the post-taxation year.

18. The payer which on the basis of a work performance contract is employed by a merchant, individual undertaking (also farm or fish farm), cooperative society, permanent representation of the non-resident, institution, organisation, association, foundation or a natural person who is registered as a performer of economic activity is entitled not to register with the State Revenue Service as a performer of economic activity. In such case the payer, in determining the taxable income, is not entitled to apply expenditure of economic activities.

19. [6 November 2013]

20. The payer who performs economic activity and determines income from economic activity in accordance with this Section may not concurrently be a reduced licence fee payer or micro-enterprise taxpayer.

21. The provisions of Paragraph twenty of this Section shall not apply to the payer who determines income from economic activities in accordance with Paragraph twelve of this Section.

22. If the payment for intellectual property is disbursed to the payer by a collective management organisation, he or she need not register as a performer of economic activity but the disburser of the income shall, during the taxation year, apply the tax rate specified in Section 15, Paragraph eighteen of this Law, and also the procedures laid down in Section 17, Paragraph ten, Clause 1 and Paragraph 10.1 of this Law to the abovementioned income. In turn, upon determining the taxable income in accordance with the summary procedures, the tax rate is applied to the annual taxable income in accordance with the procedures laid down in Section 15, Paragraph nineteen of this Law.

[*31 May 1995; 19 December 1996; 2 October 1997; 20 November 1997; 25 November 1999; 22 November 2001; 11 December 2003; 10 March 2005; 20 October 2005; 28 September 2006; 19 December 2006; 17 May 2007; 8 November 2007; 14 November 2008; 1 December 2009; 13 May 2010; 9 August 2010; 22 September 2011; 15 December 2011; 15 November 2012; 19 September 2013; 6 November 2013; 17 December 2014; 30 April 2015; 30 November 2015; 28 July 2017; 23 May 2019; 27 November 2020; Constitutional Court judgment of 7 January 2022; 20 October 2022* /  *Paragraph 3.1 shall not be applied for the period from 1 January 2022 to 6 January 2022.* *Amendment regarding the deletion of Paragraphs 3.2, 3.3, and 3.4 and amendment to Paragraphs 3.5 and nine shall be applicable from 1 January 2022.* *See Paragraphs 190 and 191 of Transitional Provisions*]

**Section 11.1 Special Provisions for the Determination of Income from Economic Activity for the Payers who Organise Accounting in the Double Entry System**

1. The payer who, in accordance with the law On Accounting, organises accounting in the double entry system shall determine the income from economic activity by adjusting the difference in revenue and expenditure indicated in the revenue and expenditure report (hereinafter in this Section – the result) in accordance with the procedures laid down in this Section.

2. The payer who, in accordance with the law On Accounting, chooses to organise accounting in the double entry system shall recognise transactions and events for specifying income from economic activity in the period when they occur irrespective of the fact when the accounting is performed, and shall prepare a balance sheet and revenue and expenditure report in accordance with Section 13, Paragraph six of the law On Accounting.

3. The result shall be increased (in case of a negative result – reduced) by such expenditure (expenditure share) which are not directly associated to the economic activities of the payer (individual undertaking thereof) in accordance with Section 5 of the Enterprise Income Tax Law.

4. The result shall be increased (in the case of a negative result – reduced) by:

1) amounts used for fines, contractual penalties, and monetary penalties, and also the amount of late charges and other penal sanctions assessed in accordance with the law On Taxes and Fees and specific tax legislation;

2) amounts of uncompensated shortages or robberies:

a) which exceed EUR 145 if regarding the event law enforcement authorities have not been notified which have taken a decision on commencement of criminal procedure or refused the commencement of criminal procedure,

b) exceeds the planned loss norms of the payer which are calculated based upon the actual losses of the previous three taxation years;

3) [28 July 2017];

4) the amount of bad debts (loss, without hope of ever recovering them) which is directly included in costs if they do not conform to the conditions laid down in Section 11.3 of this Law for the recognition of debtor debts as debt loss, and also in other cases specified in Section 11.3;

5) the amount of personal income tax (or the tax similar thereof) paid by the payer in a foreign state;

6) the amount of payments for over the limit acquisition or use of natural resources;

7) payments made by the employer for the benefit of employees to private pension funds in conformity with licensed pension plans and paid in amounts of insurance premiums for employee life insurance (with savings funds) in accordance with Section 8, Paragraph five of this Law if on the last day of the taxpayer’s taxation period the total amount of the tax debt exceeds EUR 150, except for the tax payments the payment terms of which have been extended in accordance with the law On Taxes and Fees;

8) [23 March 2023];

9) the insurance premium payments which are made to insurance companies that have been established and operate outside the European Union and European Economic Area states or Member States of Organisation for Economic Co-operation and Development;

10) the payments made for the benefit of employees into private pension funds if they have been paid into pension funds that have been established and operate outside the European Union and European Economic Area states or Member States of Organisation for Economic Co-operation and Development;

11) [28 July 2017].

5. The result of the payer shall be increased (in case of a negative result – reduced) by the amount of the value of written-off fixed asset depreciation and of written-off intangible investments in accordance with the law On Accounting and the laws and regulations issued on the basis thereof, but shall be reduced (in case of a negative result – increased) – by the amount of the value of the calculated fixed asset depreciation and of written-off intangible investments in accordance with the requirements laid down in Section 11.5 of this Law and Cabinet regulations.

5.1 In determining income from economic activities, the balance sheet item revaluation results, except for the revaluation of assets in relation to changes in the foreign exchange rate. Assets and liabilities the nominal value of which is expressed in foreign currency shall be valued in EUR on the basis the foreign exchange rate used in the accounting in the end of the last calendar day of the taxation year, and, in determining income from economic activities, the relevant income or losses shall be taken into account.

6. [1 December 2009]

6.1 [Declared as invalid by the judgment of the Constitutional Court of 7 January 2022]

7. If the payer acquires income from agricultural production or the provision of rural tourism services, he or she shall reduce the income from economic activities by the non-taxable income from agricultural production or the provision of rural tourism services referred to in Section 9, Paragraph one, Clause 1 of this Law. If the payer acquires income from agricultural production or the provision of rural tourism services and other types of economic activity, he or she shall reduce the income from economic activities by the non-taxable income from agricultural production or the provision of rural tourism services referred to in Section 9, Paragraph one, Clause 1 of this Law proportional to the revenue from agricultural production or the provision of rural tourism services of the total revenue from economic activities.

8. The losses of the payer from economic activity in a taxation year after making the corrections specified in this Section shall be covered in chronological sequence from the taxable income of economic activity of the next three taxation years.

9. [1 December 2009]

10. The payer who has commenced organisation of accounting in the double entry system shall do so for at least five taxation years consecutively.

11. The provisions of this Section, except for Paragraph two, shall not be applicable to the payer who has chosen to pay the micro-enterprise tax in accordance with the Micro-enterprise Tax Law.

12. Losses from economic activity of a natural person in a taxation year which have occurred to the payer – a micro-enterprise owner when he or she was a micro-enterprise taxpayer shall not be transferred to subsequent taxation years, determining the taxable income of the economic activity.

13. The expenditure of economic activity related to the taxation periods during which the payer was a micro-enterprise taxpayer shall not be taken into account, when determining the income from the economic activity taxable with personal income tax.

14. The payer who performs economic activity and determines income from economic activity in accordance with this Section may not concurrently be a reduced licence fee payer or micro-enterprise taxpayer.

[*19 December 2006; 8 November 2007; 1 December 2009; 9 August 2010; 19 September 2013; 6 November 2013; 17 December 2014; 30 November 2015; 28 July 2017; 27 November 2020; Constitutional Court judgment of 7 January 2022; 20 October 2022; 23 March 2023*]

**Section 11.2 Special Provisions for the Determination of Income from Economic Activity of Natural Persons – Owners of Individual Undertakings (Including Farms and Fish Farms)**

[19 December 2006]

**Section 11.3 Bad Debts**

1. Debtor debts may be considered to be amounts of bad debts if the first two and one of the other following conditions referred to in this Paragraph has been observed:

1) income which applies to such debts, prior to the inclusion of the calculation for economic activity income;

2) the debtor is a Latvian taxpayer – resident or permanent representation or the resident of such state with which Latvia has entered into a convention regarding the avoidance of double taxation and the prevention of fiscal evasion if such convention has entered into force, or also the resident of a Member State of the European Union or European Economic Area state;

3) the debtor is a State or local government capital company which has been liquidated in conformity with the decision of a relevant institution;

4) there is a court judgment regarding recovery of debt from the debtor and a statement from a bailiff regarding the impossibility of recovery and for a commercial company – the debtor has been excluded from the Commercial Register;

5) there is a court judgment on the recovery of debt from the debtor – natural person – and a statement of a bailiff on the impossibility of recovery or if the recovery of the debt from the debtor by court proceedings is not possible due to reasons of efficiency because the amount of the debt of the debtor is less than the expenditure for the recovery thereof and previously measures have been taken for the recovery of the debt, taking into account the condition that the relevant amount of the debt from the debtor does not exceed 0.2 per cent of the net turnover of the taxpayer in the taxation year;

2. If a debtor is a natural person and the conditions laid down in Paragraph one, Clauses 1 and 2 of this Section have been fulfilled, the result shall be reduced (in case of a negative result – increased) by the amount of the bad debt after completion of the bankruptcy proceedings of the relevant debtor – natural person (there is a court decision on the completion of bankruptcy proceedings).

2.1 If a debtor is a legal person and the conditions specified in Paragraph one, Clauses 1 and 2 of this Section have been fulfilled, the result shall be reduced (in case of a negative result – increased) by the amount of the bad debt that has been recognised in accordance with the creditor’s claim register, when the insolvency proceedings of the debtor have been completed and a court ruling has been rendered thereon.

2.2 If legal protection process is applied to a debtor and a proportional extinguishing or reduction of the principal debt, fine, or interest of a debtor is provided for in the plan for measures of legal protection process which has been approved by a court, the result shall be reduced (in case of a negative result – increased) by the debt amount reduced or extinguished accordingly.

3. If the payer (an individual undertaking thereof) had monetary means in the current account at the time of completing the insolvency proceedings of the holder of the account, then the payer shall apply the relevant norms of the Enterprise Income Tax Law.

4. The result shall be increased (in the case of a negative result – reduced) by the difference between the amount of bad debt and such amount of money, which has been acquired from the transfer of the right to one’s claim to another person if the taxpayer has transferred his or her right to claim the bad debt which conforms to the conditions referred to in this Section to another person.

5. The taxable income shall not be reduced by the amounts of debt which have arisen in a taxation year in which a performer of economic activity, an individual merchant, an individual undertaking, or a farm or fish farm was a micro-enterprise taxpayer.

[*19 December 2006; 9 August 2010; 15 December 2011; 19 September 2013; 28 July 2017*]

**Section 11.4 Losses from Economic Activity Sustained as a Result of Natural Disasters and Other Compulsory Acts**

1. Losses of fixed assets caused as a result of a natural disaster or other compulsory acts shall be considered to be the exchange of such fixed assets for amounts of money which are equivalent to compensation for the relevant fixed asset if not stated otherwise in this Section.

2. In determining income from economic activity, income from compensation regarding loss of land, buildings, the parts thereof and structures as a result of a natural disaster or other compulsory acts shall not be taken into account if within 12 months from the day of receipt of the compensation, the amount of compensation received is reinvested in the same or similar fixed assets. Similarly, income from each part of the compensation reinvested in the same or similar fixed assets within the 12-month period shall not be taken into account, if the abovementioned compensation is disbursed in parts.

3. If the conditions referred to in Paragraph two of this Section are fulfilled, the balance sheet value of the fixed assets (for payer who organises his or her accounting by the simple book-keeping system – the remaining value for purposes of calculating tax) shall be equivalent to the fixed assets loss balance sheet value to which has been added the amount by which the value of the newly acquired fixed assets exceeds the compensation for the loss of fixed assets.

[*19 December 2006*]

**Section 11.5 Special Provisions for the Specification of Written-off Fixed Asset Depreciation and Separate Types of Expenditure of Economic Activity**

1. A performer of economic activity shall calculate the depreciation of fixed assets separately for each fixed asset the purchase value of which is more than EUR 1000 in accordance with the procedures laid down in this Section and in Cabinet regulations.

1.1 When calculating taxable income of economic activity, one of the following methods shall be used for the writing-off of depreciations of the fixed assets used in economic activity:

1) the depreciation of fixed assets in the taxation period shall be determined in per cent:

a) buildings, structures, perennial plantings – five per cent;

b) railway rolling stock and technological equipment, sea and river fleet vessels, fleet and port technological equipment, power equipment – 10 per cent;

c) computing devices and related equipment, including printing devices, information systems, software products and data storage equipment, means of communication, copiers and related equipment – 35 per cent;

d) other fixed assets – 20 per cent;

2) the useful life of fixed assets shall be determined in years:

a) buildings, structures, perennial plantings – 35 years;

b) railway rolling stock and technological equipment, sea and river fleet vessels, fleet and port technological equipment, power equipment – 10 years;

c) computing devices and related equipment, including printing devices, information systems, software products and data storage equipment, means of communication, copiers and related equipment – three years;

d) other fixed assets – five years.

1.2 When calculating depreciation of all fixed assets, the payer is entitled to choose one of the methods for the calculation of depreciation of fixed assets specified in Paragraph 1.1, Clause 1 or 2 of this Section. The payer is entitled to change the method applied for the calculation of the depreciation of fixed assets no more than once in 10 years.

1.3 Depreciation of fixed assets shall not be written off for land, works of art, antiques, jewellery and other fixed assets that are not subject to physical or moral depreciation, investment properties, organic assets and long-term investments held for sale which the taxpayer has chosen to value in their fair value, and also representation passenger cars within the meaning of the Enterprise Income Tax Law.

1.4 The value of intangible investments for patents, licences, and trademarks shall be written off over five years. Costs of research and development (also, those pertaining to technical documentation of unrealised projects, if the value of such projects is not included in fixed assets) as relate to economic activity of a taxpayer, except for costs of determining the location, quantity and quality of minerals, shall be written off in the year when such costs are incurred.

1.5 Costs of determining the location, quantity and quality of minerals shall be written off systematically over 10 years after the costs have incurred.

2. If the fixed assets belonging to the payer are partially used in economic activity, the value of the depreciation thereof for the needs of calculation of tax shall be calculated proportionally to the use of the relevant fixed asset in economic activity. The payer shall include such calculated depreciation in the expenditure of economic activity only if the proportions can be objectively specified and they are documentarily justified. If the abovementioned proportion cannot be objectively specified and it is not documentarily justified, the payer shall include in the expenditure of economic activity 50 per cent of the calculated fixed asset depreciation.

3. If a building (a part thereof) belonging to the payer is used for economic activity, the depreciation thereof shall be calculated proportionally to the proportion of the total area of the building (the part thereof) of the part used in economic activity.

4. In calculating the value of the depreciation of a personal passenger car (except for a passenger car with special equipment), expenditure shall include the calculated depreciation proportional to the number kilometres driven for the needs of economic activity, but not more than for 70 per cent.

4.1 Paragraph four of this Section shall not be applied, if the company car tax has been paid for a car (except for a representation car within the meaning of the Enterprise Income Tax Law) or it has been exempted from the imposition of the company car tax in accordance with Section 14, Paragraph one, Clause 5 or 6 of the Law on the Vehicle Operation Tax and Company Car Tax, or if it is used by a fish farm in economic activity. Fixed asset depreciation shall be calculated as for a vehicle used in economic activity.

5. If the payer uses premises or property for the performance of economic activities which also are used for personal consumption, the costs of the economic activity may include only the part of expenditure associated with the use of the such premises or property, which relates to the economic activity if it is possible to objectively specify such proportion and to documentarily justify it. If the referred to proportion cannot be objectively specified and documentarily justified, the payer shall include in the expenditure of economic activity 70 per cent of the relevant expenditure of economic activity.

6. Operational cost expenses (also expenditure for fuel) of a personal passenger car (except for a passenger car with special equipment) shall include the proportion of the number kilometres driven for the needs of economic activity on the basis of detailed worked-out routes, but not more than for 70 per cent. If the payer does not have appropriately drawn up documents, the expenditure shall include not more than 50 per cent of the actual costs.

6.1 Paragraph six of this Section shall not be applied if the company car tax is paid for a passenger car (except for a representation passenger car within the meaning of the Enterprise Income Tax Law). In such case expenditure for the purchase of fuel of such car shall be included in the expenditure of economic activity on the basis of the number of kilometres actually driven in each month for which the abovementioned payments have been made, but not more than the determined fuel consumption norm per 100 kilometres which does not exceed the fuel consumption norm of the city cycle specified by the manufacturing factory by more than 20 per cent.

6.2 If the company car tax is paid for a car (except for a representation car within the meaning of the Enterprise Income Tax Law) or if it is exempted from the imposition of the company car tax in accordance with Section 14, Paragraph one, Clause 5 of the Law on the Vehicle Operation Tax and Company Car Tax, the payer shall apply its operational expenses (except for the expenditure for the purchase of fuel) to expenditure of economic activity.

6.3 The expenditure directly related to economic activity shall include the expenditure of a fish farm related to the use of a car (except for a representation car within the meaning of the Enterprise Income Tax Law). Fish farms shall include the expenditure for the purchase of fuel for a car in the expenditure of economic activity on the basis of the number of kilometres actually driven in each month in accordance with a norm per 100 kilometres determined by the payer which does not exceed the fuel consumption norm of the city cycle specified by the manufacturing factory for more than 20 per cent.

6.4 The expenditure directly related to economic activity shall include the expenditure of a merchant or farm complying with the requirements of Section 14, Paragraph one, Clause 6 of the Law on the Vehicle Operation Tax and Company Car Tax related to the use of a car (except for a representation car within the meaning of the Enterprise Income Tax Law), if the car is exempted from the imposition of the company car tax in accordance with Section 14, Paragraph one, Clause 6 of the Law on the Vehicle Operation Tax and Company Car Tax. A merchant or farm shall include expenditure for the purchase of fuel for such car in the expenditure of economic activity on the basis of the number of kilometres actually driven in each month in accordance with the norm per 100 kilometres determined by the payer which does not exceed the fuel consumption norm of the city cycle specified by the manufacturing factory by more than 20 per cent.

6.5 The expenditure directly related to economic activity shall include the expenditure for the purchase of fuel which are related to the use of such car (except for a representation car within the meaning of the Enterprise Income Tax Law) which is used by a merchant or farm only for the needs of its economic activities and has been declared in the State Register of Vehicles and Drivers in accordance with Section 14, Paragraph one, Clause 5 of the Law on the Vehicle Operation Tax and Company Car Tax.

7. The expenditure of economic activity shall include compensation for tenants regarding the release of living premises and the cancellation of tenancy agreements in relation to the capital repair of living premises or the reconstruction of premises for the performance of economic activity.

8. The payer who has paid a licence fee or reduced licence fee for the preceding taxation periods, or the micro-enterprise tax in accordance with the Micro-enterprise Tax Law, prior to the commencement of the application of Section 11 or 11.1 of this Law for the determination of the income taxable with the personal income tax, shall determine the residual value of the fixed assets as on the beginning of the taxation year by subtracting the calculated depreciation for pre-taxation periods from the purchase or establishment value of the fixed assets.

9. When determining the taxable income for a taxation year, only the expenditure that are based upon the actual expenditure of the payer shall be taken into account.

[*19 December 2006; 8 November 2007; 1 December 2009; 9 August 2010; 20 December 2010; 15 November 2012; 6 November 2013; 28 July 2017; 27 November 2020*]

**Section 11.6 Special Provisions for the Specification of Income from the Alienation of Immovable Property Used in Economic Activities or Reclassification as a Property to be Used for Personal Needs**

1. If on the day of alienation, an immovable property is used as a fixed asset for economic activities, revenue from the alienation of the immovable property shall be taken into account in determining the income from economic activities.

1.1 Income from investment of the immovable property used in economic activities in the fixed capital of a capital company shall be determined as a difference between the nominal value of the capital shares or stocks obtained in exchange and the remaining value of the immovable property. In determining the income from investment of the immovable property used in economic activities in the fixed capital of a capital company, the interest payment amount written-off as expenditure of economic activities that was paid for credit for the acquisition of this immovable property shall not be taken into account for the whole period, when the immovable property was used for economic activities.

2. If the immovable property used for economic activities is reclassified as a tangible property to be used for personal needs (hereinafter – reclassified) and is sold within 60 months from reclassification, the taxable income for the selling of the immovable property in the year of the sale of the immovable property shall increase by the amount of the written-off depreciation and the amount written off in expenditure that was paid for the credit for the acquisition of this immovable property calculated for tax for the whole period, when the fixed asset was used for economic activities.

2.1 If the immovable property is reclassified and invested in the fixed capital of a capital company in exchange for capital shares or stocks of a capital company within 60 months from reclassification, the income obtained at the moment when the immovable property in invested in the fixed capital of a capital company shall be determined in accordance with Paragraph 1.1 of this Section.

3. In the taxation year in which the immovable property has been reclassified, the payer shall submit to the State Revenue Service together with the annual income return the information on reclassified fixed assets (the day when the immovable property was classified as a fixed asset for use in economic activities, and the day when the fixed asset is reclassified from a fixed asset for use in economic activities, the cadastral description of the immovable property, the taxation periods in which the depreciation calculated for tax was written-off) and the amount of the written-off depreciation and the amount written off in expenditure that was paid for the credit for the acquisition of this immovable property calculated for tax for the whole period when the fixed asset was used for economic activities.

4. If the immovable property has been used in economic activities only partially, the taxable income in accordance with the provisions of Paragraph one or two of this Section shall be determined proportionally to the proportion of the part of the immovable property used for economic activities.

5. The provision of this Section shall also be applied in order to specify the income of the non-resident from the use of immovable property existing in Latvia in conformity with Section 3, Paragraph three, Clause 7 of this Law.

6. The provisions of this Section shall not be applicable to the payer who has chosen to pay the micro-enterprise tax in accordance with the Micro-enterprise Tax Law and performs the alienation or re-qualification of immovable property.

[*17 May 2007; 14 November 2008; 16 June 2009; 1 December 2009; 9 August 2010; 20 December 2010; 17 December 2014*]

**Section 11.7 Special Provisions for the Specification of Income from the Alienation of an Agricultural Undertaking or Agricultural Land**

1. In the payer’s yearly taxable income shall not be included income which is acquired in the alienation of an agricultural undertaking, a part thereof or a household farm in fulfilling conditions in order to receive European Agricultural Guidance and Guarantee Fund support for rural development in relation to early retirement.

2. An undertaking within the meaning of Paragraph one of this Section is an organised economic unit. In the undertaking is included tangible and intangible property belonging to the payer, and also economic benefits (values) which the payer uses for the performance of economic activities. Alienation of the undertaking within the meaning of this Section is not the alienation of stocks or capital shares.

3. Income from the alienation of such immovable property shall not be taxable which on the basis of the type of use is agricultural land, if all the following conditions have been fulfilled:

1) the ownership rights of the immovable property as a result of the alienation are acquired by an owner of farm, a person who is registered in the Enterprise Register as a commercial company, an individual merchant, or a farm, or with the State Revenue Service – as a performer of economic activity or the ownership rights of the immovable property as a result of the alienation are acquired by the Latvian Land Fund;

2) in at least one taxation period of the last three pre-taxation periods, more than half of the revenue of the person referred to in Paragraph 3, Clause 1 of this Section from economic activities, however not less than EUR 3000 per year, is formed by revenue from agricultural activities or also such person receives support from the State or European Union aid payments for agriculture and rural development as a new farmer;

3) seller of agricultural land – the payer conforms to one of the following criteria:

a) is a person who performs agricultural activity and complies with the criteria laid down in this Paragraph, Clause 2 of this Section;

b) is a person who prior to interruption of agricultural activity, upon reaching pensionable age, has been engaged in agricultural activities and prior to pensioning has complied with the criteria specified in this Paragraph, Clause 2 of this Section;

c) is a person for whom ownership rights to land that according to the type of use thereof is agricultural land has been renewed in accordance with the law On Land Privatisation in Rural Areas, as the former land owner or his or her heir;

d) is a person who has received the immovable property that according to the type of use is agricultural land by inheritance from the persons referred to in Sub-clause “a”, “b”, or “c” of this Clause;

e) is a person who has received the immovable property that according to the type of use is agricultural land on the basis of a donation contract from the natural person referred to in Sub-clause “a”, “b”, “c”, or “d” of this Clause who is related to the recipient of the gift by marriage or kinship up to the third degree within the meaning of the Civil Law.

3.1 The condition laid down in Paragraph three, Clause 2 of this Section shall not be applied if the ownership rights of the immovable property as a result of the alienation are acquired by the Latvian Land Fund.

4. If an immovable property is alienated which is formed by agricultural land and forest, or other type of land (shrubs, bogs, land under water), the exemption specified in Paragraph three of this Section shall be applied proportionally to the ratio of the market value of the agricultural land in the total value of the immovable property which has been determined on the basis of an appraisal of a certified appraiser of immovable property (not older than 12 months as on the day when an alienation contract is entered into) in which the total market value of the immovable property and the market value for each part of the immovable property are indicated, or (if the payer does not have an appraisal of a certified appraiser of immovable property at its disposal) proportionally to that part of area which according to the purpose of use thereof is agricultural land.

5. If an immovable property is alienated and a set of objects of such immovable property is formed by land the composition of which includes agricultural land and by buildings or structures, the exemption specified in Paragraph three of this Section shall be applied proportionally to the ratio of the market value of the agricultural land in the total value of the immovable property which has been determined on the basis of an appraisal of a certified appraiser of immovable property (not older than 12 months as on the day when an alienation contract is entered into) in which the total market value of the immovable property and the market value for each part of the immovable property are indicated.

[*17 May 2007; 14 November 2008; 15 December 2011; 6 November 2013; 17 December 2014; 23 November 2016; 16 November 2021* / *See Paragraph 180 of Transitional Provisions*]

**Section 11.8 Special Provisions for the Specification of Income from Economic Activities for the Payers of Fixed Income Tax**

[6 November 2013 / See Paragraph 96 of Transitional Provisions]

**Section 11.9 Determination of Income from Capital**

1. The capital gains shall be determined by deducting the acquisition value and the investment value of capital assets performed during the period of keeping capital assets from the costs of alienation of capital assets. If a liquidation quota is received within the meaning of the Commercial Law, the capital gains shall be determined by deducting the acquisition value of capital assets and the investment value of capital assets made during the period of keeping capital assets from the remuneration received as a liquidation quota.

1.1 Capital gains from virtual currency shall be determined by subtracting the initial acquisition value from the alienation price of a capital asset. If the initial acquisition value of the capital asset cannot be determined, the acquisition value thereof shall be deemed 0.

2. Within the meaning of this Law, capital assets are:

1) stocks, capital shares, cooperative shares, investments in a partnership and other financial instruments referred to in the Financial Instrument Market Law;

2) investment certificates of investment funds and other transferable securities which certify the participation in investment funds or in equivalent undertakings of collective investments;

3) debt instruments (promissory notes, certificates of deposit, short-term debt instruments issued by commercial companies) and other monetary instruments which are traded in money markets;

4) immovable property (including the acquisition rights of immovable property);

5) an undertaking within the meaning of the Commercial Law;

6) objects of intellectual property;

7) investment gold and other precious metals, transaction objects on the currency market or commodity exchange;

8) virtual currency within the meaning of the Law on the Prevention of Money Laundering and Terrorism Financing.

3. The income specified in Paragraph one of this Section from the alienation of capital assets shall also include income from transactions aimed towards the alienation of acquisition rights of capital assets.

4. If a capital asset has been acquired by way of inheritance, the value of the specific capital assets contained in the entirety of inheritance shall be considered as the acquisition value accordingly. If a capital asset has been acquired on the basis of a donation contract, the value of the specific capital assets indicated in the donation contract which does not exceed the alienation price of the capital assets, shall be considered as the acquisition value thereof accordingly.

4.1 The market value of stock on the day of implementation of the stock purchase option shall be considered the stock purchase value, if such stock has been acquired in implementing the stock purchase option and the income obtained on the day of implementation of the stock purchase option is subject to tax in accordance with Section 8, Paragraph 2.5 and Section 11.11 of this Law.

5. The expenditure related to the acquisition of a capital asset shall also be included in the acquisition value thereof: the State fee for the documentation of a transaction, the State fee in cases related to the confirmation of inheritance rights or in cases related to the coming into legal force of a last will instruction instrument or inheritance contract, the State fee for the corroboration of property rights in the Land Register, the commission fee, and other similar expenditure. The acquisition value of capital assets shall also include the interest payments paid for credit for the acquisition of these capital assets if information attested by documents allows the identification of the link between the credit and the acquisition of capital assets. Expenditure for the acquisition and keeping of securities shall also be included in the acquisition value of capital assets.

5.1 The investment made in capital assets during the period of keeping the capital assets shall be the investments made by participants into the fixed capital of a capital company. The investment made in immovable property during the period of keeping thereof shall be the expenditure proved by documents which are related to the improvement and restoration of the immovable property, if it has been performed after 31 December 1993 and such expenditure have not been recognised in the costs for economic activities of the taxpayer either in the form of depreciation of fixed assets or in current expenditure.

6. If, after the acquisition of a capital asset or entering into of another alienation contract, the transaction does not take place or any component of this transaction is not implemented, but, in accordance with the provisions of the contract, the payer has received income (earnest money, other type of consideration in cash or other things) and such income need not be repaid, it shall be regarded as income from the capital gains. When determining the taxable income from the alienation of a capital asset as a transaction that has not taken place, the abovementioned income shall only be reduced for the expenditure which have been incurred by the payer in connection with the transaction that had not taken place.

7. If immovable property has been acquired by restoring the ownership right, the cadastral value (actual) of the abovementioned immovable property shall be considered as the acquisition (purchase) value.

7.1 If immovable property has been acquired until 31 December 2000 and the payer does not have the documents attesting to the purchase value of the immovable property at the disposal thereof, the actual cadastral value of the immovable property in the year of alienation of the immovable property which has been adjusted by dividing the cadastral value by the consumer price index of each year specified by the Central Statistical Bureau for the 10 years preceding the alienation of the immovable property, shall be considered as the acquisition (purchase) value thereof.

7.2 If the immovable property has been established in order to ensure oneself (or one’s family) with an immovable property intended for residing and it is put into service starting from 1 January 2001 and there are no documents at the disposal of the payer which prove expenditure related to the establishment of the immovable property, the current cadastral value of the immovable property in the year when the immovable property is put into service shall be considered as the purchase value of the immovable property.

7.3 If the immovable property has been obtained on the basis of the donation contract from a natural person who is related to the payer by marriage or relationship up to the third degree within the meaning of the Civil Law and the immovable property is being alienated within 60 months following the entry thereof in the Land Register on the name of the payer, the following values of particular immovable property shall be considered as the purchase value thereof:

1) the value by which a donor has purchased such an immovable property, if it has been purchased after 31 December 2000 and there are documents at the disposal of the payer that prove the purchase value of the immovable property;

2) current cadastral value in the year when the immovable property is registered in the Land Register on the name of the donor, if it has been purchased after 31 December 2000 and there are no documents at the disposal of the payer that prove the purchase value of the immovable property;

3) current cadastral value in the year of alienation of the immovable property which is corrected dividing the cadastral value by consumption price index of each year laid down by the Central Statistical Bureau for the last 10 years prior to the alienation of the immovable property, if the donor has acquired the immovable property until 31 December 2000.

7.4 Income from investment of the immovable property in the fixed capital of a capital company shall be determined as a difference between the nominal value of the capital shares or stocks obtained in exchange and the acquisition value of the immovable property.

8. The capital gains of a taxation year shall be summed up if several capital assets have been alienated in the taxation year. If the calculated capital gains or the sum thereof is negative, it shall not be taken into account for the needs of calculating the tax.

9. If the calculated capital gains for a taxation year from the alienation of one capital asset are negative, but are positive from the alienation of another capital asset, the losses incurred may be covered in relation to the taxation year with a positive capital gains.

9.1 Losses which have been caused from the alienation of such capital asset which has been obtained on the basis of gift agreement, if the value of the particular capital asses indicated in the gift agreement exceeds the alienation value of the particular capital asses, shall not be taken into account in the calculation of increase in capital of the taxation year.

9.2 Losses resulting from the alienation of the capital assets referred to in Paragraph two, Clause 8 of this Section may only be covered by positive capital gains from the alienation of capital assets of the same type.

10. If the capital gains calculated for a taxation year or the sum thereof is negative, the losses incurred may not be covered from the capital gains from subsequent taxation years or may not be covered on the account of other types of income of the taxation year.

11. Income from capital which is not capital gains shall be formed by:

1) dividends that is the income from capital shares or stocks of a commercial company or cooperative society cooperative shares, or other rights, not resulting from debt obligations, to participate in the distribution of profits of such commercial company or cooperative society;

11) income equivalent to dividends;

2) interest income and income equivalent thereto and income related to the interest income;

3) income from investment of payments in private pension funds;

4) income from life insurance contracts entered into with an accumulation of funds which is forming as a positive difference between the calculated insurance indemnity or disbursed repurchase amount and all insurance premiums that have been paid during the period of operation of the insurance contract for such insurance contract;

41) income from life-long pension insurance contract (with accumulated funded pension capital in accordance with the State Funded Pension Law) which is formed from gratifications granted by an insurer;

5) income from individual management of financial instruments in accordance with the investor’s authorisation (portfolio management service) which forms as a positive difference between the value of all those assets which the client – resident – has transferred to the manager of the portfolio during the period of operation of the investment management contract, the value of all those assets which the client has withdrawn from the investment portfolio during the operation of the contract or upon termination of the investment management contract, evaluating the assets according to the market prices on the day of transfer and withdrawal thereof;

6) income from the investment account if the account complies with the requirements laid down in Section 11.13 of this Law.

12. When determining the income referred to in Paragraph eleven, Clauses 1 and 2 of this Section, any costs which are related to the acquisition of such income shall not be taken into account, except for the case referred to in Paragraph 12.1 of this Section.

12.1 If the amount of extraordinary dividends calculated during a taxation year is also included in the income from dividends in respect of which a personal income tax is paid in accordance with the procedures laid down in this Law, the taxable income from dividends shall be determined as a difference between the calculated dividends and extraordinary dividends calculated during a taxation year.

12.2 The income referred to in Paragraph eleven, Clause 6 of this Section shall be determined as the excess of the money disbursed from the investment account over the amount of money paid in the investment fund which is reduced by:

1) dividends and income from interest acquired within the framework of the investment account and accounts associated with it (they are paid in the investment account and associated accounts) if the personal income tax has been already deducted from the referred to dividends and income from interest, and dividends which are not subject to personal income tax in accordance with Section 9 of this Law. If the personal income tax from the abovementioned dividends and income from interest is deducted in incomplete amount, the income from the abovementioned dividends and interest acquired within the framework of the investment account and accounts associated with it shall be proportionally reduced by the ration between the applied rate of the deducted tax and the rate laid down in Section 15, Paragraph five of this Law;

2) the income referred to in Section 9, Paragraph one, Clause 6 of this Law.

13. If at the end of term of validity of a life insurance contract (with accumulation of funds) the insurance indemnity (including income from such insurance contract) is disbursed in parts, the income referred to in Paragraph eleven, Clause 4 of this Section shall be determined in case when the calculation of the first part of insurance indemnity is performed, reducing the total amount of the insurance indemnity to be disbursed by the amount of tax to be disbursed.

14. If at the time of disbursement of insurance indemnity (including income from the insurance contract) of the life insurance contract (with accumulation of funds) referred to in Paragraph thirteen of this Section the remaining insurance indemnity increases by additional profit, the taxable income shall be determined when the calculation of the next part of insurance indemnity is performed, reducing the remaining total amount of the insurance indemnity by the amount of tax to be paid.

15. A taxable income from the insurance indemnity which has been disbursed in accordance with a life insurance contract (with accumulation of funds) which has been entered into by an employer (or other insurance holder – legal person) in the interests of the insured person, upon expiry of the term provided for in the insurance contract or upon termination of the contract before the term, shall be divided as follows:

1) income from insurance indemnity that complies with the amount of insurance premiums paid by the employer (or other insurance holder – legal person);

2) income from the insurance indemnity that exceeds the amount of insurance premiums paid by the employer (or other insurance holder – legal person).

16. The taxable income referred to in Paragraph eleven, Clause 4 of this Section from entered into life insurance contracts (with accumulation of funds), if the conditions of a life insurance contract provide for a partial disbursement of accrual during the operation of the insurance contract, shall be determined as a positive difference between the sum which is formed by the sum of current partial disbursement of accrual and all partial disbursements of funds performed previously – during the operation of the contract – and the sum of insurance premiums paid in during the operation of the relevant insurance contract. The result obtained shall be reduced by the taxable income from the relevant insurance contract calculated for the previous partial disbursements of funds.

17. A partial disbursement of accrual performed in accordance with a life insurance contract (with accumulation of funds) shall be a partial disbursement of the sum of accrual that is lesser than repurchase sum, terminating the insurance contract before the term, and the insurance contract shall remain in effect.

[*1 December 2009; 13 May 2010; 9 August 2010; 20 December 2010; 8 September 2011; 15 December 2011; 15 November 2012; 6 November 2013; 17 December 2014; 28 July 2017; 22 November 2017; 13 December 2018*]

**Section 11.10 Special Provisions for the Payers of a Reduced Licence Fee**

1. A reduced licence fee shall be a uniform fixed payment specified by the State which includes personal income tax payments for the economic activity of a natural person.

2. The reduced licence fee shall be EUR 17 per year or nine euros per half year. The reduced licence fee is the final tax payment for a calendar year or six calendar months, and it shall not be refunded to the payer, except for the case when the State Revenue Service takes a decision to refuse to register a natural person as the payer of reduced licence fee.

3. The payer may choose to pay the reduced licence fee if he or she is engaged in one of the following fields of economic activity:

1) leather and textile craftsmanship;

2) making and repair of clothing and footwear, repair of watches and clocks, and also other public services;

3) preparation of craft products;

4) floristry;

5) private household services;

6) home care services.

4. The payer has the right to pay the reduced licence fee if the following conditions are met:

1) an old-age pension (including before the due time) has been granted to him or her, and he or she has the right to apply the non-taxable minimum of a pensioner, or the payer has been recognised as a person with Group 1 or 2 disability in accordance with the laws and regulations;

2) the payer’s revenue from economic activity does not exceed EUR 3000 in a pre-taxation year;

3) the payer is not a salary taxpayer;

4) the payer does not employ other persons in his or her economic activity.

5. The payer may choose to pay the reduced licence fee if, according to the projection of the payer himself or herself, the revenue from economic activity of the taxation year (by re-calculating for a full taxation year) is not to exceed EUR 3000.

6. The payer whose revenue from economic activity in the taxation year exceeds EUR 3000, but who has paid the reduced licence fee in the taxation year shall calculate the taxable income from the economic activity in accordance with Section 11 or 11.1 of this Law, starting from the month following that in which the abovementioned threshold for the revenue from economic activity has been exceeded and in the subsequent periods. The payer may repeatedly choose to pay the reduced licence fee not earlier than after five years.

7. The payer who performs economic activity and pays a reduced licence fee for it may not concurrently be:

1) a performer of economic activity who determines income from economic activity in accordance with Section 11 (except for Section 11, Paragraph twelve of this Law) or Section 11.1 of this Law;

2) a micro-enterprise taxpayer;

3) a service provider for a performer of economic activity (also a merchant) within the scope of his or her economic activity if the performer of economic activity (also the merchant) is engaged in the same field of economic activity for which the payer of the reduced licence fee is paying the reduced licence fee.

8. The reduced licence fee shall be administered by the State Revenue Service.

9. The payer of a reduced licence fee shall be registered by the State Revenue Service. A natural person shall submit a registration submission for the application of a reduced licence fee to the State Revenue Service and shall make the payment of the reduced licence fee into the single tax account.

10. The Cabinet shall determine the procedures for registering a payer of the reduced licence fee, for paying the reduced licence fee, and also detailed professions of the field of economic activity for which the reduced licence fee is paid.

11. If the payer of the reduced licence fee does not have an external corroborative document for any transaction, he or she need not draw up an internal corroborative document, but shall indicate information on a participant to the transaction in the revenue accounting register, if it can be identified. If the participant to the transaction cannot be identified (for example, income has been obtained by selling production in the market), an entry sequence number, date, description of the transaction, and the total sum of the revenue obtained during a day or a week shall be indicated in the revenue accounting register. The revenue accounting register shall be kept for five years from the day when the last entry has been made therein. If the revenue accounting register is conducted in the form of paper register, its pages shall be numbered from the beginning of the taxation year in ascending sequence, sewn through, the number of pages shall be indicated on the last page and certified with a personal signature.

[*27 November 2020*]

**Section 11.11 Determination of the Income from the Implementation of the Stock Purchase Option Granted by an Employer or a Person Related to the Employer and Alienation Thereof, and Informative Provision for the Determination of such Income**

1. Income from the implementation of the stock purchase option shall be determined as a difference between the stock market value on the day of implementation of stock purchase option and the stock purchase value.

2. The stock market value on the day of implementation of the stock purchase option shall be determined in the following way:

1) for publicly traded stocks – the average weighted price fixed on the day of stock implementation of the purchase option or, if not any – the market value determined in compliance with the regulated market provisions;

2) for stocks not traded publicly – the stock value which is indicated in an independent written opinion that also includes the methodology for the performance of assessment and that has been provided by a person who, in accordance with the Commercial Law, has been included in the list of valuators of property contributions or who, in accordance with the legal acts of the relevant country, is entitled to provide an independent opinion on the stock market value.

3. Within the meaning of this Law the stock purchase for the price determined in a stock purchase option contract, or, if it is determined in the contract, receipt of stocks free of charge, shall be considered as the implementation of the stock purchase option.

4. Within two months after expiry of the time period during which employees could apply for the stock purchase option, or stock purchase option was granted (if the plan for the implementation of the stock purchase option does not provide for applying for the stock purchase option), an employer shall submit to the State Revenue Service the information stipulated by the Cabinet regarding:

1) capital companies involved in the plan for the implementation of the stock purchase option;

2) the criteria defined for the employees in order to qualify for the participation in the plan for the implementation of the stock purchase option;

3) the conditions under which an employee at the time of implementation of the stock purchase option may purchase stocks;

4) the minimum period for holding of stock purchase option provided for in the plan for the implementation of the stock purchase option;

5) possibilities to implement the stock purchase option if employment relationship is terminated;

6) possibilities for an employee to alienate the granted stock purchase option or possibilities to inherit stock purchase option in the case of death of an employee;

7) the conditions for the implementation of the stock purchase option;

8) employees who have approved their participation in the plan for the implementation of the stock purchase option.

5. A capital company shall ensure existence of the opinion referred to in Paragraph two, Clause 2 of this Section prior to commencing implementation of the stock purchase option. The abovementioned opinion shall be valid 12 months from the day of drawing up thereof, unless significant conditions have not set in after drawing up of the opinion due to which the abovementioned assessment no longer reflects the true value of stocks.

6. If, in compliance with the conditions of the plan for the implementation of the stock purchase option, an employee alienates the stock purchase option, an employer shall, on the day of implementation of the stock purchase option regardless of which person implements such option, calculate the income subject to the salary tax of the employee (for whom the stock purchase option was granted initially) in accordance with the procedures laid down in Paragraph one of this Section and apply the salary tax rate specified in Section 15, Paragraph three of this Law.

7. If, in compliance with the conditions of the plan for the implementation of the stock purchase option, an employee keeps the right to implement the stock purchase option also after termination of employment relationship with the relevant employer or a capital company which is a person related to the employer within the meaning of the law On Taxes and Fees, or alienates the stock purchase option after termination of employment relationship with the relevant employer or a capital company which is a person related to the employer within the meaning of the law On Taxes and Fees, the former employer shall, on the day of implementation of the stock purchase option regardless of which person implements such rights, calculate the income subject to the salary tax in accordance with the procedures laid down in Paragraph one of this Section. The abovementioned income subject to the salary tax shall be eligible to the taxation period in which employment relationship was terminated, and the salary tax rate in effect in the relevant taxation period specified in Section 15, Paragraph three of this Law shall be applied thereto.

8. The income from the capital gains caused by alienating the stock purchase option, or the stock acquired as a result of implementation of the stock purchase option of an employee, former employee or other natural person who has acquired the stock purchase option granted by the employer or capital company which is a person related to the employer within the meaning of the law On Taxes and Fees, from an employee or former employee, or other person, shall be determined in accordance with Section 11.9 of this Law.

9. If any amendments are made to the plan for the implementation of the stock purchase option, an employer or capital company which is a person related to the employer within the meaning of the law on Taxes and Fees has an obligation to submit information to the State Revenue Service within two months from the day of coming into force of these amendments.

[*15 November 2012; 28 July 2017; 22 November 2017; 17 December 2020*]

**Section 11.12 Special Provisions for the Application of the Seasonal Agricultural Worker Income Tax**

1. Within the meaning of this Law, the seasonal agricultural worker income shall be the income which the seasonal agricultural worker income taxpayer obtains during the taxation year period from 1 April until 30 November for work of a seasonal nature in sowing or planting of fruit-trees, berry bushes and vegetables, caring for sowings and plantations, harvesting, sorting of fruits, berries and vegetables, and also collecting of stones in sowing, planting and grassland areas (hereinafter – the agricultural seasonal works) in favour of disburser of the seasonal agricultural worker income. Within the meaning of this Section tractor machinery driving shall not be considered the agricultural seasonal work.

2. Within the meaning of this Law, the seasonal agricultural worker income taxpayer shall be the payer who is employed in the agricultural seasonal works, if in the taxation year from 1 April until 30 November:

1) the payer is employed in the agricultural seasonal works for not more than 90 calendar days at one or several disbursers of the seasonal agricultural worker income in total;

2) the payer’s income which obtained at one or several disbursers of the seasonal agricultural worker income in total does not exceed EUR 3 000;

3) within four months before commencement of the agricultural seasonal works in favour of disburser of the seasonal agricultural income employment relationship has not existed or work performance contract has not been entered into between the payer and disburser of the same income.

3. Within the meaning of this Law, a disburser of the seasonal agricultural worker income shall be a person who has applied the agricultural land in his or her ownership, permanent use, or lease in the current year for the single area payment in accordance with the laws and regulations regarding the procedures for granting direct payments to farmers and uses such land for the following purposes:

1) the cultivation of fruit-trees, berry bushes or vegetables and employs a seasonal agricultural worker income taxpayer for sowing or planting fruit-trees, berry bushes and vegetables, caring for sowings and plantations, harvesting, sorting of fruits, berries and vegetables in such areas;

2) the cultivation of sowings, plantings or grassland and employs a seasonal agricultural worker income taxpayer for the purpose of collecting stones in such areas.

4. Provisions of this Section shall not apply to a micro-enterprise taxpayer.

5. On the day of performance of the agricultural seasonal works a disburser of the seasonal agricultural worker income shall verify the conformity of a seasonal agricultural worker with Section 11.12, Paragraph two, Clause 3 of this Law before the commencement of the relevant works and register a seasonal agricultural worker in the information system of the Rural Support Service, by indicating the payer’s given name, surname, personal identity number, date of earning income and the form of the entered into contract (an employment contract entered into in writing or a work-performance contract entered into in written or verbal form). On each day of employment a disburser of the seasonal agricultural worker income shall register the remuneration calculated for the relevant day in this information system for the seasonal agricultural worker income taxpayer.

6. Time period for keeping of personal data entered and processed in the information system of the Rural Support Service shall be five years. The supervisor of the information system of personal data entered and processed in the information system of the Rural Support Service shall be the Rural Support Service. The purpose of the processing of personal data entered in the information system of the Rural Support Service shall be:

1) to ensure the possibility easy and quickly to ascertain that a seasonal agricultural worker who, during a season can work for several disbursers of income, conforms to the criteria laid down for the application of the seasonal agricultural worker income tax;

2) to ensure the possibility for the State Revenue Service, the State Labour Inspectorate and the State Border Guard to access the data entered in the information system of the Rural Support Service in order to ascertain operatively that Labour Law is not infringed in respect of a person who performs the seasonal agricultural work;

3) to ensure the possibility for a disburser of the seasonal agricultural worker income to acquire the personal data entered in the information system of the Rural Support Service during a month and amount of calculated taxes and distribution thereof in a summarised manner, in order to submit them to the State Revenue Service in a standardised form.

7. A disburser of the seasonal agricultural worker income shall, once a month within five working days following the last day of the month of obtaining of income, approve and submit a notification of the employer regarding persons employed in the agricultural seasonal works in a reporting month, income of such persons and calculated seasonal agricultural worker income tax, as well as distribution thereof by budgets to the State Revenue Service.

8. Starting form the next day when the restrictions laid down in Paragraph two, Clause 1 or 2 of this Section, a disburser of the seasonal agricultural worker income shall withhold a salary tax from the seasonal agricultural worker income in accordance with the procedures laid down in this Law.

8.1 The payer who simultaneously receives the seasonal agricultural worker income and other income from performance of a work performance contract or an employment contract from the same disburser of income shall not apply provisions of this Section and pay the tax in accordance with the general procedures laid down in this Law.

9. The Cabinet shall determine:

1) the procedures for the registration of disbursers of the seasonal agricultural worker income and the seasonal agricultural worker income taxpayers;

2) the procedures for the use of the information system of the seasonal agricultural worker income tax for the application, administration, and control of the seasonal agricultural worker income tax arrangement, and also the procedures for the calculation of the seasonal agricultural worker income and tax for such income;

3) the procedures for access to the data entered into the information system of the Rural Support Service regarding the seasonal agricultural worker income taxpayers by the State Revenue Service, the State Labour Inspectorate, and the State Border Guard;

4) the procedures for access to the data entered into the information system of the Rural Support Service regarding the days worked by an employed seasonal agricultural worker and calculated remuneration by a disburser of the seasonal agricultural worker income.

[*6 March 2014; 17 December 2014; 12 May 2022*]

**Section 11.13 Special Provisions for the Determination of Income from Investment Account**

1. In order for the income to be qualified as the income from an investment account, the investment account must comply with the requirements referred to in this Section.

2. An investment account is an account opened in conformity with the agreement between an investment service provider and payer – owner of the account (hereinafter – the account owner) – or, if the investment service provider opens a separate account for each currency, an aggregate of several accounts the funds and financial instruments present in which are used for the performance of the transactions referred to in Paragraph six of this Section. One or several accounting accounts of financial instruments and funds or one or several accounts of funds for the settlement of transactions of term deposits of the account owner (hereinafter – the associated accounts) may be associated with the investment account.

3. For the purposes of applying this Section, the investment service provider shall concurrently comply with both of the following conditions:

1) it is a credit institution, its branch or a branch of a foreign credit institution, or a merchant which in conformity with the Financial Instrument Market Law or regulation of the country of residence of the service provider equal thereto has obtained a licence for the provision of the investment services;

2) it is a resident of Latvia or another Member State of the European Union, European Economic Area state or Member State of the Organisation for Economic Co-operation and Development, or the resident of such country with which Latvia has entered into a convention regarding the prevention of double taxation and fiscal evasion.

4. It is allowed to transfer only such funds, and also financial instruments into the investment account which are transmitted from other investment account, or such financial instruments which are obtained as a result of transactions carried out within the framework of the investment account.

5. It is allowed to transfer funds or financial instruments into the accounts associated with the investment account only from the investment account or other accounts associated with it, and also funds or financial instruments which are obtained as a result of transactions carried out within the framework of the investment account.

6. The payer shall carry out the following transactions with the funds of the investment account and accounts associated with it within the framework of the investment account and accounts associated with it (hereinafter within the meaning of this Section – the investment account transactions):

1) transactions with financial instruments (hereinafter – the financial instrument transactions) where an investment service provider is the other party to the transaction, and also the financial instrument transactions on the regulated market, multilateral trading facility, organised trading facility or other trading place, the financial instrument transactions with a systematic internaliser or financial instrument transactions which are entered into outside regulated market with a financial institution or are entered into within the framework of initial placement or auctions of financial instruments where the investment service provider ensures execution or transfer for execution of the order of the account owner on the financial instrument transactions;

2) transactions of term deposits where an investment service provider is the other party to the transaction;

3) transfers of funds or financial instruments for the provision of financial collateral if the collateral is provided for ensuring such obligations of the account owner which are arising from the transactions entered into and services received within the framework of the investment account and accounts associated therewith, and the collateral taker is the investment service provider;

4) currency exchange transactions;

5) transfers of funds between the investment account and associated accounts.

7. It is allowed to grant financing to the account owner within the framework of the investment account and accounts associated thereto for the performance of the financial instrument transactions if the financial instruments held within the framework of the investment account serve as collateral for the issued credit or loan and investment service provider who issues the credit or loan is involved in the financial instrument transaction. In such case the granted financing is not considered to be the amount of money paid into the investment account for the determination of income from the investment account in accordance with Section 11.9, Paragraph 12.2 of this Law.

8. Records of financial instruments which are related to the performance of the investment account transactions or events of financial instruments may be made in the investment account or financial instrument account associated with the investment account.

9. Only funds from the investment account or accounts associated therewith shall be invested in the term deposit account associated with the investment account or in the account intended for settlements of the term deposit.

10. Funds obtained as a result of performance of the investment account transactions, and also dividends, interest income, and other funds received for the financial instruments and funds present in the investment account and accounts associated therewith shall be transferred into the investment account or accounts associated therewith.

11. Any disbursement from the investment account or accounts associated therewith (including payments on the basis of recovery by the third party directed against the account owner), alienation of the investment account, transfers of financial instruments, and also use of the funds of the investment account for the performance of such transactions which fail to comply with the transactions listed in Paragraph six of this Section shall be regarded as the disbursement of funds, except for the following operations:

1) transfer of funds necessary for the performance of the investment account transactions;

2) transfer of funds which is necessary for the payment of commissions related to the investment account transactions, commissions related to servicing of the investment account and accounts associated therewith, commissions related to the services provided within the framework of the investment account and accounts associated therewith, and also fines, late payments or interests related to the investment account and accounts associated therewith;

3) transfer of funds which is carried out by exercising the right of collateral of the credit institution if the funds in the investment account or accounts associated thereto are used as financial collateral for the performance of the liabilities of the account owner arising from the investment account services;

4) transfer of funds for the repayment of the financing referred to in Paragraph seven of this Section and a commission related thereto and interest payments to the investment service provider.

12. If financial instruments are transferred from the investment account to other investment account, the purchase value of the transferred financial instruments shall be regarded as a payment into this investment account. When a disbursement occurs from such investment account the method “First in – first out” method (FIFO principle) and financial instruments shall be assessed according to their purchase value. If total purchase value of the financial instruments transferred in such manner exceeds the total amount of the sums paid into the investment account, the part of excess shall be equalled to the disbursement of funds from the investment account.

13. The account owner shall provide information to the investment service provider on granting of the status of the investment account and accounts associated therewith. The requirement referred to in this Paragraph shall apply only in the case when the investment service provider is an investment service provider registered in Latvia or a branch in Latvia of an investment service provider registered abroad.

14. If the investment service provider with which the taxpayer has opened an investment account is a subject of the Account Register Law, it shall provide information on the opened investment account in accordance with the procedures laid down in the Account Register Law.

15. If an investment service provider registered in Latvia or a branch in Latvia of an investment service provider registered abroad with which the taxpayer has opened an investment account is not a subject of the Account Register Law, this institution shall, not later than by the end of the taxation year, provide information to the State Revenue Service on the opened investment account in accordance with the procedures stipulated by the Cabinet.

16. If an investment service provider with which the taxpayer has opened an investment account is not an investment service provider registered in Latvia or a branch in Latvia of an investment service provider registered abroad, the taxpayer shall, not later than by the end of the taxation year, itself inform the State Revenue Service of granting the status of an investment account to such account, indicating the legal name, registration number, country of registration of the investment service provider and the number of the opened investment account (numbers if the investment account cannot be clearly identified on the basis of only one account number).

17. In case of failure to inform the State Revenue Service in due time of an investment account of the taxpayer due to the fault of the investment service provider, it shall not serve as grounds for not recognising the account as an investment account. This Paragraph does not release the taxpayer from the obligation to declare the income from the investment account in due time.

18. The State Revenue Service shall provide the taxpayer with the possibility to obtain, upon request, information on all investment accounts of the taxpayer of which the State Revenue Service has been informed.

[*22 November 2017; 20 October 2022*]

**Section 12. Annual Non-taxable Minimum of a Payer**

1. The monthly non-taxable minimum projected by the State Revenue Service or the monthly non-taxable minimum projected by the payer shall be applied monthly to the taxable income to which the rate referred to in Section 15, Paragraph two or three of this Law is applied, at the place of earning the income where the salary tax booklet of the payer has been submitted. The income which amounts to the annual differentiated non-taxable minimum of the payer shall not be included in the taxable annual income of the payer, unless it is otherwise provided for in this Section.

1.1 The annual differentiated non-taxable minimum of the payer shall be calculated according to the formula stipulated by the Cabinet. The annual taxable income of the payer shall be taken into account in the formula, and also the following values stipulated by the Cabinet:

1) the maximum annual non-taxable minimum;

2) amount of the annual taxable income up to which the maximum annual non-taxable minimum is applied;

3) amount of the annual taxable income above which the annual differentiated non-taxable minimum is not applied.

1.2 All annual income of the payer (including income which is taxable with the reduced tax rate) shall be taken into account for determination of the minimum amount of the annual differentiated non-taxable minimum of the payer, except for the non-taxable income referred to in Section 9 of this Law (except for the income referred to in Section 9, Paragraph one, Clause 2.1 of this Law), revenue from economic activity for which the reduced licence fee is paid, and income for which the micro-enterprise tax is paid.

1.3 In the formula referred to in Paragraph 1.1 of this Section the Cabinet shall comply with the principle that within the scope of the restrictions stipulated by Cabinet the annual differentiated non-taxable minimum shall be applied in inverse proportion to the amount of the annual taxable income of the payer.

1.4 The State Revenue Service shall determine the monthly non-taxable minimum projected by the State Revenue Service as follows:

1) monthly taxable income object of the payer for the taxation period from 1 January until 31 July shall be determined by dividing the taxable income earned from 1 October of the pre-taxation year until 30 September of the pre-taxation year (except for the income from capital gains) with the number of months in which the income was earned. The monthly non-taxable minimum shall be calculated in accordance with the procedures stipulated by the Cabinet by using the calculated monthly taxable income object for the taxation period from 1 January to 31 July;

2) monthly taxable income object of the payer for the taxation period from 1 August until 31 December shall be determined by dividing the taxable income earned from 1 December of the pre-taxation year until 31 May of the taxation year (except for the income earned from capital gains in December of the pre-taxation year) by dividing the number of months when the income was earned. The monthly non-taxable minimum projected by the State Revenue Service shall be calculated in accordance with the procedures stipulated by the Cabinet by using the calculated taxable income object for the period from 1 August until 31 December of the taxation year and by taking into account the projected amount of the non-taxable minimum which is calculated for the period from 1 January until 31 July of the taxation year. The monthly non-taxable minimum projected by the State Revenue Service may not exceed one-twelfth of the maximum annual non-taxable minimum stipulated in the Cabinet regulations;

3) if the State Revenue Service does not have information on taxable income of the payer or the income subject to tax has not been earned during the periods referred to in Clause 1 or 2 of this Paragraph, or the payer has obtained the resident status in the taxation year, the monthly non-taxable minimum projected by the State Revenue Service shall comply with one-twelfth of the maximum non-taxable minimum stipulated in the Cabinet regulations by dividing it by two.

1.5 [23 March 2023]

1.6 The State Revenue Service shall provide for the income disburser whose salary tax booklet has been submitted an entry regarding the amount of monthly non-taxable minimum projected by the State Revenue Service for the payer in the report of the Electronic Declaration System of the State Revenue Service “Data of the Submitted Salary Tax Booklets” in accordance with the following procedures:

1) until 1 January of the taxation year on the amount of the monthly non-taxable minimum projected by the State Revenue Service applicable per month in the taxation year from 1 January until 31 July on the basis of the calculation which is done by using the data at the disposal of the State Revenue Service according to the status on 15 December of the pre-taxation year;

2) until 1 August of the taxation year on the amount of monthly non-taxable minimum projected by the State Revenue Service applicable per month in the taxation year from 1 August until 31 December on the basis of the calculation which is carried out by using the data at the disposal of the State Revenue Service according to the status on 20 July of the taxation year;

3) within three working days on the non-application of the monthly non-taxable minimum projected by the State Revenue Service to the payer from the subsequent day after the day on which the entry was made until 31 December of the taxation year. Such entry shall be made on the basis of the information at the disposal of the State Revenue Service that within the taxation year the payer’s income which are taken into account to determine the amount of the annual differentiated non-taxable minimum thereof, have reached the amount of the annual taxable income stipulated by the Cabinet above which the annual differentiated non-taxable minimum is not applied.

1.7 The State Revenue Service shall, within two working days upon receipt of the request of the State Social Insurance Agency, inform the State Social Insurance Agency of the amount of monthly non-taxable minimum projected by the State Revenue Service applicable for the payer regarding the month in which the sick-leave certificate “B” was issued to the payer.

1.8 Based on a written submission of the payer and agreement thereof with the disburser of income, during the year the disburser of income shall apply the monthly non-taxable minimum projected by the payer which does not exceed the amount of the monthly non-taxable minimum projected by the State Revenue Service which is determined for the payer.

2. The non-taxable minimum shall not be applied to non-residents, except for non-residents who are residents of another Member State of the European Union or a European Economic Area state and in the taxation year have acquired more than 75 per cent of his or her total income in Latvia.

3. [14 November 2008]

4. The non-taxable minimum laid down in this Section for the part of the taxation year in which the payer has been dependant of another taxpayer and in which this taxpayer has used the tax relief laid down in Section 13, Paragraph one, Clause 1 of this Law, except for the case when a survivor’s pension has been granted to a dependent person in accordance with the law On State Pensions, shall not be applicable to the payer.

4.1 The non-taxable minimum referred to in Paragraph one of this Section shall be applied to the payer (a person under 19 years of age who studies at a general, vocational, higher or special education institution and receives income subject to salary tax in a taxation year from 1 June to 31 August) for the part of the taxation year (from 1 June to 31 August) in which he or she has received income subject to the salary tax and has been dependent of another taxpayer, and in which this taxpayer has used the tax relief referred to in Section 13, Paragraph one, Clause 1 of this Law.

4.2 The procedures for the calculation and application of the annual differentiated non-taxable minimum of the payer for an incomplete taxation year shall be determined by the Cabinet.

5. The non-taxable minimum for persons to whom a pension has been granted (including the supplement to the pension for the insurance period that has been accrued until 31 December 1995) or a pension has been recalculated after 1 January 1996 in conformity with the law On State Pensions or a service pension, or a special State pension in conformity with the laws and regulations of the Republic of Latvia, or a pension in conformity with the laws and regulations of a foreign state, or a life-long pension insurance contract has been entered into (with accumulated funded pension capital in conformity with the Law on State Funded Pensions) shall be EUR 6 000 per year (within the meaning of this Law – the non-taxable minimum of a pensioner), unless it is otherwise laid down in this Section.

6. The non-taxable minimum laid down in Paragraph five of this Section shall be applied to persons to whom a survivor’s pension has been granted in conformity with the law On State Pensions.

7. The non-taxable minimum laid down in Paragraph one of this Section shall not be imposed on the payer in the period of the taxation year in which he or she was a micro-enterprise taxpayer.

8. The non-taxable minimum laid down in Paragraph five of this Section shall only be applicable to the pension income of the payer in the period of the taxation year in which he or she was a micro-enterprise taxpayer.

9. The non-taxable minimum laid down in this Section shall not be applied to the income of the payer to which the tax rate laid down in Section 15, Paragraphs five, six, seven, eight, and twelve of this Law is applicable, to the loans equivalent to income, and the income regarding which a reduced licence fee is paid.

10. A person who in accordance with the law On State Pensions has used possibilities of early retirement and to whom an old-age pension has been granted, but is not to be disbursed because such a person has become a mandatory socially insured person (employee or self-employed), the non-taxable minimum laid down in Paragraph five of this Section shall not be applied during a period when he or she is a mandatory socially insured person.

10.1 The non-taxable minimum laid down in Paragraph five of this Section shall be applicable to a person who has been granted an old-age pension in accordance with the laws and regulations of a foreign state and who has reached the age laid down in Section 11, Paragraph one of the law On State Pensions. If the old-age pension granted in another state is not taxable, the payer is entitled to apply the non-taxable minimum of a pensioner in the amount which is formed by a positive difference between the non-taxable minimum of a pensioner and the old-age pension granted in another state.

11. The payer who has entered into a life-long pension insurance contract (with accumulated funded pension capital in conformity with the State Funded Pension Law), the non-taxable minimum laid down in Paragraph five of this Section shall not be applied at the place of disbursement of income equivalent to pension.

12. The non-taxable minimum laid down in Paragraph five of this Section shall be applied by the pension disburser during the taxation year.

13. The procedures for determining the non-taxable minimum provided for in Paragraphs fourteen, fifteen, sixteen, and seventeen of this Section in respect of the pension income obtained in foreign countries is applied to a re-migrated member of diaspora, if all of the following conditions are met:

1) the re-migrated member of diaspora has not been a resident of Latvia for at least 36 months in total prior to becoming a resident of Latvia;

2) the re-migrated member of diaspora has applied to the State Revenue Service, informing of his or her right to apply the non-taxable income of foreign pension of a re-migrated member of diaspora (hereinafter – the non-taxable amount of foreign pension);

3) upon receiving the old-age pension in accordance with foreign legal acts, the re-migrated member of diaspora has reached the age specified in Section 11, Paragraph one of the law On State pensions.

14. As regards a re-migrated member of diaspora who is considered a resident of Latvia and to whom a pension has been granted in accordance with foreign legal acts, the non-taxable amount of foreign pension is applied to the pension income received from foreign countries, as determined in respect of the pension in a relevant foreign country.

15. The State Revenue Service shall ascertain the abovementioned amount in the relevant taxation year in the applicable foreign country through international exchange of information or, if there are objective obstacles thereto, officially open data of another equivalent form shall be valid (an extract from the legal acts of a foreign country, information provided publicly by a foreign institution, etc.).

16. The non-taxable amount of pension of such foreign country where it is the largest is applied to a re-migrated member of diaspora who concurrently receives pension income from several foreign countries (or receives pension from one or more foreign countries and pension in accordance with the law On State Pensions).

17. If the non-taxable amount of foreign pension applicable to the pension income received from foreign countries by a re-migrated member of diaspora is smaller than the non-taxable minimum of a pensioner specified in Paragraph five of this Section, the non-taxable minimum of a pensioner specified in Paragraph five of this Section shall be applied to the pension income received from foreign countries by a re-migrated member of diaspora.

18. If the pension income received from foreign countries by a re-migrated member of diaspora is not taxable with the personal income tax or equivalent tax in a foreign country in accordance with the legal acts of a foreign country and it is smaller than the non-taxable minimum of a pensioner specified in Paragraph five of this Section, the non-taxable minimum of a pensioner specified in Paragraph five of this Section shall be applied to the income received from foreign countries by a re-migrated member of diaspora.

19. As regards a re-migrated member of diaspora to whom the procedures for applying the non-taxable minimum of foreign pension specified in Paragraphs fourteen and fifteen of this Section apply, the remaining unused share of the non-taxable amount of foreign pension may not be applicable to other income.

[*31 May 1995; 19 December 1996; 25 November 1999; 19 June 2003; 20 December 2004; 19 December 2006; 14 November 2008; 9 August 2010; 20 December 2010; 8 March 2012; 15 November 2012; 19 September 2013; 6 November 2013; 6 March 2014; 17 December 2014; 30 November 2015; 28 July 2017; 22 November 2017; 31 May 2018; 27 September 2018; 21 March 2019; 27 November 2020; 17 December 2020; 16 November 2021; 23 March 2023*]

**Section 13. Relief for a Payer**

1. The following relief shall be provided for the payer:

1) for the maintenance of each person referred to in this Clause, if such person has not been granted a pension and does not receive a pension in accordance with the law On State Pensions or a pension of another country, except for the loss of provider pension – in the amount stipulated by the Cabinet in respect of one of supporters:

a) for a minor child;

b) for a child while he or she continues the acquisition of the general, professional, higher or special education, but not longer than until reaching 24 years of age;

c) [30 November 2015];

d) [30 November 2015];

e) for a grandchild or a child taken for raising, if it is impossible to recover the allowance (alimony) from the parents of the child, including the period while he or she continues the acquisition of a general, professional, higher or special education, but not longer than until reaching 24 years of age;

f) for a minor brother and sister, and also for a brother and sister while brother and sister continue the acquisition of general, vocational, higher or special education, but not longer than until reaching 24 years of age if they do not have parents who are able to work;

g) for the person referred to in Sub-clauses “a”, “b”, “e”, “f”, and “i” of this Clause, and also for a minor child who is dependent of non-working spouses;

h) [30 November 2015];

i) for a person under guardianship or trusteeship of the payers;

j) for a spouse, parents, grandparents and children who have reached 18 years of age if the abovementioned persons are not working and are recognised as persons with disability in accordance with the laws and regulations;

k) for a non-working spouse on whom a minor child who in accordance with laws and regulations is recognised as a person with disability is dependant;

l) for a non-working spouse upon whom a child in the age of up to three years is dependant;

m) for a non-working spouse upon whom three or more children in the age of up to 18 years or up to 24 years are dependant, at least one of whom is younger than seven years, while a child continues acquiring the general, vocational, higher or special education;

n) for a non-working spouse upon whom five children in the age of up to 18 years or up to 24 years are dependant while a child continues acquiring the general, vocational, higher or special education;

2) [14 November 2008];

3) [14 November 2008];

4) for persons who have been recognised as persons with disability or politically repressed persons in accordance with the laws and regulations, the Cabinet shall determine the amount and procedures for the application of additional tax relief.

1.1 [14 November 2008]

1.2 The annual tax relief referred to in Paragraph one, Clause 1 of this Section is formed by the sum of monthly tax reliefs for the whole year.

2. If the persons referred to in Paragraph one of this Section obtain an income, the payer shall present it in the return thereof, except for the cases provided for in Paragraph three, five, and six of this Section.

3. The reliefs laid down in Paragraph one, Clause 1 of this Section shall not be applied if the persons referred to in this Clause (except for the persons under 19 years of age who study at a general, vocational, higher, or special education institution and receive income subject to salary tax or tax of a seasonal agricultural worker in a taxation year from 1 June to 31 August) permanently receive taxable income (except for the survivor’s pension granted in conformity with the law On State Pensions) which exceeds the specified amount of the tax relief, or an unemployment benefit (scholarship), or they are provided for by another person, or they are micro-enterprise taxpayers. The relief laid down in Paragraph one, Clauses 1 and 4 of this Section shall not be applied to the payer in the period of the taxation year in which he or she was a micro-enterprise taxpayer. The reliefs laid down in Paragraph one, Clauses 1 and 4 of this Section shall not be applied to the income of the payer to whom the tax rate specified in Section 15, Paragraphs five, six, seven, eight, and twelve of this Law is applicable, the loans equivalent to income, and the income regarding which the reduced licence fee is paid.

3.1 A relief for the maintenance of such minor child for whom disbursements of the means of support are carried out from the Maintenance Guarantee Fund shall be applied to such tax payer to whom the means of support are disbursed for this child by the administration of the Maintenance Guarantee Fund.

3.2 A relief for subsistence of a minor child shall be applied to such taxpayer for whom a separate custody of one parent has been established on the basis of parental agreement or ruling of court. If parents are implementing the custody jointly and cannot mutually agree on that who has the right to relief regarding a dependent person, a relief for a dependent person shall be applied to a taxpayer – a parent who is indicated in an operative part of a decision of the Orphan’s and Custody Court on solving of disagreements.

3.3 In order to apply Paragraph one, Clause 1, Sub-paragraphs “b”, “e”, and “f” of this Section, the payer shall submit a statement to the State Revenue Service issued by an educational institution that the person dependent on him or her continues acquisition of general, vocational, higher or special education after reaching 18 years of age.

3.4 The payer shall keep the right to apply reliefs laid down in Paragraph one, Clause 1 of this Section in a time period when his or her dependent seasonal agricultural worker income taxpayer who is younger than 18 years, receives the seasonal agricultural worker income.

4. Non-residents do not have a right to the tax relief specified in this Section, except for non-residents who are disbursed a pension granted in accordance with the laws and regulations of the Republic of Latvia and those non-residents who, being residents of another Member State of the European Union or a European Economic Area state have in the taxation year acquired more than 75 per cent of their total income in Latvia.

5. The reliefs laid down in Paragraph one, Clause 1 of this Section shall not be applicable to the payer for that part of the taxation year (the relevant calendar month) during which a person referred to in Paragraph one, Clause 1 of this Section permanently receives taxable income which exceeds the laid down monthly amount of tax relief and to which the tax rate laid down in Section 15, Paragraph two or three of this Law is applied.

6. The reliefs laid down in Paragraph one, Clause 1 of this Section shall not be applicable to the payer for the entire taxation year if the person referred to in Paragraph one, Clause 1 of this Section has permanently received taxable income during a taxation year which exceeds the laid down annual amount of tax relief and to which the tax rate laid down in Section 15, Paragraphs five, six, seven, and eight of this Law is applied.

7. The reliefs laid down in Paragraph one, Clause 1 of this Section shall not be applicable to the payer if the person referred to in Paragraph one, Clause 1 of this Section has been registered in the Commercial Register as individual merchant or in the State Revenue Service as a performer of economic activity, is an owner of a farm or member of the board of directors or council of a commercial company, or a procurator, and also other person who holds a position giving the right to remuneration.

8. The reliefs laid down in Paragraph one, Clauses 1 and 4 of this Section for persons to whom a pension has been granted (including a supplement to the pension for the insurance period that has been accrued until 31 December 1995) or recalculated pension after 1 January 1996 in conformity with the law On State Pensions, or a service pension, or a special State pension in accordance with laws and regulations of the Republic of Latvia, or a pension in accordance with laws and regulations of a foreign country shall be applied by a pension disburser if the payer has not submitted a salary tax booklet to other income disburser. The State Revenue Service shall provide information at the disposal of the pension disburser on the payers who have not submitted a salary tax booklet to other income disbursers and information on the reliefs laid down in Paragraph one, Clause 4 and the relief laid down in Clause 1 of this Section if a separate entry has been made thereon in a salary tax booklet.

[*31 May 1995; 19 December 1996; 20 November 1997; 25 November 1999; 11 December 2003; 20 December 2004; 20 October 2005; 8 June 2006; 19 December 2006; 14 November 2008; 9 August 2010; 20 December 2010; 22 September 2011; 8 March 2012; 15 November 2012; 6 November 2013; 6 March 2014; 17 December 2014; 30 November 2015; 23 November 2016; 28 July 2017; 22 November 2017; 27 November 2020; 16 November 2021*]

**Section 14. Justification for Eligible Expenditure and Relief of a Payer**

1. The right of the payer to the exclusion of eligible expenditure and relief from taxable income shall be proven by documentary evidence, by presenting the relevant documents or submitting true copies thereof.

1.1 The provisions of Paragraph one of this Section shall also be applicable if the eligible expenditure referred to in Section 10, Paragraph one, Clause 2 of this Law have been paid by the payer’s spouse, child, grandchild, any of parents or grandparents, a brother or sister of a person with Group 1 or 2 disability but the eligible expenditure referred to in Section 10, Paragraph one, Clauses 5 and 6 of this Law – by the payer’s spouse.

2. Taking into consideration the documents submitted by the payer, the State Revenue Service, or the employer, if the employee has submitted thereto a notice issued by the State Revenue Service regarding changes in tax relief shall record the positions of tax relief in the booklet.

3. [28 September 2006]

4. The documents of the payer confirming eligible expenditure apply only to the taxation period (calendar year).

[*31 May 1995; 25 November 1999; 30 November 2000; 11 December 2003; 28 September 2006; 16 June 2009; 6 November 2013; 27 November 2020* / *See Paragraph 150 of Transitional Provisions*]

**Chapter III**

**Calculation of the Tax**

**Section 15. Tax Rates and Application Thereof**

1. The annual taxable income shall be taxable in conformity with the rates laid down in this Section.

2. Tax rate which must be paid from the annual taxable income, except for the types of income laid down in Paragraphs five, six, seven, 7.1, eight, nine, ten, eleven, and twelve of this Section, shall be as follows:

1) 20 per cent – for annual income of up to EUR 20 004;

2) 23 per cent – for the share of annual income which exceeds EUR 20 004, but does not exceed the maximum amount of the object of mandatory contributions determined in accordance with the law On State Social Insurance;

3) 31 per cent – for the share of annual income which exceeds the maximum amount of the object of mandatory contributions determined in accordance with the law On State Social Insurance.

3. The salary tax rate which is to be paid from monthly taxable income, unless otherwise provided for in Paragraph sixteen or seventeen of this Section, shall be as follows:

1) 20 per cent – for a monthly income (except for the non-taxable income referred to in Section 9 of this Law) of up to EUR 1667;

2) 23 per cent – for the part of a monthly income (except for the non-taxable income referred to in Section 9 of this Law) which exceeds EUR 1667.

4. If during a calendar month one income disburser disburses both the income taxable with salary tax and other types of income taxable with a tax (which are not subject to the rates laid down in Paragraphs five, six, seven, eight, ten, eleven, and twelve of this Section) then:

1) for income not taxable with the salary tax the rate of 23 per cent shall be applied, unless otherwise provided for in Paragraph eighteen of this Section;

2) from income not taxable with a salary tax the expenditure referred to in Section 3, Paragraph two, Clause 1 of this Law, and also the expenditure referred to in Section 3, Paragraph two, Clauses 2 and 3 of this Law (if income from paid work is not sufficient for covering thereof) shall be deducted as it is specified in accordance with Paragraph fifteen of this Section for the part of monthly income of the payer which exceeds 1667 euros per month. The expenditure referred to in Section 10, Paragraph one, Clause 4 of this Law shall be deducted from the income before calculation of the tax.

5. The tax rate in the amount of 20 per cent shall be applied to income from the capital including from the capital gains.

6. The tax rate in the amount of 10 per cent shall be applied:

1) to the income referred to in Section 3, Paragraph three, Clause 9.1 and Section 8, Paragraph three, Clause 15 of this Law;

2) to the income referred to in Section 3, Paragraph three, Clause 9.2 and Section 8, Paragraph three, Clause 15.1 of this Law;

3) to the income referred to in Section 11, Paragraph twelve of this Law.

7. The rate of three per cent of the amount of the disbursed remuneration shall be applied to the income referred to in Section 3, Paragraph three, Clause 7.1 of this Law if the disburser of such income in conformity with Section 17, Paragraphs twelve and 12.2 of this Law withholds the tax in the place of disbursement of the income.

7.1 The rate of 23 per cent shall be applied to the income referred to in Section 3, Paragraph three, Clause 3 and Clause 12, Sub-clause “a” of this Law.

7.2 The income referred to in Section 3, Paragraph three, Clause 11 of this Law from which the payer of such income, i.e. a resident of Latvia, in accordance with Section 17, Paragraph twelve of this Law, withholds tax at the place of payment of income shall be subject to the rate of five per cent if all of the following conditions are met:

1) the disbursement is made through an investment service provider, including a central securities depository, for such financial instrument the issuer of which is an investment service provider supervised by a derived public entity which regulates and supervises financial markets and their participants;

2) the recipient is a resident of another European Union Member State or a country of the European Economic Area and is not a performer of economic activity;

3) the relevant financial instrument is not put into public circulation.

7.3 For the purposes of application of Section 7.2, Clause 2 of this Law, the residence of the recipient of income is determined on the basis of a self-certification of the client provided to the investment service provider or through a central securities depository in accordance with the due diligence procedure for the automatic exchange of information on financial accounts.

8. The rate of five per cent shall be applied to the income referred to in Section 3, Paragraph three, Clause 12, Sub-clause “b” of this Law.

9. [27 November 2020]

10. The tax rate shall be applied to the income of a micro-enterprise taxpayer in accordance with the Micro-enterprise Tax Law.

11. If the payer has obtained income in accordance with Section 8.1 of this Law and on the day of issue of a loan is an employee, member of the board of directors or council of the creditor, an additional rate of 22 per cent shall be applied to the relevant income in addition to the rate laid down in Paragraph two of this Section.

12. The seasonal agricultural worker income tax rate shall be 15 per cent, but not less than EUR 0.70 on each day of employment.

13. The relevant rate referred to in Paragraph five of this Section shall be applied to the part of the taxable income of an alternative investment fund (which is established as a limited partnership) and a foreign partnership (if a foreign partnership is not a payer of the enterprise income tax of a foreign country or tax equalled thereto) applicable to a member of the partnership which is income from capital, and also income from the capital gains.

14. The income referred to in Section 11.9, Paragraph fifteen, Clause 1 of this Law shall be subject to the tax rate determined for income from paid employment that has been determined in the year of gaining of income, but the income referred to in Section 11.9, Paragraph fifteen, Clause 2 of this Law – to the tax rate laid down in Paragraph five of this Section.

15. The deductions are applied to the payer in accordance with Section 3, Paragraph two, Clauses 1, 2, and 3 of this Law, and in the case laid down in Section 3, Paragraph 2.4, Clause 2 of this Law the tax rate in accordance with Paragraph two, Clauses 2 and 3 of this Section or Paragraph three, Clause 2 of this Section shall be applied to the part of the annual income of the payer which exceeds EUR 20 004 per year (EUR 1667 per month), but the calculated tax amount shall be reduced by the tax which is calculated by multiplying the amount of deductions which exceeds EUR 20 004 with the tax rate in the amount of 20 per cent. If tax overpayment forms as a result of the application of eligible expenditure specified in Section 10 or tax reliefs specified in Section 13 of this Law, the tax shall be refunded to the payer by applying the tax rate in the amount of 20 per cent.

16. If the payer of the salary tax is a person who is subject to a social insurance system of another country and the income of the payer from paid employment exceeds one-twelfth of the minimum amount of the object of mandatory contributions specified in the law On State Social Insurance, the tax rate in the amount of 31 per cent shall be applied to the part of this person’s monthly income (except for the non-taxable income referred to in Section 9 of this Law) which exceeds the one-twelfth of the minimum amount of the object of mandatory contributions specified in the law On State Social Insurance.

17. If the payer has not submitted the salary tax booklet to the income disburser, the tax rate shall be 23 per cent, unless it is otherwise provided for in Paragraph sixteen, eighteen, or twenty of this Section. The expenditure to be deducted referred to in Section 3, Paragraph two, Clause 1 of this Law shall be deducted from the monthly income of the payer as it is laid down in accordance with Paragraph fifteen of this Section for the part of monthly income of the payer which exceeds 1667 euros per month. The expenditure referred to in Section 10, Paragraph one, Clause 4 of this Law shall be deducted from the income before calculation of the tax.

18. The tax rate in the amount of 20 per cent shall be applied, in a taxation year, to the income referred to in Section 8, Paragraph three, Clause 8 of this Law.

19. The income referred to in Paragraph seventeen, eighteen, twenty, and twenty-four of this Section shall be included in the total taxable income of the taxation year, and the rates specified in Paragraph two of this Section shall be applied thereto in accordance with summary procedures.

19.1 The tax rate to be applied, in the taxation year and in accordance with the summary procedures, to a professional athlete who has been recognised as such within the meaning of Section 19 of the Sports Law from the total paid work income from the professional sport shall be 20 per cent.

20. The disburser of income shall apply the tax rates specified in Paragraph three of this Section in the taxation year for the following income disbursed during a calendar month:

1) a benefit for the temporary incapacity for work disbursed by the State Social Insurance Agency;

2) the pension granted (including the supplement to the pension for the insurance period that has been accrued until 31 December 1995) or a recalculated pension after 1 January 1996 in accordance with the law On State Pensions or a service pension, or a special State pension in accordance with the laws and regulations of the Republic of Latvia, or a pension in accordance with the laws and regulations of a foreign state, or a life pension insurance contract entered into (with accumulated funded pension capital in accordance with the Law on State Funded Pensions).

21. The amount of annual income or monthly income for the application of Paragraph two or three of this Law shall be determined by taking into account:

1) the non-taxable income referred to in Section 9 of this Law;

2) the income excluded from the taxable income in accordance with Section 8 of this Law;

3) the income excluded from the taxable income in accordance with Section 24, Paragraph seven of this Law;

4) the income taxable with a salary tax from which the employer is entitled not to pay personal income tax in accordance with the Law on Aid for the Activities of Start-up Companies.

22. If the income from paid employment, pension or benefit of the taxation year is disbursed for the pre-taxation year, these types of income shall be included in the amount of the income of the relevant pre-taxation year and the relevant tax rates of the pre-taxation year shall be applied. The income calculated for the relevant month shall be included in the monthly income subject to the salary tax.

23. On the basis of a written submission of the payer to the income disburser or an entry made by the payer in the booklet, the income disburser shall deduct tax within the taxation year in accordance with the rate of 23 per cent also from the income for which in accordance with Paragraph two, three, or eighteen of this Section the tax rate in the amount of 20 per cent shall be applied. If the tax is deducted in accordance with the 23 per cent rate, on the basis of an entry made by the payer in the booklet, the application of this rate shall be started from the first day of the subsequent month.

24. If the payer has won a prize in a lottery or gambling which exceeds EUR 3000 and it has been disbursed in one instalment or by summing up the entire visit of a place where gambling or lottery is organised, the tax rate in the amount of 23 per cent shall be applied to the part of the prize of a lottery or gambling which exceeds EUR 3000, but does not exceed the maximum amount of the object of mandatory contributions specified in accordance with the law On State Social Insurance in the taxation year, but the tax rate in the amount of 31 per cent shall be applied to the part of the prize of a lottery or gambling which exceeds the maximum amount of the object of mandatory contributions specified in accordance with the law On State Social Insurance.

[*28 July 2017; 22 November 2017; 31 May 2018; 13 December 2018; 21 March 2019; 27 November 2020; 16 November 2021; 20 October 2022*]

**Section 16. Expression in Terms of Value**

1. Income, eligible expenditure, and expenditure made by performing economic activity shall be determined in EUR. Income and expenditure in foreign currency shall be recalculated in euros in accordance with the currency exchange rate used in the accounting which was in effect in respect of euro in the beginning of the day of obtaining the income or making the expenditure.

2. The income obtained in natural (material) terms and in the form of services and expenditure made shall be evaluated in the terms of money in accordance with the market prices that had existed on the date of obtaining the income or making the expenditure.

[*14 November 2008; 19 September 2013*]

**Section 16.1 Date of Earning Income**

1. The day when the payer receives money or other items, if not otherwise laid down in this Section, shall be considered as the date of earning an income.

2. The day when the income is calculated shall be considered as the day of earning an income from capital other than capital gains and income from an alternative investment fund which is established as a limited partnership, and also from a foreign partnership (if it is not a payer of a foreign enterprise income tax or tax equalled thereto).

3. The day when the beneficiary of a supplementary pension receives payment from a private pension fund shall be considered as the date of earning an income from investment of contributions to private pension funds.

3.1 The day when an insurance indemnity requested is disbursed shall be considered as the date of earning an income from life insurance contracts entered into with an accumulation of funds.

3.2 If a life insurance contract (with accumulation of funds) is terminated before the term without reaching the term of validity of 10 years specified in Section 8, Paragraph five, Clause 1 of this Law, the day when a repurchase amount is disbursed shall be considered as the day of earning the income.

3.3 Regardless of the conditions of Paragraph 3.1 of this Section, if at the end of the term of a life insurance contract (with accumulation of funds) the insurance indemnity (including income from such insurance contract) is disbursed by parts, the day on which the disbursement of the first insurance indemnity has been made shall be considered as the day of gaining of income.

3.4 If the insurance indemnity remaining during the disbursement of insurance indemnity of the life insurance contract (with accumulation of funds) referred to in Paragraph 3.3 of this Section (including income from such life insurance contract) increases by additional profit (additional income from a life insurance contract with accumulation of funds), the day on which the subsequent disbursement of a part of insurance indemnity is made shall be considered as the day of gaining of the taxable income.

3.5 The day when the amount disbursed from the investment account exceeds the amount paid into the investment account shall be considered as the day of earning an income referred to in Section 11.9, Paragraph eleven, Clause 6 of this Law.

3.6 Irrespective of Paragraph 3.5 of this Section, if financial instruments are transferred from one investment account to another investment account, the day of gaining of the income is determined in conformity with the provisions of Paragraph 3.5 of this Section in respect of the investment account to which the financial instruments are transferred.

4. The Cabinet shall provide for the procedures by which the date of earning an income shall be determined, if the day when a contract is entered into for a transaction with capital assets, the day of receipt of money, the transfer of ownership right and side provisions, in order for the contract to come into effect are not in one taxation period.

4.1 If a natural person invests an immovable property in the fixed capital of a capital company in exchange for capital shares or stocks of a capital company, the date of earning such income which is acquired from investment of the immovable property in the fixed capital of a capital company shall be considered the date when the capital shares or stocks obtained in exchange are alienated.

5. The payer who organises financial accounting in the double entry accounting system and prepares a balance and revenue and expenditure report in accordance with Section 13, Paragraph six of the law On Accounting shall declare the transactions and events for the determination of income of economic activities in the taxation period when they take place, irrespective of when the settlements are performed.

6. The day of the termination of a lease contract shall be considered as the day of earning an income from the income referred to in Section 3, Paragraph three, Clause 17 and Section 8, Paragraph three, Clause 14 of this Law.

7. Income from capital, the nominal value of which is expressed in foreign currency, shall be evaluated in euros in accordance with the currency exchange rate used in the accounting in the beginning of the day when the income from capital is calculated.

8. The date of earning income from dividends and accordingly also the day of disbursement of the dividend income within the meaning of this Law shall be considered as the day when the dividends are calculated. If dividends are calculated for the stocks in public circulation, the day of earning an income from dividends and, therefore, the day of disbursement of income from dividends within the meaning of this Law shall be considered the day when the dividends are disbursed, and the investment service provider who has opened the financial instrument account (or through the intermediation of which the financial instrument account has been opened) has the obligation to withhold the tax from dividends disbursed to a stockholder or an intermediary for stocks in public circulation (if it shall be deducted in accordance with the Law) and transfer it to the State budget.

8.1 [28 July 2017]

9. The day of earning interest income and accordingly also the day of disbursement of interest income within the meaning of this Law shall be considered as the date when a natural person is given the right to act without restriction with the respective income in accordance with the contract entered into or the law and the relevant income becomes accessible to such person in the manner and according to the procedures indicated thereby.

10. The day when the agreement comes into effect with which the loan (credit) liabilities are reduced or repaid shall be considered as the day of earning such income which has occurred as a result of reduction or repayment of loan (credit) liabilities.

11. Within the meaning of this Law the day when the ownership rights to stock are transferred in accordance with the procedures laid down in the laws and regulations shall be considered as the day of implementation of the stock purchase option (acquisition of income).

12. The next day following the expiration of the time period of 90 days shall be considered as the day of acquisition of income from the income referred to in Section 8, Paragraph 2.7 of this Law, unless during these 90 days settlement of accounts regarding the advances referred to in Section 8, Paragraph 2.7 of this Law are performed.

13. The next day following the day when 12 months have passed from the day of disbursement of remuneration, if remuneration is disbursed in cash, shall be considered as the day of acquisition of income from alienation of the immovable property necessary for the company needs.

14. The next day following the day when 12 months have passed from the day of alienation of immovable property, shall be considered as the day of acquisition of income from the income referred to in Section 9, Paragraph one, Clause 34.2 of this Law, if the actual day of acquisition of income has been not later than this day. If the actual day of acquisition of income has been later than the day when 12 months have passed from this day of alienation of immovable property, the day of acquisition of income shall be determined in accordance with Paragraph four of this Section.

15. If in accordance with Section 8.1 of this Law the loan is equalled to income or in accordance with Section 8.2, Paragraph five of this Law income caused by non-paid loan interest is acquired, the last day of the sixth month following the time period for loan repayment laid down in the loan agreement or the last day of the 66th month (from the day of issue of the loan), where the time period for repayment of the loan laid down in the loan agreement exceeds 60 months, shall be considered as the day of acquiring (disbursement) of such income. If the conditions of Section 8.1, Paragraph four or six of this Law are not complied with, the day of acquisition of income shall be determined in accordance with Section 8.1, Paragraph eleven.

16. The last day of each taxation year shall be considered as the day of acquisition (disbursement) of income caused by reduced loan interest payments laid down in accordance with Section 8.2, Paragraph one of this Law.

17. The day on which the court has taken the decision to terminate insolvency proceedings of the natural person shall be considered the day of receipt of income obtained from the alienation of a capital asset in insolvency proceedings of a natural person.

[*1 December 2009; 9 August 2010; 21 October 2010; 8 September 2011; 22 September 2011; 15 December 2011; 15 November 2012; 19 September 2013; 6 November 2013; 17 December 2014; 28 July 2017; 22 November 2017; 20 October 2022*]

**Chapter IV**

**Procedures for Withholding and Payment of Tax**

**Section 17. Withholding and Payment of Salary Tax and Withholding of Tax from Income, which is not Related to Employment Relationship**

1. Withholding and payment (transfer to the budget) of salary tax shall be performed by the employer who employs the employee – (tax) payer.

2. The salary tax shall be calculated in accordance with the rate laid down in Section 15, Paragraph three of this Law.

3. The monthly income on which the salary tax is to be imposed shall be:

1) for residents of the Republic of Latvia at the place of employment where the booklet is submitted – the difference between the amount of the income of the calendar month and the amount of the monthly non-taxable minimum forecasted by the State Revenue Service or the monthly non-taxable minimum forecasted by the payer, eligible expenditure specified in Section 10, Paragraph two of this Law and the relief specified in Section 13, Paragraph one of this Law;

2) for the residents of the Republic of Latvia at the place of employment where the booklet is not submitted – income of the calendar month from which the amount of eligible expenditure laid down in Section 10, Paragraph two of this Law has been deducted;

3) for the non-residents of the Republic of Latvia – income of the calendar month from which the amount of justified expenditure specified in Section 10, Paragraph one, Clauses 1, 5 and 6 of this Law has been deducted.

4. [25 November 1999]

5. The salary tax shall be calculated, withheld, and paid into the budget by the employer. The salary tax shall be paid into the single tax account by the 23rd day of the month when the income is disbursed. The employer shall pay the salary tax withheld from the remuneration into the single tax account by the 23rd day of the month following the month when the income is disbursed if the employer calculates and disburses the remuneration to the employee in the following cases:

1) employment relationship is terminated;

2) payment for the period of leave and remuneration for the time worked up to the leave are disbursed;

3) remuneration for a calendar month is calculated and disbursed within the same calendar month;

4) sick-pay is disbursed;

5) if, according to a court judgement, a court decision to confirm the settlement, or an administration decision taken by the relevant State administration institution, a compensation is disbursed to the person for forced absence from work or work income not disbursed in due time are disbursed.

5.1 [16 November 2021]

5.2 The seasonal agricultural worker income tax shall be calculated, withheld, and paid into the single tax account by the disburser of the seasonal agricultural worker income. The seasonal agricultural worker income tax shall be paid into the single tax account by the 23rd day of the month following the month in which a seasonal agricultural worker has been employed.

6. At the end of the year, not later than within 15 days after receipt of a request from an employee, the employer shall issue him or her a notice regarding the amounts disbursed to the natural person, and also send a notice to the State Revenue Service regarding the amounts disbursed to the natural person. If employment relationship with an employee has been terminated before the end of a taxation year, the employer shall issue a notice to the employee, upon request, regarding the amounts disbursed to the natural person on the day of termination of employment relationship.

7. A notice regarding the amounts disbursed to a natural person shall be sent to the State Revenue Service not later than by 1 February of the year following the taxation year, if the employment relationship has existed until the end of the year. The notice regarding the amounts disbursed to a natural person regarding such employee with whom employment relationship has not existed until the end of the year shall be sent by the employer to the State Revenue Service by the 15th date of that month which follows the month of the termination of employment relationship or the month in which the employee was employed in urgent, temporary, or single-time jobs.

7.1 [15 November 2012]

7.2 Paragraphs one, two, three, six, and seven of this Section shall be applied by a State administration institution, a local government institution, other derived legal person governed by public law or an institution with an autonomous budget which, in accordance with the Law on Compensation for Losses Caused by the State Administration Institutions, disburses the payer a compensation for losses that is related to employment (service) relations or termination thereof. A State administration institution, a local government institution, another derived legal person governed by public law, or an institution with an autonomous budget shall, in accordance with the Law on Compensation for Losses Caused by the State Administration Institutions, pay the salary tax for the compensation for losses which is related to employment (service) relationship or termination thereof into the single tax account within three working days from the day when the compensation for losses has been disbursed to the payer.

7.3 At the end of the year, a disburser of the seasonal agricultural income shall, within 15 days after receipt of the request of the seasonal agricultural worker income taxpayer, issue to him or her a notice regarding amounts disbursed to a natural person.

8. [25 November 1999]

9. [30 November 2000]

9.1 The payer of the salary tax referred to in Section 4, Paragraph one, Clauses 4 and 5 of this Law – a natural person – shall submit a notification to the State Revenue Service regarding the amounts disbursed to natural persons, indicating therein the tax calculated from the remuneration of a calendar month, on a quarterly basis by the 17th day of the month following the quarter when the income was disbursed, and the calculated tax shall be transferred to the single tax account by the 23rd day of the month following the quarter when the income was disbursed. If employment relationship between the abovementioned natural person – an employee – and the respective employer has terminated prior to the end of the quarter when the income was disbursed, then the abovementioned natural person shall, by the 17th day of the month following the month when employment relationship terminates, submit a notification to the State Revenue Service regarding the amounts disbursed to natural persons and, by the 23rd day of the month following the month when employment relationship terminates, transfer to the single tax account the tax calculated for the reporting period from the remuneration of a calendar month.

9.2 Paragraph one of this Section shall not be applicable if at the same time the following conditions exist:

1) the natural person performs work duties in a foreign state related to an existing permanent representation of the employer in the foreign state which is registered in accordance with the requirements of the relevant laws and regulations of the foreign state;

2) the work remuneration of the natural person (income which is acquired on the basis of employment relationship) is taxed with the income tax of the foreign state;

3) in determining the income to be taxed in the existing permanent representation of the employer in the foreign state, the work remuneration of the natural person is included in the expenditure of the permanent representation.

9.3 The work remuneration referred to in Paragraph 9.2 of this Section is income which is acquired outside the Republic of Latvia with such an employer who is not the resident of the Republic of Latvia, and is taxed with personal income tax according to summary procedures in accordance with the requirements of Section 19 of this Law.

9.4 The employer referred to in Paragraph 9.2, Clause 1 of this Section shall submit to the State Revenue Service a certification of the relevant foreign administration regarding the permanent representation of this employer being registered in the relevant State in accordance with the requirements of the legal acts thereof and the income of the paid work of employed persons in this permanent representation has a foreign income tax imposed. An employer shall, in accordance with general procedures, submit information to the State Revenue Service on the income of a natural person which has been obtained on the basis of employment relationship in a permanent representation existing in a foreign state and established by the employer.

10. The disburser of the income shall withhold the tax from the income disbursed to a natural person by merchants, individual undertakings (also farms or fish farms), cooperative societies, non-resident permanent representations, institutions, organisations, associations, foundations, and natural persons who are registered as performers of economic activity, if they are not related through employment relationship and that they are not exempted from the imposition of the tax, at the place of the disbursement of income and pay it into the single tax account by the 23rd day of the month following the month when the income was disbursed. The following shall constitute such income:

1) payment for intellectual property;

2) remuneration (remuneration for the copyright and related rights) disbursed to the heirs of the copyright;

3) remuneration disbursed by procurement and other organisations for raw skin of games, games and meat thereof, game trophies, animal food and other production obtained in the wild, except for remuneration obtained from mushrooming, berry-picking, or the collection of medicinal plants and flowers or individuals of non-game species – edible snails (Helix pomatia);

4) insurance indemnity which, in accordance with the life, health, and accident insurance contract entered into by the employer (or another policyholder – legal person) in the interests of the insured, is disbursed when the end of the time period provided in the contract has come or when terminating the contract before the time period;

5) pensions;

51) income equivalent to pension;

52) State funded pension capital which is inherited in case of the death of a participant of a State funded pension scheme and which is calculated for an heir prior to extinguishing liabilities of the heir against the social insurance special budget and the State basic budget arising out of overpayments of social insurance services, State social benefits and service pensions in accordance with the law On State Social Insurance if the heir has decided to receive it by a transfer to a payment account with a credit institution;

6) income from the sale of scrap;

7) revenue (also payment for intellectual property if the disburser of the income is not a collective management organisation) from economic activity which is performed by a natural person who has not registered its economic activity, except for the revenue from the products of agricultural production and from the mushroom picking, berry-picking or the collection of wild medicinal plants and flowers;

8) gifts in the form of money or other things, except for the gift (income) which is acquired as a result of reduction or repayment of loan (credit) liabilities;

9) sickness benefits;

10) [15 December 2011];

11) repayable overpaid social tax (mandatory State social insurance contributions);

12) dividends, income equalled to dividends, and notional dividends;

13) interest income, except for the interest disbursed into an investment account. Interest income disbursed into an investment account is subject to the application of Section 11.9, Paragraph eleven, Clause 6 of this Law;

14) scholarships, except for the scholarships which are not taxable in accordance with Section 9, Paragraph one, Clause 8 of this Law;

15) supplementary pension capital which has formed from payments made by the employer into private pension funds in conformity with licensed pension plans or into a pension plan of a private pension fund in accordance with the Solidarity Tax Law and disbursed to pension plan participants;

16) income from investment of payments in private pension funds;

17) income of hired personnel or income comparable thereto;

18) income from life insurance contracts with an accumulation of funds, and income from life-long pension insurance contracts (with accumulated funded pension capital in conformity with the State Funded Pension Law) which is formed from gratifications granted by an insurer;

19) income from alienation for felling of growing forest owned by a natural person and alienation of timber obtained therein;

20) loan equivalent to income if the loan agreement fails to conform to the criteria laid down in Section 8.1, Paragraph three of this Law, or if Section 8.1, Paragraph fifteen of this Law is applied during assignment of the loan;

21) compensations for personified expenditure related to volunteering which are covered for a volunteer by organisers of volunteering, except the compensations that are not taxable in accordance with Section 9, Paragraph one, Clause 44 of this Law;

22) the part of the prize of lotteries and gambling which exceeds EUR 3000, if the prize exceeding EUR 3000 has been disbursed in one instalment or by summing up the entire visit of a place where gambling or lottery is organised.

10.1 A collective management organisation shall withhold the tax from the payment for intellectual property in the place of disbursement and pay it into the single tax account by the 23rd day of the month following the month when the income was disbursed. Upon withholding the tax from the payment for intellectual property if it is disbursed by a collective management organisation, the imputed expenditures referred to in Section 10, Paragraph one, Clause 4 of this Law shall be deducted from the amount to be disbursed prior to calculating the tax.

10.2 By withholding tax from the income of sale of a standing forest, the expenditure related to the forest regeneration shall be deducted from the amount disbursed by applying the rates of expenditure in the amount of 25 per cent of the amount to be disbursed, but from the income of selling timber – expenditure related to the preparation and selling of the timber by applying the rates of expenditure in the amount of 50 per cent of the amount to be disbursed.

10.2 [31 May 2012]

10.4 If the credit institution has information at its disposal on the tax withheld in a foreign country from dividends for shares in public circulation in foreign countries according to a tax rate lower than it is determined in Section 15, Paragraph five of this Law, the credit institution shall apply the provisions of Paragraph ten, Clause 12 of this Section and tax shall be withheld at the place of disbursement by applying the difference of the rate specified in Section 15, Paragraph five of this Law and the tax rate withheld in a foreign country. The credit institution shall not apply the provisions of Paragraph ten, Clause 12 of this Section for the withholding of the tax at the place of disbursement, if the credit institution has information at its disposal on the tax withheld in a foreign country from dividends for shares in public circulation in foreign countries according to the tax rate determined in Section 15, Paragraph five of this Law.

11. Merchants, individual undertakings (also farm or fish farms), cooperative societies, non-resident permanent representations, institutions, organisations, associations, foundations, and natural persons who are registered as performers of economic activity shall, after receipt of the request of a person – the taxpayer, issue a notice to such person regarding the amounts disbursed to which the personal income is applied to and which are not related with employment relationship, and the tax withheld from these sums, or, if the tax is not applicable to the income disbursed – a document attesting to the disbursement, and send a notice to the State Revenue Service:

1) regarding the income disbursed to the persons referred to in Paragraphs ten and twelve of this Section and the tax withheld therefrom – not later than by the 15th date of the month following the month of the disbursement of the income;

2) regarding persons, without withholding the tax for the amounts disbursed – within the time period stipulated by the Cabinet. The Cabinet shall determine the procedures for the issue of the attestation documents, and also the income for the disbursement of which they are to be issued, and the exceptions;

3) regarding the reduced or repaid loan (credit) liabilities of a natural person in the taxation year.

11.1 If the amounts of the income referred to in Paragraph eleven, Clause 2 of this Section which are related to the agricultural production of the payer do not exceed EUR 711 in a taxation year, the notice regarding the income disbursed to this payer shall be submitted to the State Revenue Service for the entire year until 1 February of the year following the year of taxation.

11.2 A natural person – taxpayer shall submit to the disburser of the income a relevant statement as a confirmation that the selling of his or her personal belongings to merchants, individual undertakings, (also farms or fish farms), cooperative societies, non-resident permanent representations, institutions, organisations, associations, foundations, and natural persons who are registered as performers of economic activity, is not related to the economic activity thereof.

11.3 [1 December 2009]

11.4 The State Social Insurance Agency shall not apply the provisions of Paragraph eleven, Clause 2 of this Section to non-taxable income.

11.5 The following companies need not apply the provisions of Paragraph eleven of this Section regarding the issuance of a notice regarding the amounts disbursed to a natural person:

1) a credit institution and investment company – to income from capital, including from the capital gains, if the credit institution issues or sends to persons – taxpayers – an account statement on the income from capital in the taxation year;

2) an insurance company – to income from capital, including from the capital gains, to income equivalent to pension and other amounts taxable with personal income tax which are not related to employment relationship, if the disbursement is carried out with the intermediation of a credit institution in the form of money order, and the insurance company shall specify the calculated tax in the justification of the money order;

3) an investment service provider – to income from the investment account if the investment service provider ensures the possibility for the account owner to receive an extract of the investment account where the information on the contributions made in the investment account during the taxation year and disbursements made therefrom is compiled, and also if such information is available to the investment service provider, he or she has compiled data on the funds which are obtained as a result of performance of the investment account transactions, and on taxes deducted from these funds. The information to be included in the extract of the investment account shall be determined by the Cabinet.

11.6 A natural person shall, by 1 February of the year following the taxation year, issue a natural person – the beneficiary of income – and send to the State Revenue Service a notification regarding the amounts disbursed to the natural person for the reduced or repaid loan (credit) liabilities of the natural person which have been ensured with the mortgage of an immovable property in the taxation year (if the giver is not connected to the payer by marriage or kinship to the third degree within the meaning of the Civil Law).

11.7 When applying the provisions of Paragraph eleven, Clause 3 of this Section on the issuance of a notification regarding the amounts disbursed to a natural person to natural persons and the sending to the State Revenue Service, the liabilities which are ensured with a mortgage of an immovable property, shall be indicated separately in the notification regarding the amounts disbursed to a natural person for the period of time referred to in Section 9, Paragraph one, Clause 35.1 of this Law.

11.8 When applying to natural persons the provisions of Paragraph eleven, Clause 3 of this Section on the issue of a notification regarding the amounts disbursed to a natural person and the sending to the State Revenue Service, the liabilities which are extinguished in accordance with Section 9, Paragraph one, Clause 35.5 of this Law are indicated separately in the notification regarding the amounts disbursed to a natural person.

12. The tax is withheld from the income referred to in Section 3, Paragraph three, Clauses 1, 2, 3, 4, 7.1, 8, 9.2, 10, 10.1, 11, 12, 13, 14, 14.1, 14.2, 15, 15, 20, 21, 22, 23, 24, 25, and 26 of this Law in the place of disbursement of the income and paid into the single tax account by the 23rd day of the month following the month when the income was disbursed.

12.1 A merchant, an individual undertaking (also a farm or fish farm), a cooperative society, a permanent representation of the non-resident, an institution, an organisation, an association and a foundation which has disbursed such income to a natural person – non-resident, tax from which, in accordance with this Law, should be withheld at the place of disbursement or at the time of calculation, shall issue a certificate to the non-resident regarding the income obtained from the relevant payer of the income in the Republic of Latvia in the taxation year and the personal income tax paid for them.

12.2 A natural person – a resident who is a performer of economic activity shall, from the income referred to in Section 3, Paragraph three, Clauses 1, 2, 3, 7.1, 8, 11, and 12 of this Law, have the tax withheld at the moment of the disbursement of the income and the tax shall be paid into the single tax account by the 23rd day of the month following the month when the income was disbursed, if such payments are related to the economic activity performed by the resident, and are taken into account upon determining the taxable income, and also shall issue a certificate to the non-resident regarding the income obtained in the Republic of Latvia in the taxation year and the personal income tax paid for it.

12.3 [28 July 2017]

12.4 [28 July 2017]

12.5 The income tax from alienation for felling of growing forest owned by the non-resident and from alienation of timber obtained therein is withheld in the place of disbursement of the income and paid into the single tax account by the 23rd day of the month following the month when the income was disbursed.

12.6 A natural person – a resident who is a performer of economic activity – shall have the income tax withheld from alienation for felling of growing forest owned by the non-resident and from alienation of timber obtained therein at the moment of the disbursement of the income and the tax shall be paid into the single tax account by the 23rd day of the month following the month when the income was disbursed, if such payments are related to the economic activity performed by the resident, and is taken into account upon determining the taxable income, and also shall issue a certificate to the non-resident regarding the income obtained in the Republic of Latvia in the taxation year and the personal income tax paid for it.

12.7 By withholding the tax from the income of sale of a standing forest owned by a non-resident, the expenditure related to the forest regeneration shall be deducted from the amount disbursed by applying the rates of expenditure in the amount of 25 per cent of the amount to be disbursed, but from the income of selling timber – expenditure related to the preparation and selling of the timber by applying the rates of expenditure in the amount of 50 per cent of the amount to be disbursed.

13. If the amount of the income disbursed in a month or the amount of the single payment is EUR 5 or less, the tax shall not be withheld at the time of the payment of the income during disbursement thereof, except the income referred to in Paragraph ten, Clauses 12 and 13 of this Section and Section 3, Paragraph three, Clauses 10 and 11 of this Law. The beneficiary of the income shall present these amounts in the return thereof which is to be submitted regarding the income of the taxation period (calendar year) in the year following it. The disburser of the income shall send information on this income to the State Revenue Service in accordance with the procedures laid down in Paragraph eleven of this Section.

14. [16 June 2009]

15. [16 June 2009]

16. [16 June 2009]

17. Irrespective of any provisions of this Law, personal income tax shall be deducted according to the 23 per cent rate from all payments paid by natural person – residents of Latvia or by non-residents who in accordance with this Law have an obligation to submit an annual income return in Latvia, to legal, natural, or other persons who are located, have been set up or established in the low-tax and tax-free countries or territories as referred to in the Cabinet regulations, including payments made to representatives of such persons or into bank accounts of third parties and payments made by way of mutual account entries, except for payments to persons who are located, have been set up or established in low-tax and tax-free countries or territories for the supply of goods, provided that these goods have originated in the relevant low-tax and tax-free countries or territories.

18. The State Revenue Service has the right to permit the non-withholding of taxes from the payments from which in accordance with Paragraph seventeen of this Section tax is to be withheld, if the payer of these payments justifiably proves that the abovementioned payments are not made to decrease the taxable income of this payer and to refuse to pay or to decrease taxes paid in Latvia. The State Revenue Service shall cancel the permission granted, if during the administration process it has obtained information that is indicative of concealment of the actual circumstances of the transaction. In the case of cancellation of the granted permission, the norms of Paragraph seventeen of this Section shall be applied to the payer and those amounts of tax to which the cancelled permission applies shall be considered as the late payment of the tax.

19. The provisions of Section 3, Paragraph three and Paragraphs ten and twelve of this Section of this Law shall apply to the payments referred to in Paragraph seventeen of this Section from which, at the place of payment, tax is not to be withheld according to the 23 per cent rate and to the payments the non-withholding of tax from which in accordance with the provisions of Paragraph eighteen of this Section is permitted.

20. The day of withholding the tax within the meaning of Paragraphs twelve and seventeen of this Section shall be the day when the disburser of income makes actual payment to the non-resident or the day when reduction of the liabilities of a creditor – non-resident – is made by performing mutual account entries of a taxpayer and non-resident, or the day when the transfer of the liabilities of the particular creditor is performed.

21. Within the meaning of Paragraph seventeen of this Section, payments shall be any payments which reduce the taxable income of the person making such payment regardless of whether they have been performed by using non-cash payments, cash or other things, or also in the form of mutual account entries.

22. If an account has been opened at a credit institution registered in the Republic of Latvia for a person located, set up, or established in a tax-free or low-tax country or territory, and the relevant person makes payments from the referred to account the recipient of which is another person located, set up, or established in a tax-free or low-tax country or territory, and as a result of these payments the taxable income of the taxpayer of Latvia is reduced, it shall be considered that the referred to payments are made by the taxpayer of Latvia and Paragraph seventeen of this Section shall be applied.

23. In accordance with Paragraph seventeen of this Section, the disburser of the income shall pay the withheld tax into the single tax account by the 23rd day of the month following the month when the income was disbursed.

24. A micro-enterprise – a micro-enterprise taxpayer – shall not apply the provisions of Paragraphs six and seven of this Section and the provisions of Paragraphs twelve, 12.1 and 12.2 in relation to the income referred to in Section 3, Paragraph three, Clause 1 of this Law.

[*31 May 1995; 29 February 1996; 19 December 1996; 2 October 1997; 20 November 1997; 25 November 1999; 27 January 2000; 30 November 2000; 19 June 2003; 11 December 2003; 20 December 2004; 20 October 2005; 28 September 2006; 19 December 2006; 17 May 2007; 12 December 2008; 16 June 2009; 16 July 2009; 1 December 2009; 13 May 2010; 9 August 2010; 21 October 2010; 20 December 2010; 8 September 2011; 22 September 2011; 15 December 2011; 31 May 2012; 15 November 2012; 19 September 2013; 6 November 2013; 6 March 2014; 17 December 2014; 30 April 2015; 29 October 2015; 30 November 2015; 28 July 2017; 22 November 2017; 13 December 2018; 21 March 2019; 23 May 2019; 9 July 2020; 27 November 2020; 16 November 2021; 20 October 2022*]

**Section 17.1 Income of Hired Personnel or Income Comparable Thereto**

1. Within the meaning of this Law any natural person who is attracted by another person (lessor of the personnel) in order to perform work on behalf of the lessor of the personnel regardless of whether employment relationship exists between the lessor of the personnel and the relevant natural person shall be considered as personnel.

2. Within the meaning of this Section, the sending of the personnel of a lessor of the personnel who is not the resident of Latvia or a permanent representation of the non-resident in Latvia, in exchange for remuneration to the resident of Latvia or the permanent representation of the non-resident in Latvia so that this personnel might perform activities in connection with the economic or professional activities of the lessor of personnel in Latvia or in foreign states shall be considered as the hiring of personnel, if at least one of the following features is established:

1) the lessee of the personnel is responsible for the joint management and supervision of the work or the work results;

2) the lessee of the personnel determines the number and qualification of the personnel;

3) the integration of the personnel in the undertaking of the lessee of the personnel. Integration in an undertaking within the meaning of this Section shall be the existence of work or recreational place and the duty to observe the internal rules of procedure of the undertaking;

4) remuneration for the hiring of the personnel is calculated depending on the working time of the hired personnel, the work performed or other relations between the remuneration of the lessor of the personnel and the work remuneration of personnel;

5) the lessee of the personnel provides the personnel with the largest part of basic materials, work equipment and materials.

2.1 The lessee of the personnel shall be identified, taking into account the economic content and nature of an individual transaction or an aggregate of transactions, not just the legal form, including (but not only) it shall be assessed whether, according to the contract entered into by and between the lessee of the personnel and the lessor of the personnel, the personnel is transferred to another person in order to perform activities in relation to economic or professional activity of such person in Latvia or a foreign country (in such case this other person for whose benefit the personnel performs work shall be recognised as the lessee of the personnel).

3. The lessee of personnel shall calculate the tax for the income of hired personnel on the basis of the information certified by documents submitted by the lessor of the personnel which allows the identification of the hired personnel (given name, surname, date of birth, permanent place of residence or taxpayer registration number, or other information), work remuneration and other information regarding income obtained. Mandatory State social insurance contributions and also payments which are similar in nature and have been specified in the legal acts of other European Union Member States or European Economic Area States are taken into account in the calculation of the tax if the payment thereof is certified by a document confirmed by the foreign tax administration.

4. If a lessor of the personnel cannot submit the information referred to in Paragraph three of this Section to a lessee of the personnel, the total payment of the lessee of the personnel to the lessor of the personnel shall be considered as the income equalled to the income of the hired personnel. In determining the taxable income of a natural person involved within the scope of each hired personnel, it shall be considered that such natural persons have obtained income in equal parts from the remuneration paid to the lessor of the personnel. Mandatory State social insurance contributions are taken into account in the calculation of the tax.

[*1 December 2009; 16 November 2021*]

**Section 17.2 Services for Ensuring Labour Force Provided by Micro-enterprises**

[16 November 2021]

**Section 17.3 Income from Significant Participation in a Foreign Company**

1. Within the meaning of this Law a foreign capital company, partnership or other legal person, a foreign foundation, trust or other legal entity which is located, set, or established in the low tax and tax haven countries or territories referred to in legal acts and the stocks of which are not quoted in the regulated market of a European Union Member State or European Economic Area State shall be considered as a foreign company.

2. Within the meaning of this Law any group of persons or assets associated by a contract which in accordance with the contract have been transferred under the management of another person, shall be considered as a legal entity.

3. It shall be considered that the payer (resident) owns a significant participation in a foreign company, if he or she directly or indirectly owns at least 25 per cent of the fixed capital shares, stocks, cooperative shares, voting rights of a foreign company, or a significant influence or the right to participate in distribution of profit (increase in assets value) of the foreign company is ensured by a contract or otherwise. Indirect participation of the payer in a foreign company shall not be considered as participation, if in any intermediate stage between the payer and the relevant foreign company there is a stock company the stocks of which are quoted in the regulated market of a European Union Member State or European Economic Area State.

4. The amount of participation of the payer (resident) in the fixed capital of a foreign company, the amount of voting rights or other rights which gives the right to participate in distribution of profit (or increase in assets value), shall be determined on the last day of the relevant taxation year.

5. The part of profit (increase in assets value) of a foreign company which is proportionate to the participation of the payer (resident) in the fixed capital, voting rights or other rights of the foreign company which ensures significant influence or allows participation in distribution of profit (increase in assets value), shall be eligible to the income of the payer (resident).

6. When determining the income of the payer (resident) from significant participation in a foreign company, profit of the company which has been determined in accordance with the legal acts of the relevant country, shall be taken into account.

7. The payer (resident) who in a taxation year has acquired the income referred to in this Section shall append annex to the return of the taxation year in which he or she shall provide the following information in free form:

1) the name, registration number of a foreign company (if the company must be registered in accordance with the law) and legal address (if the company must be registered in accordance with the law) or address thereof (if the company need not be registered in accordance with the law);

2) the amount of participation in the fixed capital of a foreign company which is directly or indirectly owned by him or her on the last day of the taxation year, or voting rights or other rights which ensure significant influence or allow participation in distribution of the profit (increase in assets value) of the foreign company;

3) if there is indirect participation – intermediate stages between the payer and the relevant foreign company.

[*15 November 2012*]

**Section 18. Calculation of Tax from Income of Economic Activity and Payment thereof in Advance**

[*23 March 2023* / *Applicable from 1 January 2023.* *See Paragraph 193 of Transitional Provisions*]

**Section 19. Summary Procedures for Calculation and Payment of Personal Income Tax**

1. The calculation of tax and payment of tax into the budget shall be performed by the payer in accordance with summary procedures, if not laid down otherwise this Section.

1.1 The differentiated non-taxable minimum of the taxation year, and also the progressive rate specified in Section 15, Paragraph two of this Law shall be taken into account by making the tax calculation in accordance with summary procedures in the return submitted for the taxation year. In making the tax calculation in accordance with summary procedures, the average weighted tax rate shall be applied to the income obtained in a foreign country, the loan comparable to income, or if the payer has the obligation to pay the tax in accordance with Paragraph 2.1 of this Section.

2. In conformity with this Law, tax shall be calculated for the total amount of the annual taxable income in the determination of which the losses of the economic activity may not be covered by the accounts of other types of income and it shall be reflected in the return. All income obtained in taxation period of the payer (calendar year), and also non-taxable income shall be presented in the return, if the total amount thereof exceeds EUR 10 000 a year, except for the benefits referred to in Section 9, Paragraph one, Clauses 37, 37.1, 37.2, 38, 39, and 40 of this Law, or benefits disbursed by the State Social Insurance Agency, and also the income referred to in Section 9, Paragraph one, Clauses 29 and 31 of this Law. Such income shall not be presented in the return which are taxable with the micro-enterprise tax in accordance with the Micro-enterprise Tax Law. The income referred to in Section 8, Paragraph 4.1 of this Law shall not be presented in the return.

2.1 The payer who has been registered as a performer of economic activity shall pay EUR 50 into the single tax account by 23 June of the year following the taxation year, if taxable income from economic activity is not obtained in the taxation year or if the calculated tax amount from the taxable income of economic activity does not exceed EUR 50.

2.2 Section 2.1 of this Section shall not be applicable to payers who have performed personal income tax payments or mandatory State social insurance contributions in a taxation year for employees, or State social insurance contributions for himself or herself as a self-employed person.

2.3 Section 2.1 of this Section shall not be applied to payers for the first taxation year in which registration of economic activity has been performed and for the next taxation year, and also for a year in which economic activity is terminated or liquidation process is completed.

2.4 Paragraph 2.1 of this Section shall not be applied to the payer in proportion to those calendar days of the taxation year when the payer takes care of a child in the age of up to two years and also calendar days of temporary incapacity for work, prenatal, and maternity leave for which the payer has been issued a sick-leave certificate B.

2.5 The payers of the solidarity tax to whom a lower rate of mandatory State social insurance contributions has been applied in the taxation year than that specified in the Solidarity Tax Law shall pay in addition the part of the solidarity tax which forms as a result of the difference between the solidarity tax and the mandatory State social insurance contributions into the budget in the form of a payment of personal income tax in accordance with summary procedures, submitting the return of the taxation year.

3. If the payer’s income in the taxation year which is taxable with the tax rate specified in Section 15, Paragraph two of this Law does not exceed the maximum amount of the object of mandatory contributions determined in accordance with the law On State Social Insurance, but the amount of the calculated tax exceeds one euro, the payer shall pay the amount of the calculated tax into the single tax account by 23 June of the year following the taxation year, but if the payer’s income in the taxation year which is taxable with the tax rate specified in Section 15, Paragraph two of this Law exceeds the maximum amount of the object of mandatory contributions determined in accordance with the law On State Social Insurance, but the amount of the calculated tax exceeds one euro – by 23 July of the year following the taxation year. If the amount of the calculated tax exceeds EUR 640, the payer may pay it into the single tax account in three instalments, each time paying one third of the amount of the calculated tax within the following time periods:

1) if the payer’s income in the taxation year which is taxable with the tax rate specified in Section 15, Paragraph two of this Law does not exceed the maximum amount of the object of mandatory contributions determined in accordance with the law On State Social Insurance – by 23 June, 23 July, and 23 August of the year following the taxation year;

2) if the payer’s income in the taxation year which is taxable with the tax rate specified in Section 15, Paragraph two of this Law exceeds the maximum amount of the object of mandatory contributions determined in accordance with the law On State Social Insurance – by 23 July, 23 August, and 23 September of the year following the taxation year.

3.1 [6 November 2013 / See Paragraph 96 of Transitional Provisions]

3.2 The payer shall pay the amount of the calculated tax into the single tax account by the 23rd day of the month in which the returns specified in Paragraph 5.1 or 5.2 of this Section have been submitted (except for the return on income from capital). If the payer submits the return specified in Paragraph 5.1 or 5.2 of this Section (except for the return on income from capital) after the 20th day of the relevant month in conformity with the requirements of this provision, he or she shall pay the amount of the calculated tax into the single tax account by the 23rd day of the month following the month when this return was submitted. The payer shall pay the amount of the calculated tax into the single tax account by the 23rd day of the month in which the returns on income from capital specified in Paragraph 5.2 or 5.3 of this Section were submitted.

4. If after inspection of the return the amount calculated according to summary procedures proves to be smaller than the amount paid in advance, the State Revenue Service shall reimburse to the payer the overpayment which has incurred as the difference between the tax paid in advance and calculated in accordance with summary procedures within three months from the date of submission of the return. The State Revenue Service shall not issue in writing the decision to reimburse the overpaid tax which has been declared in accordance with the summary procedures and approved in full amount, but shall notify the decision by reimbursing the overpaid tax in the payers’ account with a credit institution, the payer’s current account opened with a payment service provider, or by a notification of diverting thereof to cover late tax payments and related payments or transferring thereof for the enforcement of orders of sworn bailiffs.

4.1 [8 November 2007]

4.2 The State Revenue Service shall perform the automatic reimbursement of the overpaid tax in accordance with the procedures laid down in Section 20.1 of this Law.

5. The return with the documents appended thereto shall be submitted to the State Revenue Service from 1 March to 1 June in the year following the taxation year, but if the income in the taxation year which is taxable with the tax rate specified in Section 15, Paragraph two of this Law exceeds the maximum amount of the object of mandatory contributions determined in accordance with the law On State Social Insurance – from 1 April to 1 July. Only the information which is not accessible in State information systems shall be indicated in the return. The State Revenue Service shall complete such sections of the return in respect of which information is available in the State information systems and regarding the amount of the tax calculated in accordance with the summary procedures.

5.1 A foreign taxpayer residing in Latvia in order to engage in paid employment on behalf of such an employer who is not the resident of Latvia or who does not have a permanent representation in Latvia, and who terminates obtaining of the abovementioned income, and return thereof to Latvia is not expected before the end of taxation year, shall submit the return before he or she leaves Latvia.

5.2 A foreign taxpayer (non-resident) who obtains an income in Latvia from which tax is payable according to summary procedures, but who in the taxation year ceases to obtain such income or obtains a once-only payment income and simultaneously discontinues links with Latvia shall submit the return within 30 days after the end of the obtaining of the income. If a foreign tax payer (non-resident) who obtains income in Latvia from the capital gains does not use the return reliefs referred to in Section 20, Paragraph three of this Law, tax from this income shall be calculated and the return on income from capital shall be submitted to the State Revenue Service until the 15th date of the month following the month of obtaining the income.

5.3 The payer (resident) who obtains income from the capital gains and whose total income from transactions with capital assets exceeds EUR 1000 in a quarter shall submit the return on income from capital for the income obtained during the quarter to the State Revenue Service once per quarter until the 15th date of the month following the quarter. The payer (resident) who obtains income from the capital gains and whose total income from transactions with capital assets does not exceed EUR 1000 in a quarter shall submit the return on the income from capital for the income obtained during the taxation year to the State Revenue Service until 15 January of the year following the taxation year. In order to cover the losses referred to in Section 11.9, Paragraph nine of this Law which have not been covered during the taxation year, the payer may submit an annual return for updating of income from the capital gains starting from 1 March of the post-taxation year.

5.4 The State Revenue Service shall ensure that the information existing in the State information systems necessary for the completion of the return is accessible to the payer in the Electronic Declaration System. The payer shall check and, if necessary, also update and supplement this information and confirm the veracity of the information indicated in the return. If the payer has failed to confirm the veracity of the information indicated in the return within the time period for the submission of the return specified in Paragraph five of this Section (has not submitted the return), to clarify or supplement the information indicated in the return, it shall be considered that he or she agrees with the information included in the payer’s return which has been completed by the State Revenue Service and with the amount of tax to be paid into the budget in accordance with summary procedures.

5.5 The payer who completes the return in printed form shall receive the information existing in the State information systems necessary for the completion of the return from the State Revenue Service. The State Revenue Service shall indicate the abovementioned information in the return of the payer in accordance with the procedures stipulated by the Cabinet.

6. Documents attesting to the following shall be attached or simultaneously presented therewith, and, where necessary submitted:

1) the right of the payer to relief, if the payer during the taxation year, when the right to relief has arisen, has not submitted a notification regarding persons under guardianship or a notification regarding disability or the status of politically repressed person, or the status of a member of the national resistance movement to the State Revenue Service;

2) eligible expenditure made during taxation year, except for cases where information on the eligible expenditure of the taxpayer is received by the State Revenue Service in accordance with Paragraphs ten and eleven of this Section;

3) [1 December 2009];

4) [14 November 2008];

5) the amount and type of income obtained in foreign states and the tax paid;

6) that a person being the resident of another Member State of the European Union or a European Economic Area state, in the taxation year has acquired more than 75 per cent of his or her total income in Latvia and that he or she has not used or his or her spouse has not used the tax relief laid down in this Law and the eligible income analogous deductions in his or her country of residence;

7) repayment of loan equivalent to income to a borrower, and also payment of interest payments related to loan;

8) that the enterprise income tax is paid in a foreign country or the personal income tax is deducted from dividends, income equalled to dividends, or notional dividends;

9) the submission regarding the right of the payer to the application of the non-taxable amount of foreign pension in the taxation year indicating the amount of the foreign pension.

6.1 [13 May 2010]

7. [1 December 2009]

7.1 In declaring income from alienation of agricultural land, the payer shall submit an appraisal of a certified appraiser of immovable property to the State Revenue Service together with the return on income from capital gains if the taxable income is calculated in accordance with:

1) Section 11.7, Paragraph four of this Law in proportion to the ratio of the market value of agricultural land in the total value of immovable property;

2) Section 11.7, Paragraph five of this Law.

8. Farm, if besides agricultural production it performs also other economic activity, may calculate total income (by covering agricultural losses from other income). In this case Section 9, Paragraph one, Clause 1 shall not be applied.

9. If the rates of expenditure have been specified for expenditure which is related to the economic activity of the payer, it is not necessary to submit or present documents attesting to such expenditure in the relevant amount.

10. By 1 February of the post taxation year information shall be sent electronically to the State Revenue Service in which for each natural person the given name, surname, personal identity number, and also the following information is indicated:

1) private pension fund – on the conformity of the individual participation contract entered into by the natural person with a private pension fund to the requirements laid down in Section 10, Paragraph one, Clause 5 of this Law and the amount of payments made to the private pension fund in the taxation year and the division of the payments by years if the payer in the taxation year has made payments also for the next taxation years, and also information on additional pension capital accumulated by a person making individual contributions as of 31 December of the taxation year;

2) insurance company – regarding the conformity of the contract (acquired policies) regarding life insurance (with accumulation of funds) entered into by the natural person to the requirements laid down in Section 10, Paragraph one, Clause 6 of this Law, the period of operation of the contract and the amount insurance premiums made in the taxation year, and the division of such amount by years if the payer in the taxation year has made payments also for the next taxation years on the condition that in accordance with the insurance contract the payer for each period has a fixed payment specified.

10.1 The Ministry of Education and Science shall, on the first date of each month, electronically send the information to the State Revenue Service regarding the previous month – on all persons under 24 years of age who acquire general, vocational, higher or special education by indicating the given name, surname and personal identity number of the person – educatee and the date when the person has been enrolled in or discharged from studies at a general, vocational, higher or special education institution.

10.2 General, vocational, higher or special education institutions shall, once a year by 1 February of the post taxation year, electronically send the information to the State Revenue Service on all persons who acquire or have acquired general, vocational, higher or special education for a fee in the taxation year by indicating the given name, surname and personal identity number of the person – educatee, amount paid and refunded for the studies in the taxation year, and also personal identity number of a natural person or registration number of a legal person who has made payments for studies.

10.3 A local government shall, by 1 February of the post-taxation year, send information to the State Revenue Service electronically on the current licences for the implementation of interest-related and adult non-formal education paid programmes, indicating the following information:

1) the given name, surname, personal identity number of the recipient of the licence – a natural person – or the name and registration number of the recipient of the licence – a legal person;

2) the date of issue of the licence;

3) the term of validity of the licence in the taxation year.

10.4 If a service provider provides the services referred to in Section 10, Paragraph one, Clause 2 of this Law the expenditure incurred for which the payer is entitled to include in his or her eligible expenditure, the State Revenue Service shall use the information provided by such service provider on the given name, surname, and personal identity number of the recipient of the service, the information identifying the payment documents (the date, the series and number of a cash register receipt or other receipt, the number of a payment order), the type of the service received (educational or health and medical treatment service), and the amount of the received payment when processing the return, if the following conditions are met:

1) in respect of health and medical treatment services, the payer of the tax has given the service provider his or her consent, in respect of the specific service, to the transfer of his or her personal data to the State Revenue Service;

2) the service provider provides such information in accordance with laws and regulations or, upon entering into a relevant contract, has agreed with the State Revenue Service on such procedures for sending information and data format.

10.5 The State Revenue Service shall store the information on the relevant taxation year to be used for the purpose specified in Paragraph 10.7 of this Section in the information systems of the State Revenue Service for five years from 1 January of the post-taxation year but in case where it is to be used for a longer time period in accordance with the law – for a period corresponding to the time of application thereof.

10.6 An insurance company shall, upon written request of the State Revenue Service, provide information on the amount reimbursed to a natural person according to a specific corroborative document regarding health and medical treatment services if such has been included in the return as justification for eligible expenditure, indicating:

1) the given name, surname, and personal identity number of the recipient of the indemnity;

2) the date of a cash receipt or other receipt, the series and number of a cash receipt or other receipt;

3) the name or the given name and surname of the service provider, the registration number of the service provider, or the taxpayer registration code;

4) the type of the service;

5) the full price of the service and the amount reimbursed by the insurer.

10.7 The State Revenue Service shall use the information referred to in Paragraphs 10.1, 10.2, 10.4, and 10.6 of this Section for the processing of returns, applying the eligible expenditure specified in Section 10 and the reliefs specified in Section 13 of this Law.

11. The procedures for the sending of the information specified in Paragraph ten of this Section and the format of the data, the insurance company or private pension fund shall agree with the State Revenue Service entering into a relevant contract.

12. A licensed company which, in the previous calendar year, has dealt with the provision of employment to persons on ships or an association established by such companies shall, by 1 February of the post-taxation year, electronically send information according to the procedures stipulated by the Cabinet to the State Revenue Service on seafarers employed in the previous calendar year who, upon the start of employment, used the services of the relevant company or of the association thereof.

13. The payer who, in the taxation year, has obtained income in a foreign state in which the taxation period does not conform with the calendar year or the specified time period in which the disburser of the income informs the recipient of income of the amounts to be disbursed occurs later than 15 March of the year subsequent to the taxation year, shall submit the return within two months from the time period for the submission of return specified in the relevant foreign state.

[*31 May 1995; 19 December 1996; 30 November 2000; 11 December 2003; 20 December 2004; 8 November 2007; 24 April 2008; 14 November 2008; 16 June 2009; 1 December 2009; 13 May 2010; 9 August 2010; 21 October 2010; 20 December 2010; 15 December 2011; 19 September 2013; 6 November 2013; 17 December 2014; 30 April 2015; 30 November 2015; 23 November 2016; 28 July 2017; 22 November 2017; 13 December 2018; 21 March 2019; 23 May 2019; 27 November 2020; 17 December 2020; 16 November 2021; 20 October 2022* / *Amendment to Paragraph nine shall be applicable from 1 January 2022.* *See Paragraph 191 of Transitional Provisions*]

**Section 20. Relief for Declaration of Income**

1. The payer of the domestic tax who has received income in the Republic of Latvia in a taxation year from which the tax has been withheld at the place of payment or who has received paid work income which is subject to the tax similar to the personal income tax in any European Union Member State, if the total amount of his or her received non-taxable income referred to in Section 9, Paragraph one of this Law does not exceed EUR 10,000, or this non-taxable income only constitutes the benefits disbursed from the Latvian budget and referred to in Section 9, Paragraph one, Clauses 37, 37.1, 37.2, 38, 39, and 40 of this Law or the benefits disbursed by the State Social Insurance Agency, or who does not present the obtained income in the return in conformity with Section 19, Paragraph two of this Law, has the right not to submit the return, unless it is otherwise laid down in this Law or other laws. The abovementioned condition shall also be applicable when the payer of the domestic tax has only received separate types of the abovementioned income in a taxation year.

2. If the payer of the domestic tax has not submitted a return within the time period specified in Section 19, Paragraph five of this Law, this fact shall be a confirmation of the payer that, according to the information available in the information systems of the State Revenue Service, the amount of the tax calculated in accordance with summary procedures corresponds to the income obtained by the payer in the taxation year and is to be paid into the budget. If the payer of the domestic tax has not submitted a return within the time period specified in Section 19, Paragraph five of this Law, and also the State Revenue Service has not calculated the amount to be paid into the budget in accordance with summary procedures in the return according to the information available in the State information systems, this fact shall be a confirmation of the payer that the tax has been withheld in full amount from his or her income obtained in the taxation year.

3. A foreign taxpayer (non-resident) need not submit the return, except for the cases where the non-resident:

1) receives the income referred to in Section 3, Paragraph three, Clauses 7 and 9 of this Law, and also the paid employment income referred to in Section 3, Paragraph three, Clause 1 of this Law from such an employer who is not the resident of Latvia or who does not have a permanent representation in Latvia, or also receives the income referred to in Section 3, Paragraph three, Clause 4 of this Law from commercial companies which are not residents of the Republic of Latvia;

2) receives the income referred to in Section 3, Paragraph three, Clauses 7.1 and 17 of this Law for which tax has not been withheld at the time of disbursement;

21) receives the income referred to in Section 3, Paragraph three, Clause 9.1 of this Law for which tax has not been withheld in place of payment;

3) being a resident of another Member State of the European Union or a European Economic Area state, in the taxation year has acquired more than 75 per cent of his or her total income in Latvia and that he or she wishes to apply in the taxation year the differentiated non-taxable minimum in accordance with Section 12 of this Law, the tax relief in accordance with Section 13, Paragraph four of this Law and the eligible expenditure in accordance with Section 10, Paragraph four of this Law.

4. Reliefs for income declaration referred to in this Section shall not be applicable to payers:

1) who are earning income from economic activity;

2) for whom an obligation to supplement personal income tax arises in relation to the application of progressive rate referred to in Section 15, Paragraph two of this Law;

3) for whom an obligation to supplement personal income tax arises in relation to the application of annual differentiated non-taxable minimum.

[*19 December 1996; 25 November 1999; 30 November 2000; 11 December 2003; 20 December 2004; 19 December 2006; 1 December 2009; 9 August 2010; 17 December 2014; 16 June 2016; 28 July 2017; 21 March 2019; 27 November 2020; 16 November 2021*]

**Section 20.1 Automatic Reimbursement of the Overpaid Tax**

1. Automatic reimbursement of the overpaid tax shall be the reimbursement of the overpaid tax performed by the State Revenue Service in non-cash form to the payer who has not submitted a return by the day of automatic reimbursement of the overpaid tax and to whom the reliefs for the declaration of income specified in Section 20 of this Law are applicable.

2. The overpaid tax shall be reimbursed automatically if, according to the information in the information systems of the State Revenue Service, the overpayment consists of the following factors:

1) the annual differentiated non-taxable minimum;

2) the non-taxable minimum of a pensioner;

3) the additional relief (for people with disabilities, politically repressed persons, and members of the national resistance movement);

4) the progressive tax rate;

5) the failure to use fully the relief for a dependent person if the payer who has the right to this relief has submitted a notification regarding dependent persons to the State Revenue Service in accordance with the procedures laid down in laws and regulations and the State Revenue Service has made a relevant entry in the salary tax booklet;

6) the eligible expenditure of the payer in accordance with Section 10, Paragraph one, Clauses 5 and 6 of this Law if the State Revenue Service has received information on them in accordance with Section 19, Paragraph ten of this Law.

3. The State Revenue Service shall reimburse the overpaid tax automatically if it has information at its disposal on the current account of the payer with a credit institution registered in the Republic of Latvia or with a payment service provider to which the overpaid tax is to be transferred, and the payer does not have tax debts. The State Revenue Service shall not reimburse the overpaid tax automatically if it has information at its disposal that the payer’s account on which information has been provided is closed as on the day of reimbursement.

4. In order to receive automatic reimbursement of the overpaid tax, the payer shall, by 30 September of the post-taxation year, provide information in the Electronic Declaration System of the State Revenue Service on his or her current personal account with a credit institution registered in the Republic of Latvia or with a payment service provider where he or she wishes to receive the automatic reimbursement of the overpaid tax. Information on the account need not be provided to the State Revenue Service if the payer has already provided such information before and no clarifications thereof are required.

5. If the payer has not submitted a return by the day of automatic reimbursement of the overpaid tax, the payer shall thereby confirm that the reliefs for the declaration of the income specified in Section 20 of this Law are not applicable to him or her and that the payer confirms the information included in the return prepared by the State Revenue Service. If the payer has not refused to receive the automatic reimbursement of the overpaid tax by 30 September of the post-taxation year by using the Electronic Declaration System of the State Revenue Service, the payer shall thereby confirm that he or she agrees to receive the automatic reimbursement of the overpaid tax.

6. The State Revenue Service shall not issue the decision to reimburse the overpaid tax automatically in writing. The decision shall be notified by reimbursing the overpaid tax in the payers’ account with a credit institution or the payer’s current account opened with a payment service provider, concurrently sending information thereon to the payer in the Electronic Declaration System of the State Revenue Service.

[*27 November 2020 /* *See Paragraphs 156 and 158 of Transitional Provisions*]

**Chapter V**

**Control and Adjustment of Returns**

**Section 21. Controlling Financial Institution**

The State Revenue Service shall:

1) verify the reliability and correctness of the data presented in the return;

2) perform control of the payment of personal income tax;

3) perform control of the completeness and correctness of the revenue and expenditure referred to in Section 11 of this Law.

[*14 January 1994; 25 November 1999; 11 December 2003; 16 June 2009; 1 December 2009*]

**Section 22. Control of Returns and Specification of Taxable Income on the Basis of Calculations**

1. The State Revenue Service shall verify the income acquired by the payer (natural person) in a taxation year on the basis of the data indicated in the submitted annual income return, the notices of employers (disbursers of income) regarding the amounts disbursed, information provided by foreign tax authorities, results of surveys and verifications, and also other information at the disposal of the State Revenue Service on the income of the taxpayer, and changes and expenditure in the state of property.

2. If in the existing reports (notices) at the disposal of the State Revenue Service the income indicated for the payer or the amount of income indicated in return submitted by the payer in accordance with the information in the possession of the State Revenue Service is smaller than the amount of expenditure thereof, the State Revenue Service shall determine the amount of the taxable income and tax on the basis of calculations in conformity with the increase in value of the property and information at the disposal of the State Revenue Service on the activity of the payer (including transactions of the payer and revenue from economic activity).

3. If the income declared by the payer or the income of the payer indicated in reports (notices) at the disposal of the State Revenue Service fails to conform to the expenditure thereof in the taxation year, the State Revenue Service shall request to submit an additional return (in conformity with the form approved by the Cabinet) regarding income, revenue, money and other provisions, property and change in value thereof (hereinafter – the additional return) within the time period specified in Paragraph 3.1 of this Section.

3.1 The payer shall, in accordance with the conditions in Paragraph three of this Section, submit the requested additional return to the State Revenue Service in person not later than 30 working days after receipt of the additional return forms or, if the payer not later than 30 working days after receipt of the supplementary return form has submitted to the State Revenue Service a justified submission – another time period specified by the State Revenue Service. Other additional time periods for the submission of returns may be specified if for the completion of the return is necessary information which it is not possible to acquire within the 30 working day period or if the payer due to illness, official travel or other justified reason cannot submit the return in the time period specified.

3.2 The extension of the time period specified by the State Revenue Service for the submission of additional returns may not exceed 90 days from the day of the request for the additional return.

4. In determining the value of the property and increase therein of the payer, and also the enlargement of the property within the period to be examined, the State Revenue Service shall use the database of the Enterprise Register which has public credibility, the Road Traffic Safety Directorate, the Land Register and other State registers and holders of State information system data, and also the additional return of the payer together with the corroborative documents appended thereto regarding income and expenditure of the payer.

5. The State Revenue Service, when clarifying the amount of income of the payer, is entitled to request and receive free of charge from all merchants (including credit institutions), cooperative societies, non-resident permanent representations, institutions, organisations, associations, foundations and other persons all the information necessary for clarifying the amount of taxable income in respect of transactions, income, amounts disbursed, transferred valuables, property, and other items. The information obtained shall be confidential and used for clarifying the amount of the taxable income and the amount of the tax to be paid, and the handing over thereof to other persons, except for investigating institutions and courts which have submitted requests in the cases determined by laws, is prohibited.

6. Unless the payer may prove another amount of expenditure related to personal needs, the State Revenue Service shall determine assessment of expenditure related to personal needs of the payer and his or her family by using the minimum monthly salary determined in the State which is reduced by:

1) the share of the mandatory State social insurance contributions of the employee by assuming that the employee is insured for all types of social insurance;

2) the salary tax (applying one twelfth of the maximum annual non-taxable minimum which is determined in conformity with Section 12, Paragraph one of this Law but not applying the personal income tax reliefs referred to in Section 13, Paragraph one, Clause 1 of this Law and the eligible expenditure determined in Section 10, Paragraph one, Clauses 2, 3, 5, and 6 of this Law, and also not applying the non-taxable minimum to the persons who have been granted a pension in conformity with Section 12, Paragraph five of this Law).

7. The amount and time periods for the payment of the tax to be paid into the budget shall be determined by a decision of the State Revenue Service which is taken on the basis of the verification data for the relevant taxation period.

8. The Cabinet shall determine the procedures by which the State Revenue Service determines the amount of the taxable income on the basis of calculations and the procedures and time periods for submitting information to the State Revenue Service on revenue, monetary savings and property and the change in value thereof.

[*25 November 1999; 20 December 2004; 20 October 2005; 19 December 2006; Constitutional Court judgment of 11 April 2007; 8 November 2007; 15 December 2011; 30 November 2015*]

**Section 23. Adjustment of Return**

1. If the submitted return contains factual inaccuracies and/or calculation inaccuracies, the State Revenue Service shall correct the mistakes committed and send the corrected return together with an indication regarding the mistakes the payer has permitted to the payer.

2. The payer has an obligation to pay into the budget the missing amount of the tax within 30 days from the day of receipt of the corrected return.

3. If the payer, in accordance with summary procedures, has erroneously paid into the budget a larger amount of tax than laid down in law, the State Revenue Service repay the amount of tax paid erroneously within 30 days from the day when the submission of the payer has been received.

3.1 [23 November 2016]

4. When determining the violations of the Law, incomplete presentation or hiding of income and other violations, the State Revenue Service shall draw up a statement regarding the violations and apply the sanctions provided for by laws.

[*31 May 1995; 25 November 1999; 11 December 2003; 20 October 2005; 28 September 2006; 16 June 2009; 23 November 2016*]

**Chapter VI**

**International Agreements**

**Section 24. Application of International Agreements**

1. If an international agreement to which the Republic of Latvia is a member state contains procedures which differ from the procedures laid down in this Law, the norms of the international agreement shall be applicable.

2. The income obtained in foreign states by persons permanently residing in the Republic of Latvia shall be taxable in the Republic of Latvia, except for the income referred to in Paragraph seven of this Law, or in the cases where in accordance with international agreements entered into other procedures for taxation have been prescribed.

3. In accordance with the provisions of this Law, the calculated tax shall be reduced by the amount which equals the tax paid in the foreign state, if the payment of this tax in the foreign state is certified by such documents approved by the foreign institution for the collection of taxes in which the taxable income and the amount of tax paid abroad are indicated.

3.1 The tax which is calculated in respect of income from significant participation in a foreign company shall be reduced by the part of the tax paid in a low-tax and tax haven country or territory which is proportionate to the income from the relevant foreign company, which in accordance with Section 17.3 of this Law is eligible to the payer (resident), if payment of the tax in the relevant country or territory is confirmed by documents certified by the tax collection authority of the relevant country or territory in which the taxable income and tax amount paid is presented. The abovementioned procedures for reduction of tax shall also be applicable for the tax which is relevant to the payer and which is paid for extraordinary dividends calculated during a taxation year by a foreign company.

4. The reduction referred to in Paragraph three of this Section may not exceed the amount which would conform to the tax calculated in Latvia for income obtained in a foreign state.

5. Paragraph four of this Section shall not be applied in relation to the special tax which the Member States of the European Union, the associated and dependent territories thereof which are not Member States of the European Union, but with which the European Community has entered into agreements that are binding upon Latvia, regarding the imposition of the tax on savings income and withheld from the savings income (hereinafter – the tax from savings income). The total calculated income in Latvia shall be reduced by the entire amount of withheld tax from savings income in foreign states. The State Revenue Service shall repay the actual owner the amount of savings income for which the tax from savings income exceeds the calculated tax in Latvia if such an amount of tax is larger than the total calculated tax in Latvia.

6. If from the savings income which is received in another Member State of the European Union, the associated and dependent territories thereof which are not Member States of the European Union, but with which the European Community has entered into agreements that are binding upon Latvia, regarding the imposition of the tax on savings income, is withheld both income tax and tax from savings income, firstly shall be applied Paragraph three of this Section in relation to the paid income tax in the foreign state and afterwards shall be applied Paragraph five of this Section in relation to the paid tax from savings income in the foreign state.

7. Paid work income of the resident of Latvia shall not be subject to tax, if the following conditions are complied with concurrently:

1) paid work income obtained for the performance of work duties in another Member State of the European Union or European Economic Area State, or in a state with which Latvia has entered into a convention for the avoidance of double taxation and the prevention of fiscal evasion and it has come into force;

2) paid work income obtained in the relevant foreign state is subject to personal income tax or similar tax thereto;

3) the payer is not a personnel which is hired by a lessor of personnel to a lessee of personnel – resident of Latvia or permanent representation of the non-resident in Latvia within the meaning of Section 17.1 of this Law.

7.1 If the employer of the resident of Latvia referred to in Paragraph seven of this Section is the resident of Latvia, the exemption specified therein shall be applicable, if the abovementioned employer, before the employee commences work in a foreign state, submits a confirmation in writing to the State Revenue Service that in the foreign state the paid work income of the employed person is subject to a foreign income tax. In the confirmation the employer shall provide information on the state in which the paid work is being performed, the employees employed and the employment period. The employer shall inform the employed person of submission of such notice.

8. Paragraph seven of this Section shall not be applied for the income of Section 8, Paragraph four of this Law.

[*19 December 1996; 20 December 2004; 22 September 2011; 15 December 2011; 15 November 2012; 6 November 2013*]

**Chapter VII**

**Budgetary Competence**

**Section 25. Place of Payment of Tax**

1. The amount of the tax of the payer of domestic tax (resident) shall be paid into the budget on the basis of the provisions of Section 26 of this Law.

2. The amounts of tax paid in by the persons referred to in Section 2, Clause 2 of this Law shall be included into local government budgets according to the place of location of the employer (disburser of the income) or of immovable property.

[*31 May 1995; 25 November 1999*]

**Section 25.1 Allocation of the Revenue Transferred to the Single Tax Account Among the Types of Tax Revenue and Budgets**

1. The State Revenue Service shall, on the basis of the conditions of Section 26 of this Law, allocate the revenue transferred to the single tax account among the types of tax revenue.

2. The State Revenue Service shall, on the basis of the conditions of Section 26 of this Law, allocate the revenue diverted to the single tax account between the State budget revenue and the local government budget revenue.

3. After the allocation made in Paragraphs one and two of this Section, the State Revenue Service shall:

1) transfer the tax share allocated to the local government budget revenue to the distribution account of the local government budget revenue;

2) transfer the tax share allocated to the mandatory State social insurance contributions to the distribution account of the State social insurance contributions.

4. The Cabinet shall determine the procedures by which the State Revenue Service ensures that the revenue diverted to the single tax account is allocated and credited to the distribution accounts.

[*23 May 2019*]

**Section 26. Tax Sharing**

1. The amounts of tax from which the amounts referred to in Section 19, Paragraph four of this Law have been deducted are transferred to the budget of the local government of the payer’s declared place of residence and allocated to the State budget revenue according to the allocation specified in the Annual State Budget Law.

2. The procedures by which the amounts of tax and the late payment fees and fines related thereto in the allocation specified in Paragraph one of this Section are included in the budget shall be determined by the Cabinet.

3. The amounts of tax from the payer’s taxation year income in conformity with the allocation specified in the annual State Budget Law shall be paid into the local government budget in the administrative territory of which the person’s declared place of residence was at the beginning of the taxation year.

4. In deciding the amount of non-taxable minimum in accordance with Section 12, Paragraph one of this Law and the amount of tax relief in accordance with Section 13, Paragraph one of this Law, the Cabinet shall evaluate the impact of such decision on the revenue of local governments and, if necessary, shall provide for a compensation in the draft State budget for the reduction in the revenue base of local governments.

5. The amount of tax of a foreign taxpayer (non-resident) from the income obtained in Latvia shall, according to the allocation specified in the Annual State Budget Law, be allocated to the State budget revenue and transferred:

1) from the income of paid employment – into the local government budget according to the location of the employer;

2) from the income of selling the immovable property – into the local government budget where the alienated immovable property is located;

3) from the income from the use of an immovable property in the Republic of Latvia – into the local government budget where the immovable property is located;

4) from other income – into the local government budget of the location or declared place of residence of the disburser of the income.

6. [27 November 2020]

7. The reduced licence fee paid into the single tax account shall be allocated to the personal income tax.

8. The seasonal agricultural worker income tax paid into the single tax account shall be allocated according to the following allocation:

1) if the total amount of income which the seasonal agricultural worker income taxpayer has obtained in a calendar month from one or more disbursers of the seasonal agricultural worker income does not exceed EUR 70, it shall be allocated to the personal income tax;

2) if the total amount of income which the seasonal agricultural worker income taxpayer has obtained in a calendar month from one or more disbursers of the seasonal agricultural income exceeds EUR 70, it shall be allocated according to the following allocation:

a) 90 per cent shall be allocated to the mandatory State social insurance contributions;

b) 10 per cent shall be allocated to the personal income tax.

[*11 December 2003; 20 December 2004; 20 October 2005; 19 December 2006; 8 November 2007; 14 November 2008; 1 December 2009; 9 August 2010; 22 September 2011; 15 December 2011; 6 November 2013; 6 March 2014; 28 July 2017; 23 May 2019; 27 November 2020*]

**Section 27. Duties of Local Governments**

[17 December 2014]

**Chapter VIII**

**Security of Compliance with and Performance of the Law**

**Section 28. Duties of the Payers**

The payer has a duty:

1) to draw up the return within the time periods and in accordance with the procedures laid down in this Law and submit it to the State Revenue Service;

2) to pay tax into the budget within time periods and in accordance with the procedures laid down in this Law;

3) to provide for the representatives of the State Revenue Service a possibility to access the premises and territory used for the obtaining of income;

4) to store documents verifying revenue and eligible expenditure for at least three years after the time period of the submission of the annual income return, and also, while carrying out economic activity, to register revenue and expenditure of the economic activity, store documents verifying revenue and eligible expenditure for at least five years, but in the cases where a special tax regime is applied to the tax payer in accordance with the Law for a period exceeding five years – for the whole period of the application of the tax regime. The payer has a duty to present such documents or submit the copies thereof to the State Revenue Service upon the request thereof;

5) to pay into the budget the missing amount of tax on the basis of the adjusted return of the State Revenue Service;

6) prior to commencing economic activity, to register with the State Revenue Service as a person carrying out economic activity, specifying the field of economic activity in which the payer will perform economic activity;

7) to inform the State Revenue Service of discontinuation of economic activity by submitting, within a month, a notice regarding the income obtained from economic activity during this period and of the expenditure related to the obtaining thereof;

8) within five working days from the day of entering into a contract, and also from the termination of the operation of the contract, to inform the State Revenue Service if he or she determines the income from economic activity in conformity with Section 11, Paragraph twelve of this Law;

9) [6 November 2013 / See Paragraph 96 of Transitional Provisions];

10) until 1 June of the post-taxation year, to notify the State Revenue Service of the transactions commenced, but not completed with capital assets in the taxation year, if at least one component of the following transactions has been implemented in the taxation year: the day of entering into the contract, the day of the receipt of money or an advance, the transfer of the ownership rights and side provisions for the contract to come into effect and the fulfilment of the transaction conditions do not take place in one taxation period;

11) until 15 December of the pre-taxation year to inform the State Revenue Service that the micro-enterprise which is a micro-enterprise taxpayer in the pre-taxation year, commencing with 1 January of the taxation year, shall determine the income of economic activity in accordance with Section 11 or 11.1 of this Law;

12) to submit the return to the State Revenue Service and to increase the taxable income of the taxation year by the payments of insurance premiums included in eligible expenditure in the previous taxation years in the taxation year in which a life insurance contract (with accumulation of funds) is terminated before the term without reaching the term of validity of five years specified in Section 8, Paragraph five, Clause 1 of this Law, or a partial disbursement of accrual is performed in accordance with the entered into life insurance contract (with accumulation of funds);

13) [6 November 2013 / See Paragraph 96 of Transitional Provisions];

14) [6 November 2013 / See Paragraph 96 of Transitional Provisions];

15) within five working days after the day when the income of the payer in the taxation year referred to in Section 11, Paragraph thirteen of this Law has reached EUR 3000, to register with the State Revenue Service as a performer of economic activity and inform the State Revenue Service, or the payer, starting from the day following the day on which the abovementioned income reached EUR 3000, shall determine the income from economic activity in conformity with Section 11 or 11.1 of this Law;

16) within five working days after the day when the income of the payer of the taxation year referred to in Section 11.10, Paragraph 3.1 of this Law has exceeded EUR 15 000, to inform the State Revenue Service thereof;

17) to submit a return to the State Revenue Service and increase the taxable income in the case specified in Section 10, Paragraph 1.6 of this Law;

18) to submit a return to the State Revenue Service and increase the taxable income of the taxation year by the part of expenditure for acquiring education included in eligible expenditure of the previous taxation year which during a taxation year has been refunded by a general, vocational, higher or special educational institution;

19) to provide information the State Revenue Service by 30 September of the post-taxation year on refusal of automatic reimbursement of the overpaid tax if the conditions referred to in Section 20.1 of this Law are applicable to the payer but he or she does not wish to exercise the right to receive automatic reimbursement of the overpaid tax specified in this Section;

20) together with the return to submit information to the State Revenue Service on the current personal account with a credit institution registered in the Republic of Latvia or with a payment service provider at which he or she wants to receive reimbursement of the tax.

[*31 May 1995; 20 November 1997; 25 November 1999; 30 November 2000; 22 November 2001; 19 December 2006; 8 November 2007; 16 June 2009; 1 December 2009; 9 August 2010; 22 September 2011; 15 December 2011; 6 November 2013; 17 December 2014; 30 November 2015; 28 July 2017; 27 November 2020; 16 November 2021*]

**Section 29. Duties of Employers**

1. An employer has a duty within the time periods and in accordance with the procedures laid down in this Law:

1) to calculate, withhold, and pay into the budget the salary tax from the amounts disbursed to the employee;

2) to inform the employee and the State Revenue Service of the amounts disbursed to the employee during the taxation year and the salary tax paid therefrom into the budget;

3) to store the documents verifying the calculation and payment of work remuneration for the time period specified in Section 10 of the law On Accounting;

4) to submit, within the time period specified for the employer in accordance with the law On State Social Insurance for submitting a report on mandatory State social insurance contributions, a report to the State Revenue Service on the amounts of personal income tax which have been withheld or calculated from the work income of employees and are to be paid into the budget by the 23rd day of the month when the income was disbursed;

5) to submit a report by 15th date of the following month on the tax withheld from income from which tax must be withheld at the place of the payment in accordance with Section 17, Paragraph twelve of this Law from non-residents;

6) to submit a report by the 15th date of the following month to the State Revenue Service for the tax withheld and paid into the budget monthly from the income of natural persons the tax from which is withheld at the place of payment;

7) [16 November 2021].

2. Transfer (include) into the budget of tax from the funds of the employer without withholding it from the employee is prohibited, except for sanctions to be paid by the employer for the infringements of tax laws, the case specified in Section 8, Paragraph seventeen, Section 8.1 and 11.11 of this Law, and also when performing adjustments of the tax calculation in cases where the withholding of the calculated amounts of tax from the employee or recipient of the income is not possible.

3. The provisions of this Section and Sections 31, 31.2, 32, and 33 also apply to a person – disburser of the income who pays out the income from which in accordance with this Law or other tax laws tax must be withheld at the place of the payment of the income.

[*14 January 1994; 19 December 1996; 25 November 1999; 30 November 2000; 19 December 2006; 16 June 2009; 1 December 2009; 22 September 2011; 6 November 2013; 23 November 2016; 23 May 2019; 16 November 2021*]

**Section 29.1 Duties of the State Revenue Service**

1. The State Revenue Service shall, in accordance with the procedures and within the time period stipulated by the Cabinet, but not less often than once a quarter, provide local governments with information on the amounts of personal income tax included into the budgets of local governments from the income of natural persons – taxpayers residing in the territory thereof.

2. Upon receipt of the submission referred to in Section 30, Clause 7 of this Law, the State Revenue Service shall extend the deadline for tax payment for the income which has been obtained as a result of reduction or repayment of loan (credit) liabilities, and shall agree with the payer on a schedule for the payment of tax according to which the tax amount calculated for the abovementioned income shall be paid into the budget. The State Revenue Service shall not calculate late charges if tax payments for the income which has been obtained as a result of reduction or repayment of loan (credit) liabilities are performed in accordance with the schedule for the payment of tax. The State Revenue Service shall calculate late charges in the amount of one quarter of the late charges for each day of delay specified in Section 29, Paragraph two of the law On Taxes and Fees, commencing with the day on which the tax has not been paid in accordance with the referred to schedule for the payment of tax. If, upon expiry of the deadline, the payer has not paid the delayed tax payments in full amount, the debt shall be recovered on an uncontested basis.

3. The State Revenue Service shall, by 1 May of the year following the taxation year, inform the payer that the information necessary for the completion of the return and available in the State information systems is available to him or her in the Electronic Declaration System of the State Revenue Service, and the State Revenue Service has completed those sections of the return on which information is available in the State information systems, and also has calculated, in accordance with summary procedures, the amount of the tax to be paid into the budget. If the income in the taxation year exceeds the maximum amount of the object of mandatory contributions specified in the law On State Social Insurance, the State Revenue Service shall send information to the payer by 1 June of the year following the taxation year.

4. The State Revenue Service shall reimburse the overpaid tax automatically, as specified in Section 20.1 of this Law, in the post-taxation year between 1 October and 31 December.

[*25 November 1999; 21 October 2010; 27 November 2020* / *See Paragraphs 153 and 156 of Transitional Provisions*]

**Section 30. Rights of the Payers**

The payer has the following rights:

1) to submit to the State Revenue Service a substantiated request to divide the taxable income determined for the taxation year among the previous years, provided that the income referred to has been obtained as a result of work for several years;

2) [25 November 1999];

3) to request that the State Revenue Service reimburses the overpaid amount of tax or amount of tax paid erroneously in accordance with the summary procedures;

4) to become acquainted with the reports of verifications performed by the State Revenue Service insofar as such verifications concern the payer;

5) to appeal the decisions of the State Revenue Service in accordance with the procedures provided for in laws and regulations;

6) to submit an annual income return, by specifying the calculation of tax of the taxation year within three years in accordance with the law On Taxes and Fees;

7) to submit a submission to the State Revenue Service regarding the division of tax payments into time periods or the suspension thereof for a period up to five years for income which has been obtained as a result of reduction or repayment of loan (credit) liabilities, together with the return;

8) to make an entry in the booklet on the non-application of the monthly non-taxable minimum projected by the State Revenue Service to the payer from the subsequent day after the day on which the entry was made;

9) upon submitting a submission to the State Revenue Service, to delete the information available in the Electronic Declaration System of the State Revenue Service on the eligible expenditure of the payer which the State Revenue Service has received from the service providers referred to in Section 10, Paragraph one, Clauses 2, 5, and 6 of this Law;

10) to submit to the State Revenue Service a submission regarding the right to apply the non-taxable amount of foreign pension.

[*31 May 1995; 25 November 1999; 30 November 2000; 16 June 2009; 1 December 2009; 21 October 2010; 31 May 2018; 27 November 2020; 17 December 2020* / *Clause 10 shall be applied as of 1 January 2021.* *See Paragraphs 155 and 176 of Transitional Provisions*]

**Section 31. Liability of Employer (Disburser of the Income) for Tax not Paid in Due Time**

1. If the employer (disburser of the income) has not paid into budget the tax withheld from the work remuneration of the employer (income which is to be disbursed to a person) within the time period specified in Section 17, Paragraph five of this Law, he or she shall pay into the budget the amount of the unpaid tax (principal debt), and fines for late payments in accordance with the provisions of the Paragraph three of this Section.

2. [19 December 2006]

3. For the amount of tax (principal debt) withheld within the time period, but not paid into the budget within the time period specified in Section 17, Paragraphs five, ten, and twelve of this Law, the fine for late payment shall be calculated from the principal debt not paid in time in the amount of 0.05 per cent for each late day of payment of the tax.

[*19 December 1996; 25 November 1999; 19 December 2006*]

**Section 31.1 Liability of Payer for Tax not Paid in Due Time**

1. [23 March 2023]

2. If the payer fails to pay the tax calculated in accordance with summary procedure into the budget within the time period specified in Section 19, Paragraph three of this Law, starting with the day following the next payment time period the fines for late payment shall be calculated in accordance with the provisions of Section 31, Paragraph three of this Law.

[*19 December 1996; 19 December 2006; 23 March 2023* / *Amendment regarding the deletion of Paragraph one shall be applicable from 1 January 2023.* *See Paragraph 193 of Transitional Provisions*]

**Section 31.2 Liability of Employer (Disburser of the Income) for Incomplete Withholding of Tax**

1. An employer for not fully withholding tax (reducing the amount of tax to be paid into the budget) shall be liable in accordance with the law On Taxes and Fees.

1.1 If a natural person (even if it is not possible to identify the particular performer of work) on the basis of a contract or without entering into a contract systematically obtains income that attests to employment relationship and for which the salary tax must be paid, however, such income has not been indicated in the accounting of the employer, or it is not possible to detect the fact of disbursement, or it is not possible to identify the particular performer of work, a fine shall be recovered from the employer in triple tax amount of the sum which has been determined according to the information at the disposal of the State Revenue Service on remuneration to be calculated for a person, if it exceeds the amount of minimal monthly salary specified in laws and regulations, or of the minimum salary amount specified in laws and regulations, if the remuneration to be calculated is equal thereto or lesser, or if it is not possible to determine the size thereof.

1.2 If in the case referred to in Paragraph 1.1 of this Section it is not possible to determine a period during which the employer has employed a person, it shall be deemed that the person has been employed for three months already. In such case the State Revenue Service shall recover a fine from the employer regarding three calendar months in the amount specified in Paragraph 1.1 of this Section, including the calendar month in which the violation was discovered, if the employer or employee cannot prove that the employment relationship exists for a shorter time period.

2. If the employer (disburser of the income) has failed to withhold the tax from the work remuneration (income to be disbursed to a person) of an employee within the due time, and also has failed to pay into the budget the amount of tax withheld, and the fine for late payment shall be calculated for the period of time, starting from the day following the day on which the tax had to be withheld and paid into the budget in accordance with the provisions of Section 17, Paragraphs five, ten, twelve, and 12.1 of this Law.

3. [8 November 2007]

4. [8 November 2007]

[*19 December 1996; 25 November 1999; 19 December 2006; 8 November 2007; 15 December 2011*]

**Section 31.3 Liability of Payer for the Reduction of Taxable Income**

1. If the payer, by violating the requirements of this Law, has failed to calculate the tax from the total taxable income which is taxable in accordance with this Law, except for the income from which the tax had to be withheld at the place of payment by the employer or another person, he or she must pay the missing amount of the tax, late payment fees, and fines in conformity with the amounts specified in the law On Taxes and Fees.

1.1 Paragraph one of this Section shall not be applied if the capital gains calculated during the taxation year from the alienation of one capital asset are negative but from the alienation of another capital asset – positive and during the taxation year the capital gains do not form or the amount thereof is negative.

2. [8 November 2007]

3. If the employer (disburser of the income) within a period of taxation year has failed to withhold from the taxable income of the payer from which in accordance with the provisions of this Law it had to be deducted at the place of payment of the income, has discontinued its activity in Latvia, is liquidated or due to other reasons cannot be found, the missing amount of tax of the taxation year must be paid by the payer himself or herself, except for the cases where he or she is liquidated in conformity with the provisions of legislative enactments and the tax debts extinguished in accordance with Section 25 of the law On Taxes and Fees.

[*19 December 1996; 20 October 2005; 28 September 2006; 19 December 2006; 8 November 2007; 23 November 2016*]

**Section 32. Liability of Employer (Disburser of the Income) for Other Violations of Tax Laws**

1. For the failure to comply with the time periods for submitting informative returns – reports specified in Section 17, Paragraphs six, seven, eleven, 11.1 and Section 29, Paragraph one, Clauses 5 and 6 of this Law –, the administrative liability specified in the law On Taxes and Fees shall be applied to the employer (disburser of the income).

2. If the payer has failed to register his or her economic activity within the specified time periods or has failed to inform the State Revenue Service in accordance with Section 28, Clause 8 of this Law and the tax is not withheld from the obtained income in accordance with Section 17, Paragraph ten, Clause 7 of this Law, it shall be considered that the payer performs unregistered economic activity, and the liability provided for in administrative proceedings in accordance with the law On Taxes and Fees shall be applied thereto.

[*19 December 2006; 17 May 2007; 16 June 2009; 17 December 2014; 27 December 2020*]

**Section 32.1 Liability of Payer for Other Violations of the Law**

1. [19 December 2006]

2. [6 November 2013 / See Paragraph 100 of Transitional Provisions]

3. For the failure to comply with the time periods for submitting a return, a return on income from capital gains, and informative returns – the notifications specified in Section 17, Paragraphs 9.1, eleven, and 11.1, and Section 28, Clause 7 of this Law – the administrative liability specified in the law On Taxes and Fees shall be applied to the payer.

4. If after automatic reimbursement of the overpaid tax the State Revenue Service has received information which confirms that the payer did not have the right to the automatic reimbursement of the overpaid tax, the payer has an obligation to, within 30 days from the day when he or she has received a notification in the Electronic Declaration System of the State Revenue Service regarding the relevant fact, pay into the budget the amount of the overpaid tax disbursed unjustifiably.

[*25 November 1999; 30 November 2000; 19 December 2006; 19 September 2013; 6 November 2013; 17 December 2014; 27 November 2020; 23 March 2023* / *Amendment to Paragraph three regarding the deletion of a number and words “Section 18, Paragraph six” shall be applicable from 1 January 2023.* *See Paragraph 193 of Transitional Provisions*]

**Section 33. Collection of Payments of Tax not Paid in Due Time on an Uncontested Basis**

The amounts of tax not paid in due time shall be recovered on an uncontested basis in conformity with the provisions of the law On Taxes and Fees.

[*19 December 1996*]

**Section 34. Duties and Liabilities of Other Bodies**

1. Merchants, cooperative societies, non-resident permanent representations, institutions, organisations, associations, foundations and other persons within the scope of the competence thereof have a duty to issue to the payer carrying out economic activity a written certification (receipt) for the expenditure made by the payer, if the payer carrying out economic activity requests such certification.

2. If an unfounded refusal to comply with the requirement referred to in Paragraph one of this Section is received, the State Revenue Service shall impose administrative sanctions upon the offender.

3. If a written certification is issued to the payer for expenditure which has not in fact been made, the State Revenue Service shall impose a fine upon the offender in twice the amount of the amount specified in the document issued unjustifiably.

[*31 May 1995; 20 October 2005*]

**Section 35. Participation of Other Bodies in Filling out the Return**

1. The payer has the right to authorise a sworn auditor to fill out the return.

2. The payer has a duty to familiarise the person filling out the return with all the data at his or her disposal that is related to the calculation of the tax. A data transfer/acceptance certificate signed by the payer and the person who fills out the return shall certify the fact of the transfer of the abovementioned data.

3. The person who fills out the return shall be liable for the accurate calculation of tax. The level of liability of the person who fills out the return shall be specified by the amount of the data referred to in the transfer/acceptance certificate.

**Section 36.**

[14 November 2008]

**Section 7. Income Tax Payer Code**

All persons whose declared place of residence is Latvia and who obtain incomes shall be registered at the State Revenue Service and they shall be given a taxpayer code which conforms to the personal identity number with which such person is registered in the Population Register of the Republic of Latvia, or a taxpayer code which is granted by the State Revenue Service in the cases where the person in not registered in the Population Register of the Republic of Latvia.

[*11 December 2003*]

**Section 38. Documentary Support**

1. [20 October 2005]

2. The Cabinet shall determine the type of the form and the procedures for the completion thereof of the annual income returns, returns on income from capital (tax returns), and the informative returns (reports, notifications, and other documents necessary for the application of the law, except for the notification regarding the amounts disbursed to a natural person) for ensuring the implementation of this Law.

3. The Cabinet shall determine the information to be included in the notification regarding the amounts disbursed to a natural person.

[*25 November 1999; 30 November 2000; 20 October 2005; 19 December 2006; 1 December 2009, 27 November 2020* / *Amendments to Paragraph two regarding the supplementation after the words “reports, notifications, and other documents necessary for the application of the law” with the words “except for the notification regarding the amounts disbursed to a natural person” and Paragraph three shall come into force on 1 January 2022.* *See Paragraph 157 of Transitional Provisions*]

**Section 39. Procedures for the Application of the Norms of this Law**

For the application of the norms of this Law, the Cabinet shall determine:

1) explanations for individual terms used in this Law and the application of such terms for the needs of the calculation of the tax;

2) the procedures for the specification of taxable income, taking into account various situations and the restrictions reserved in the Law and other conditions, which in a concrete situation impact upon the amount of taxable income;

3) the moment of recognition of income and expenditure if such is not specified in the Law;

4) the illustration of the practical application of the norms of the Law in required situations and examples of calculations;

5) the procedures by which salary tax shall be paid into the budget in the case referred to in Section 4, Paragraph one, Clauses 4 and 5 of this Law;

6) the procedures by which the payments made into private pension funds registered in the Republic of Latvia or other European Union Member State or a European Economic Area State, or a Member State of Organisation for Economic Co-operation and Development according to licensed pension plans, and insurance premiums paid into insurance societies registered in the Republic of Latvia or other European Union Member State or in a European Economic Area State, or a Member State of Organisation for Economic Co-operation and Development shall be excluded from the taxable income and applied to eligible expenditure of the taxation period, and also the procedures by which payments into private pension funds and premium payments of life insurance which do not conform with or exceed the criteria referred to in Section 8, Paragraph five of this Law shall be included in the taxable income, and the abovementioned payments into private pension funds and insurance premium payments shall be included in the taxable income if an employment contract is terminated or if an insurance contract is renewed or terminated;

7) the procedures for the application of the non-taxable minimum specified in Section 12 of this Law and the relief specified in Section 13, Paragraph one, Clause 1 of this Law;

8) the procedures by which the State Revenue Service shall grant or cancel the permit not to withhold tax from payments from which tax should be withheld in accordance with Section 17, Paragraph seventeen of this Law;

9) the sample form and procedures by which a certificate shall be completed for the income acquired by the non-resident in the Republic of Latvia during the taxation year and the personal income tax calculated and paid for this income in the case referred to in Section 17, Paragraph 12.1 of this Law;

10) the types of corroborative documents to be submitted or presented together with the return;

11) the procedures for the determination of fixed assets used in economic activity, and the calculation and write-off of depreciation of fixed assets, and also the procedures for the write-off of fixed assets in different situations of economic activity.

[*20 October 2005; 1 December 2009; 13 May 2010; 30 November 2015; 28 July 2017*]

**Transitional Provisions**

[*19 December 1996*]

1. The amendments made to Section 19, Paragraph two and Section 20 of the Law adopted on 19 December 1996 shall be applicable also to the return of income for 1996. In applying the amendments of Section 20 of the Law, the recipient of a pension has the right to refuse to submit the return, if in 1996 he or she has not received other non-taxable income or the total amount thereof does not exceed the amount of the non-taxable minimum specified for the taxation year.

2. The Cabinet shall approve the form of the annual income return for 1996 within 15 days after the proclamation of the Law.

3. [2 October 1997]

4. A person who on the basis of Paragraph 16, Sub-paragraph 12 of the Transitional provisions of the law On State Pensions has submitted to the State Social Insurance Agency a submission requesting the granting of the pension de novo, and who must repay the previously received State pension into the special budget of State pensions, shall adjust the amount of the previously paid tax for 1997–1999 in accordance with summary procedures by submitting an annual income return. Recalculation of the previously paid tax shall be performed in accordance with the following procedures:

1) for the tax from the income of 1997 – by submitting or adjusting the income return of 1997 from 1 January 2000 until 1 April 2000;

2) for the tax from the income of 1998 – by submitting or adjusting the income return of 1998 from 1 January 2001 until 1 April 2001;

3) for the tax from the income of 1999 – by submitting or adjusting the income return of 1999 from 1 January 2002 until 1 April 2002.

[*25 November 1999*]

5. Amendments to Section 9, Paragraph one, Clause 19 of this Law in relation to the taxation of income from the sale of stocks and other transferable securities thereof which have been in the possession of the person for less than 12 months shall come into force on 1 January 2001.

[*25 November 1999*]

6. Section 29.1 of the Law shall come into force on 1 July 2000.

[*25 November 1999*]

7. The provisions of Section 9, Paragraph five shall be applied starting from 1999.

[*27 January 2000*]

8. The Cabinet shall co-ordinate the provisions provided for by Section 38 of this Law with the amendments to the law On Personal Income Tax. Until the day of the coming into force of the relevant amendments to these provisions, but not longer than by 1 July 2001, Cabinet Regulation No. 357 of 18 October 2000, Regulations Regarding the Application of Norms of the law On Personal Income Tax shall be applied, insofar as they are not in contradiction to this Law.

[*30 November 2000*]

9. [21 February 2002]

10. Amendments to Section 8, Paragraph three, Clause 3 of this Law shall be applied in the taxation year which starts in 2003.

[*11 December 2003*]

11. Amendments to Section 9, Paragraph one, Clause 2 of this Law shall come into force by a special law.

[*11 December 2003*]

12. [14 November 2008]

13. On the day of the coming into force of the regulation provided for in Section 26, Paragraph two of this Law, but not later than by 1 July 2004 Cabinet Regulation No. 145 of 21 April 1998, Procedures by which personal income tax payments are included in Local Government Budgets, shall be in force insofar as they are not in contradiction to this Law.

[*11 December 2003*]

14. The norms of this Law which govern the specification of the taxable income of partnerships and payment of tax applies also to business partnerships.

[*20 December 2004*]

15. A natural person – such a shareholder of a capital company the value of whose capital share or stock has been increased in the re-registration of a non-profit organisation (non-profit undertaking or non-profit company) or its reorganisation as a capital company in accordance with Sections 25 and 25.4 of the Law on Procedures for the Coming into Force of the Commercial Law, the increase of the increased value of the capital shares or stocks as a result of the abovementioned re-registration or reorganisation shall be taxed in the taxation period in which the reduction in the value of capital shares or stocks or alienation of capital shares was performed.

[*20 December 2004*]

16. A natural person – a capital company shareholder – shall be taxed on the amounts disbursed from special reserves which have been disbursed to him or her from the accumulated reserve fund (the excess of revenue over expenditure) of a non-profit undertaking (company) (non-profit undertaking or non-profit company) in re-registering or reorganising it as a capital company in accordance with Sections 25 and 25.4 of the Law on Procedures for the Coming into Force of the Commercial Law, if such are not deemed to be expenditure of the economic activities of the capital company.

[*20 December 2004*]

17. The disburser of the income specified in the cases in Paragraphs 15 and 16 of these Transitional Provisions shall withhold taxes at the moment of payment and pay these into the budget not later than the fifth day of the month following the disbursement of the income, taking into account the conditions of Section 17, Paragraph eleven of this Law. If the disburser of the income is a natural person who does not perform economic activity, the shareholder of the capital company referred to in Paragraph 15 of these Transitional Provisions shall declare the acquired income and pay the tax according to summary procedures.

[*20 December 2004*]

18. The payers of personal income tax who in 2005 up to 31 March have donated to associations and foundations which as public, cultural, educational, scientific, sport, charity, health, and environmental protection organisations and funds, and religious organisations which in 2004 have been granted or extended permits to receive donations with donors receiving tax relief, and also Latvijas Kultūras fonds [Latvian Culture Fund], the Latvian Olympic Committee, and Latvian Children Fund are entitled in 2005 to reduce the calculated tax by the amount of the donation. The reduction in the total taxable income in accordance with Section 10 of this Law and this Paragraph may not exceed 20 per cent of the annual taxable income.

[*20 December 2004*]

19. The amount of monthly non-taxable minimum provided for in Section 12 of this Law and the amount of monthly tax relief provided for in Section 13, Paragraph one, Clause 1 and Paragraph 1.2 of this Law for 2005 shall be determined by the law On the State Budget for 2005.

[*20 December 2004*]

20. Section 24, Paragraphs five and six of this Law shall come into force on 1 July 2005.

[*20 December 2004*]

21. The income of natural persons which in the 2005 and 2006 taxations years was acquired from the sale of forest stands or from the sale of timber shall not be taxed with personal income tax.

[*10 March 2005*]

22. Section 17, Paragraph ten, Clause 7, Paragraphs twelve and 12.2 of this Law in relation to income from the sale of forest stands or from the sale of timber, and also Paragraph 10.2 shall not be applied in 2005 and 2006. A taxpayer to whom in 2005 in paying out income from the sale of forest stands or from the sale of timber, had tax withheld from it in conformity with this Law, for 2005 shall recalculate the tax to be paid according to summary procedures when submitting the annual income return.

[*10 March 2005*]

23. The Cabinet shall evaluate the impact of the norms provided for in Paragraph 21 of the Transitional Provisions of this Law upon the revenue of local governments in 2005 and, if necessary, shall prepare amendments to the law On the State Budget for 2005 in order to cover the reduction in the revenue of local governments.

[*10 March 2005*]

24. The norms of Section 3, Paragraph three, Sections 8, 17, and 34 of this Law in which are included a reference to commercial companies or capital companies shall be applicable also in relation to undertakings and companies which have not re-registered in the commercial register and are in insolvency proceedings.

[*20 October 2005*]

25. Amendments to Section 38, Paragraph one of this Law in relation to the deletion of this Paragraph shall come into force on 1 July 2006.

[*20 October 2005*]

26. Up to the day of the coming into force of the Cabinet regulations provided for in Section 39 of this Law, but not longer than by 1 September 2006, Cabinet regulation No. 357 of 18 October 2000, Regulations regarding the Application of Norms of the Law On Personal Income Tax shall be in force insofar as they are not in contradiction to this Law.

[*20 October 2005; 8 June 2006*]

27. Amendments to Section 13, Paragraph one, Clause 3 of this Law (in relation to the increase in the non-taxable minimum from 1 320 lats to 1 980 lats) shall come into force on 1 October 2006. For the persons referred to in this Clause, the non-taxable minimum for 2006 shall be determined as the sum of 1/12 of the annual amount of non-taxable minimum which was in force from 1 January 2006 to 30 September 2006 multiplied by 9, and 1/12 of the annual amount of non-taxable minimum which was in force from 1 October 2006 multiplied by 3. If a person has a pension granted after 1 January 2006, the non-taxable minimum shall be determined in proportion to the time period from the day of granting of the pension to the end of the year, taking into account the annual amount of non-taxable minimum specified for January-September 2006 and the annual amount of non-taxable minimum specified from 1 October 2006.

[*8 June 2006*]

28. The Cabinet shall evaluate the impact of the amendments to Section 13, Paragraph one, Clause 3 of this Law (in relation to the increase in the non-taxable minimum from 1 320 lats to 1 980 lats) upon the revenue of local governments in 2005 and, if necessary, shall prepare amendments to the law On the State Budget for 2006 in order to cover the reduction in the revenue of local governments.

[*8 June 2006*]

29. If an individual undertaking (farm or fish farm) re-registers as an individual merchant, the individual merchant is entitled to take over the pre-taxation period losses of the individual undertaking (farm or fish farm) and to cover them in accordance with the procedures laid down in law.

[*19 December 2006*]

30. The repayable part of the pension which is disbursed in accordance with Paragraph 47 of the Transitional Provisions of the law On State Pensions, the non-taxable minimum of the personal income tax in place of the payment of the repayable pension the following shall be applicable:

1) if for the pension in the period from 1 January 2000 up to 19 March 2002 the non-taxable minimum is applied in accordance with Section 13, Paragraph one, Clause 2 of this Law, the non-taxable minimum shall be in the amount of the repayable part of the pension;

2) if for the pension in the period from 1 January 2000 up to 19 March 2002 the non-taxable minimum is applied in accordance with Section 13, Paragraph one, Clause 3 of this Law, to the repayable part of the pension shall be applied the non-taxable minimum, which is determined as the difference between the amount of pension non-taxable minimum for the 2000, 2001, and 2002 taxation year and the non-taxable minimum applied to the pension of the payer in the relevant taxation year.

[*19 December 2006*]

31. If the payer who receives a repayable part of the pension which is disbursed in accordance with Paragraph 47 of the Transitional Provisions of the law On State Pensions, had in 2000, 2001, or 2002 taxation years the right to use the relief specified in Section 13, Paragraph one, Clause 1 or 4 of this Law and the salary tax booklet of the payer had been submitted at the place of payment of the pension (in the State Social Insurance Agency), to the repaid part of the pension the abovementioned relief shall be applied in the amount specified for the 2000, 2001, or 2002 taxation years.

[*19 December 2006*]

32. If the payer who receives a repayable part of the pension which is disbursed in accordance with Paragraph 47 of the Transitional Provisions of the law On State Pensions had in 2000, 2001, or 2002 taxation years the right to the eligible expenditure specified in Section 10 of this Law and they were not used in the full amount, the payer is entitled to include in annual income return for 2007 such part of eligible expenditure for 2000, 2001, or 2002 taxation years which were not declared in the relevant year.

[*19 December 2006*]

33. Up to the day of the coming into force of the provisions provided for in Section 9, Paragraph two, Clause 1 of the law On Accounting, but not longer than up to 1 July 2007, Cabinet Regulation No. 338 of 31 July 2001, Procedures by which Accounting of Income and Expenditures for the Needs of Calculating Personal Income Tax shall be Performed, shall be in force, insofar as they are not in contradiction to this Law.

[*19 December 2006*]

34. Amendments to Section 9, Paragraph one of this Law regarding the deletion of Clause 23 shall not be applied in relation to scholarships and reimbursements to be disbursed out within the scope of projects approved up to 31 December 2006 of the foundation “Sorosa Fonds – Latvija” which have been disbursed to a person for employment relationship with the foundation “Sorosa Fonds – Latvija”, but not longer than up to 31 December 2007.

[*19 December 2006*]

35. Up to the approval by the Cabinet of the type of the form and the procedures for the completion thereof of the annual income return (tax returns), and the informative returns (reports, notifications and other documents necessary for the application of the law) provided for in Section 38, Paragraph two of this Law, but not longer than up to 31 December 2008, in force shall be the current, on the basis of the delegation included in Section 38, Paragraph two of this Law, types of form and the procedures for the completion of returns, reports, notifications and other documents necessary for the application of the law approved by Cabinet.

[*19 December 2006*]

36. Amendments to Section 15, Paragraph one and Section 15, Paragraph 2.1 of this Law shall be applied in the taxation year commencing in 2008.

[*19 December 2006*]

37. [14 November 2008]

38. Amendments to Section 1, Paragraph one, Clause 2 and Paragraph two, amendments to Section 4, Paragraph one, Clause 3, Section 11.5, Paragraph eight, Section 11.8, Section 15, Paragraph five, the deletion of Section 18, Paragraph four, Section 18, Paragraph nine; Section 19, Paragraph 3.1, the deletion of Section 19, Paragraph 4.1, amendments to Section 19, Paragraph six, Clause 3, amendments to Section 26, Paragraph one of this Law, and also the Annex to this Law shall come into force on 1 January 2008.

[*8 November 2007*]

39. During the operation of licences, the payer shall apply the norms of this Law which were in force up to 1 January 2008. If the payer has been issued with a license for the 2008 taxation year and in the 2008 taxation year his or her revenue from economic activities does not exceed 10 000 lats, such payer is entitled to choose to pay the fixed income tax from the 2009 taxation year.

[*8 November 2007*]

40. In applying Section 19, Paragraphs ten and eleven of this Law, the insurance company and private pension fund shall submit the information on the 2007 taxation year to the State Revenue Service by 1 March 2008.

[*8 November 2007*]

41. Section 3, Paragraphs 2.1 and 2.2 of this Law, and also amendments to Section 15, Paragraph one and Annex to this Law shall apply as of 1 January 2008.

[*24 April 2008*]

42. The Cabinet shall evaluate the impact of Section 3, Paragraphs 2.1 and 2.2 of this Law on the revenue of local governments in 2008 and, if necessary, shall prepare amendments to the law On State Budget for 2008 in order to cover the reduction of the revenue of local governments.

[*24 April 2008*]

43. Amendments to Section 19, Paragraphs 3 and 3.1 of this Law shall apply to the personal income tax returns for 2008 and the subsequent taxation years.

[*24 April 2008*]

44. The income obtained in the taxation years of 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022, and 2023 shall be exempted from the imposition of personal income tax that has been disbursed from the local government budget as a remuneration to a natural person for the provision of social care service – home care – in accordance with Section 23, Paragraph three of the Law on Social Services and Social Assistance, if the person receiving the abovementioned remuneration is not in employment relationship with the disburser of remuneration and one of the following conditions exists:

a) the person is in employment relationship with another person from whom most of the income is obtained and this income is not formed by the remuneration for the provision of social care service – home care;

b) the person receives a pension in conformity with the law On State Pensions or a service pension, or a special State pension in accordance with the laws and regulations of the Republic of Latvia.

[*24 April 2008; 1 December 2009; 15 November 2012; 17 December 2014; 28 July 2017; 27 November 2020*]

45. The deletion of Section 3, Paragraph three of this Law, and also amendments to Section 3, Paragraph three, Clause 9, Section 8, Paragraph two, Paragraph three, Clauses 1, 2, and 9, Section 9, Paragraph one, Clause 2, Section 11, Paragraphs 1.1 and ten, Section 11.1, Paragraph three, Section 11.3, Paragraph three, Section 17, Paragraphs ten, eleven, 11.2, and 12.1, Section 18 with regard to the deletion of the term “individual work” and further change of the status of a farm and fish farm and the deletion of Section 19, Paragraph eight of this Law shall come into force on 1 July 2013.

[*14 November 2008; 1 December 2009*]

45.1 The coming into force of the amendments provided for in Paragraph 45 of these Transitional Provisions is repealed.

[*15 November 2012*]

46. Section 3, Paragraph 2.3 of this Law shall apply with regard to income that has been obtained starting with 2008.

[*14 November 2008*]

47. Amendments to Section 8, Paragraph 2.1 shall come into force on 1 July 2009.

[*14 November 2008*]

48. For persons to whom a pension has been granted until 1 January 1996 in accordance with the law On State Pensions and the amount of pension (together with the supplement to the pension for the insurance period that has been accrued until 31 December 1995) exceeds the amount of the non-taxable minimum specified in Section 12, Paragraph five, the non-taxable minimum shall be in the amount of this pension (together with the supplement for the accrued insurance period).

[*14 November 2008*]

49. A natural person who in the pre-taxation year was an owner of an individual undertaking and who, in the taxation year, has been registered as an individual merchant in the Commercial Register shall settle advance payments in the taxation year.

[*14 November 2008*]

50. The taxable income from the capital gains from an investment certificate of investment funds purchased by 31 December 2009 shall be determined for the payer who, commencing from 1 January 2010, alienates the abovementioned investment certificate of investment funds, by subtracting the acquisition or investment value of the investment certificate of investment funds from the alienation value of the investment certificate of investment funds, dividing it by the number of months of the whole time period of keeping the investment certificate of investment funds and multiplying it by the number of months from 1 January 2010 until the month of alienation, inclusive.

[*1 December 2009*]

51. During the period from 1 January 2010 to 31 December 2014 those provisions of this Law shall be applicable in relation to the purchase costs of an investment certificate of investment funds which were in force on 31 December 2009, if the relevant costs had been made until 31 December 2009 and the investment certificates had been in the ownership of a natural person for at least 60 months, and the investment funds operate in accordance with the law On Investment Management Companies or have been registered in another European Union Member State or a European Economic Area State and are considered as investment funds within the meaning of the law On Investment Management Companies, if the abovementioned costs do not exceed 20 per cent of the annual taxable income of a person or the referred to costs together with the eligible expenditure referred to in Section 10, Paragraph one, Clauses 3, 5, and 6 of this Law do not exceed 20 per cent of the size of the taxable income of the payer.

[*1 December 2009; 20 December 2010*]

52. Income obtained by natural persons who have acquired the status of an unemployed person in accordance with the Support for Unemployed Persons and Persons Seeking Employment Law in 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022, and 2023 from the operational programme “Human Resources and Employment” or “Growth and Employment” of the European Social Fund or the funds from the State budget for active employment measures which have been qualified by the State Employment Agency as grants or remunerations shall be exempted from taxation with personal income tax.

[*6 November 2013; 17 December 2014; 30 November 2015; 28 July 2017; 27 November 2020*]

53. [9 August 2010]

54. Support sums which have been granted for 2009 as State support for agriculture or European Union support for agriculture and rural development, but disbursed after 31 December 2009, shall not be included in the taxable income of the payer.

[*1 December 2009; 13 May 2010*]

55. Credit institutions which, during the period of time from 1 January 2010 to 28 February 2010, disburse interest income within the meaning of this Law are entitled not to apply the duty specified in Section 17, Paragraph ten, Clause 13 and Section 17, Paragraphs eleven and twelve of this Law in relation to withholding of tax and notification. If a credit institution during the period of time from 1 January 2010 to 28 February 2010 has not withheld tax from the interest income disbursed to the payer, it shall, by 15 March 2010, provide information to the State Revenue Service on the interest income obtained by a natural person, indicating the given name, surname, and personal identity number of each person or, if such has not been assigned, the place and date of birth, the date of disbursement and the amount of the interest income, and also shall notify the payer by 15 March 2010 that tax from the interest income disbursed in the relevant period of time has not been withheld and has not been paid into the budget.

[*1 December 2009*]

56. The payer who has obtained interest income within the meaning of this Law during the period of time from 1 January 2010 to 28 February 2010 from which tax has not been withheld in the place of disbursement shall perform tax calculation and payment into the budget by summary procedures, if the tax amount for this period of time does not exceed 5 lats. The payer who has obtained interest income within the meaning of this Law during the period of time from 1 January 2010 to 28 February 2010 from which tax has not been withheld in the place of disbursement and the tax amount for this period of time exceeds 5 lats shall, by 31 March 2010, submit the return on income from capital to the State Revenue Service for the interest income obtained during this period of time and shall, by 15 April 2010, pay the calculated tax amount into the budget.

[*1 December 2009*]

57. By 1 January 2010 the Cabinet shall determine:

1) the benefit gained by the beneficiary provided for in Section 8, Paragraph 2.3 of this Law from the use of a passenger car belonging to an employer or at the disposal of an employer which is equalled to the income of paid employment for which salary tax should be paid, and the procedures for the determination of the income thereof;

2) the procedures provided for in Section 11.10, Paragraph seven of this Law by which the payer of a licence fee shall be registered, the licence fee paid, and also the occupations of the field of economic activity for which a licence fee is paid, the amount of the licence fee in division by occupations and activities related to the collection of forest and field products and the restrictions of economic activity for the payer of a licence fee;

3) the procedures provided for in Section 16.1, Paragraph four of this Law by which the date of earning income shall be determined, if the day of entering into a contract for a transaction with capital assets, the day of the receipt of money, the transfer of ownership rights and side provisions, in order for the contract to come into effect, are not in one taxation period;

4) the sample form of the return provided for in Section 38, Paragraph two of this Law for income from capital and the procedures for the completion thereof.

[*1 December 2009*]

58. Until the day of the coming into force of the Cabinet regulations provided for in Section 39 of this Law, but not later than by 30 June 2010, Cabinet Regulation No. 793 of 26 September 2006, Procedures for the Application of the Norms of the Law On Personal Income Tax, shall be applicable, insofar as they are not in contradiction to this Law.

[*1 December 2009*]

59. Income from the alienation of capital assets (capital gains) which is obtained on the basis of such transactions which have been entered into and registered in accordance with the procedures laid down in laws and regulations until 31 December 2009 shall not be taxable. This norm shall apply to all such income which are received from 1 January 2010. The payers who have already calculated or paid tax for the income specified in this Paragraph shall adjust it upon submitting the return for 2010.

[*13 May 2010*]

60. Section 9, Paragraph one, Clause 35, Sub-clauses “c” and “d”, Section 10, Paragraph 1.4, amendments to Section 11, Paragraph three, Clause 14, Section 11, Paragraph three, Clause 14.1, amendments to Section 11.9, Paragraphs one and five, Section 11.9, Paragraph 5.1, amendments to Section 11.9, Paragraph seven and Section 11.9, Paragraph 7.1 of this Law shall be applied from the taxation year commencing in 2010.

[*13 May 2010*]

61. Amendments to Section 11.1, Paragraph four, Section 16.1, Paragraph 3.1 and the amendment to Section 20, Paragraph three, Clause 2 of the Law shall be applied from the taxation year commencing in 2010.

[*9 August 2010*]

62. Amendments in relation to the supplementation of Section 11.9 of the Law with Paragraph 9.1, Section 15, Paragraph five and the deletion of the Annex to the Law shall come into force on 1 January 2011.

[*9 August 2010*]

63. Amendments to Section 18, Paragraph three of this Law shall come into force on 1 January 2012.

[*21 October 2010*]

64. Amendments to Section 19, Paragraphs one, three, and five, and also Section 19, Paragraphs 5.4 and 5.5 of this Law shall come into force on 1 January 2012 and shall be applicable to income which has been obtained commencing from 1 January 2011.

[*21 October 2010*]

65. Amendments to Section 10, Paragraph five, Section 12, Paragraph nine and Section 13, Paragraph three of this Law shall be applicable to income which has been obtained from 1 January 2010.

[*20 December 2010*]

66. The rate of 10 per cent shall be applicable to income obtained in 2010 in respect of amounts received for 2010 and disbursed as the State aid regarding restrictions of economic activity to the forest owners for whom the forest management is not the type of economic activity.

[*20 December 2010*]

67. A return regarding income obtained in 2010 with documents attached thereto shall be submitted to the State Revenue Service from 1 February 2011 until 1 April 2011.

[*20 December 2010*]

68. The payer who wishes to apply expenditure referred to in Section 10, Paragraph one, Clauses 1, 2, 3, 5, and 6, non-taxable minimum determined in Section 12 and reliefs determined in Section 13, Paragraph one, Clauses 1 and 4 of this Law to income obtained in 2010 to which the tax rate determined in Section 15, Paragraphs 3.1 and seven of this Law shall be applicable and the income referred to in Section 8, Paragraph four of this Law, shall specify that he or she has chosen to apply the referred to tax reliefs and calculate a weighted average rate for the rate to be paid for the year on the basis of each income to which a different rate is applied, a part in a total taxable income, and also the repayable tax shall be determined according to the calculated weighted average rate.

[*20 December 2010*]

69. If the sum of the tax calculated in accordance with summary procedures based on the weighted average rate determined in Paragraph 68 of these Transitional Provisions turns out to be less than the sum paid in advance, the State Revenue Service shall, within three months following the day of submission of the return, repay to the payer the difference occurred applying the weighted average tax rate.

[*20 December 2010*]

70. Section 9, Paragraph one, Clause 42 of this Law shall be applied starting from 1 January 2011.

[*16 June 2011*]

71. Section 4, Paragraph one, Clause 6, Section 9, Paragraph one, Clause 36.1 and Section 17, Paragraph 7.2 of this Law shall come into force from 1 October 2011.

[*8 September 2011*]

72. Amendments in relation to the supplementation of Section 3, Paragraph three of this Law with Clause 10.1, the supplementation Section 8, Paragraph three with Clause 12.1 and Paragraph eleven, the supplementation Section 11.9, Paragraph eleven with Clause 1.1, the supplementation of Section 16.1 with Paragraph 8.1, amendment to Section 17, Paragraph ten, Clause 12 and Paragraph twelve shall be applied to income equivalent to dividends from 1 January 2012.

[*8 September 2011*]

73. The funds withdrawn from an individual undertaking (also farm or fish farm) which is an enterprise income taxpayer, for personal needs during 2010 and 2011 shall not be included in the taxable income of the payer.

[*8 September 2011*]

74. When performing distribution of profit of reporting year 2011 and retained earnings of the year before the abovementioned reporting year, the funds withdrawn from an individual (also farm or fish farm) which is an enterprise income taxpayer for personal needs shall not be included in the taxable income of the payer.

[*8 September 2011*]

75. The payers who are conducting accounting in the single entry system and in 2010 have received advance payments of a single area payment, additional direct payments of the State and agro-environmental payments which have been granted in compliance with aid provisions in order to compensate expenditure that actually have occurred for the payer for the administration and disbursement of the single area payment and agro-environment payments of the European Agricultural Fund for Rural Development in the financial year that commences on 1 July 2010 and ends on 30 June 2011, shall include such amounts in revenue from economic activity of 2011.

[*8 September 2011*]

76. Amendments to Section 9, Paragraph one, Clause 1 and Paragraph two of this Law and amendment in respect to the supplementation of Section 9 of this Law with Paragraph 3.5 shall be applied by updating the return for 2010 and by calculating the taxable income for the subsequent taxation years.

[*8 September 2011*]

77. Section 3, Paragraph three, Clause 9.2, Section 8, Paragraph three, Clause 15.1, Section 9, Paragraph one, Clause 19.2, Sub-clause “c” of this Law, amendment to Section 11 in relation to the deletion of Paragraph seven, amendment to Section 15, Paragraph seven in relation to the determination of tax rate for the income referred to in Section 3, Paragraph three, Clause 9.2 and Section 8, Paragraph three, Clause 15.1, and also amendment to Section 17, Paragraph twelve in relation to the supplementation of the Paragraph with a figure “9.2” shall be applied for the income obtained starting from 1 January 2012.

[*22 September 2011*]

78. Amendments to Section 13, Paragraph one, Clause 1, Sub-clause “f” of this Law shall be applied starting from 1 January 2011.

[*22 September 2011*]

79. Amendment to Section 24, Paragraph two and amendment in relation to the supplementation of the Section with Paragraph seven shall be applied to the income obtained starting from 1 January 2011.

[*22 September 2011*]

80. A tax rate of 5 per cent shall be applied to the income referred to in Section 24, Paragraph seven of this Law and obtained in the taxation years 2008, 2009, and 2010.

[*22 September 2011*]

81. The payers who in the taxation years 2008, 2009, and 2010 have paid the tax for the income referred to in Section 24, Paragraph seven of this Law in compliance with the tax rate that in the relevant taxation year is determined for the income from paid employment, are entitled to receive repayment of overpaid tax amount which is determined as a difference between the paid tax amount applying a tax rate that in the taxation year is determined for the income from paid employment and the tax amount that is determined from the referred to income by applying the tax rate of 5 per cent.

[*22 September 2011*]

82. Section 24, Paragraph seven of this Law and Paragraphs 79, 80, and 81 of Transitional Provisions shall not be applied for the income referred to in Section 8, Paragraph four of this Law and income obtained by natural persons for the taxation year regarding which a revision (audit) of the personal income tax has been carried out.

[*22 September 2011*]

83. [15 December 2011]

84. [15 November 2012]

85. The taxable income from such life insurance contracts (with accumulation of funds) in effect, which have been entered into until 31 December 2009 and provide for a partial disbursement of an accrual during the term of validity of the contract, shall be determined in the following way:

1) when performing the first partial disbursement of an accrual after 31 December 2009, the difference between the amount of partial disbursement of the accrual and the amount of all insurance premiums paid in during the validity of the relevant insurance contract shall be determined. If the difference acquired shows a negative result, a taxable income does not form and in next disbursements of accrual the taxable income shall be determined in accordance with Sub-paragraph 2 of this Paragraph. If the difference obtained shows a positive result, it forms a taxable income and in next partial disbursements of accrual the taxable income shall be determined in accordance with Sub-paragraph 3 of this Paragraph;

2) when performing each next partial disbursement of accrual, the difference shall be determined between the sum, which is formed by current disbursements of accrual and all partial disbursements of accrual performed previously – after 31 December 2009, and the sum of insurance premiums paid in during the validity of the relevant insurance contract. A taxable income forms in that time of partial disbursement of accrual, when the difference referred to in this Sub-paragraph shows a positive result. In next disbursements of accrual the taxable income shall be determined in accordance with Sub-paragraph 3 of this Paragraph;

3) when performing each next partial disbursement of accrual, the taxable income shall be determined as the difference between the sum which is formed by current disbursements of accrual and all partial disbursements of accrual performed previously – after 31 December 2009, and the sum of insurance premiums paid in during the validity of the relevant insurance contract, reducing the result obtained by the sum of taxable income determined in the previous partial disbursements of accrual.

[*15 December 2011*]

86. As to the amounts of bad debts, the wording of Section 11.3, Paragraphs two and three of this Law which was in force until the day when the amendments made to Section 11.3, Paragraphs two and three of this Law came into force, providing for the supplementation of Section 11.3 of this Law with Paragraphs 2.1 and 2.2, shall be applied to the debtors in respect of which insolvency proceedings have been announced until 31 October 2010.

[*15 December 2011*]

87. Section 9, Paragraph one, Clause 34.1 and Section 11, Paragraph seventeen of this Law shall be applied from 1 January 2011.

[*15 December 2011*]

88. A micro-enterprise taxpayer is entitled to submit the information referred to in Section 28, Clause 11 of this Law on the taxation year 2012 until 15 January 2012.

[*15 December 2011*]

89. Amendments to Section 10, Paragraph five, Section 12, Paragraph nine, and Section 13, Paragraph three of this Law by which a reference to the income referred to in Section 8, Paragraph four of this Law is deleted shall be applied to the income obtained starting from 1 January 2011.

[*8 March 2012*]

90. In the taxation years 2014 and 2015 the tax rate for the application of Section 15, Paragraphs two and 2.1 and Section 17, Paragraphs seventeen and nineteen of this Law shall be as follows:

1) in the taxation year 2014 – 24 per cent and this rate shall be applied in calculating the personal income tax for the taxation year 2014;

2) in the taxation year 2015 – 23 per cent and this rate shall be applied in calculating the personal income tax for the taxation year 2015.

[*6 November 2013; 30 November 2015*]

91. If in the taxation years 2013, 2014, 2015 the income from paid employment, pension or benefit is disbursed for the pre-taxation year, the personal income tax rate in effect in the relevant pre-taxation year shall be applied to such types of income.

[*24 May 2012; 6 November 2013; 30 November 2015*]

92. If the payer in the taxation year 2012 has been registered as a patent fee payer from the mushrooming, berry-picking or the collection of wild medicinal plants and flowers, he or she shall, in the relevant taxation year during a period in which he or she has been registered as a patent fee payer, apply those norms of this Law which were in force until the day when the amendment to Section 11.10 of this Law came into force in respect of deletion of Clause 9 of Paragraph two.

[*31 May 2012*]

93. The income from implementation of the stock purchase option, if the stock purchase option has been granted until 31 December 2012, but it is planned to commence the implementation of the stock purchase option after 1 January 2013, the exemption specified in Section 9, Paragraph one, Clause 43 and Paragraph eleven of this Law shall be applied, if the conditions referred to in these norms set in and the employer has submitted the information referred to in Section 11.11 of this Law to the State Revenue Service until 1 March 2013.

[*15 November 2012*]

94. The amounts received in 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022, and 2023 which have been disbursed as State aid to agriculture or the European Union aid to agriculture and rural development shall be exempted from the imposition of the personal income tax.

[*30 November 2015; 28 July 2017*]

95. On 1 July 2013 Section 8, Paragraphs 2.7 and 2.8 of this Law shall be applied to cash or non-cash advances issued until 31 December 2012 which are granted to an employee, a member of the board of directors, a member of the council, an owner, a participant or a member by commercial companies, cooperative societies, European commercial companies, European cooperative societies, European economic interest groups, associations, foundations, individual undertakings, farms or fish farms, organisations, individual merchants or natural persons which have registered with the State Revenue Service as performers of economic activity and regarding which settlement of accounts has not been performed until 30 June 2013, and personal income tax shall be calculated from the income equalled to paid work income. In respect to official travels or work trips to which cash or non-cash advance has been issued until 31 December 2012, but from which an employee returns after the abovementioned date, Section 8, Paragraph 2.7 of this Law shall be applied in accordance with the general procedures.

[*15 November 2012*]

96. The deletion of Section 1, Paragraph one, Clause 2 of this Law, amendments to Section 1, Paragraph two, Section 4, Paragraph one, Clause 3, Section 10, Paragraph five in respect of the deletion of words “or fixed income tax”, Section 11.5, Paragraph eight, the deletion of Section 11.8, amendments to Section 12, Paragraph nine in respect of the deletion of words “or fixed income tax”, Section 13, Paragraph three in respect of the deletion of words “or fixed income tax”, the deletion of Section 15, Paragraph five, Section 18, Paragraph nine, Section 19, Paragraph 3.1, and Section 28, Clause 9, amendments to Section 28, Clause 11, and also deletion of Section 28, Clauses 13 and 14 shall come into force form 1 January 2016.

[*6 November 2013*]

97. From 1 January 2014 no new fixed income taxpayers are registered anymore.

[*6 November 2013*]

98. A payer, who is performing economic activity and pays a fixed income tax for it, may not be a performer of economic activity, who determines income from economic activity in accordance with Section 11 (except Section 11, Paragraph twelve) or Section 11.1 of this Law, licence fee or micro-enterprise taxpayer at the same time.

[*6 November 2013*]

99. A payer, who is performing economic activity, and determines income from economic activity in accordance with Section 11 (except Section 11, Paragraph eleven) or Section 11.1 of this Law, may not be a fixed income taxpayer at the same time.

[*6 November 2013*]

100. Amendments to Section 6, Section 14, Paragraph two and the deletion in Section 32.1, Paragraph two of this Law shall come into force on 1 June 2014.

[*6 November 2013*]

101. Individual merchant or individual undertaking owned by a natural person (also farm and fish farm) which is registered and performs economic activity in a specially supported territory for which such status has been in effect until 31 December 2012, losses from economic activity of the taxation year of such natural person which have arisen during a time period while the relevant territory had a status of specially supported territory, shall continue to cover them in a chronological sequence from the taxable income of the next sic taxation years of economic activity. Amount of revenue, and also expenditure and costs shall be determined in accordance with Section 11 of this Law.

[*6 November 2013*]

102. Individual merchant or individual undertaking owned by a natural person (also farm or fish farm) which is registered and performs economic activity in a specially supported territory for which such status has been in effect until 31 December 2012, in accordance with Section 11, Paragraph three, Clause 4 of this Law, shall write off depreciation of fixed assets calculated in accordance with Section 13, Paragraph one, Clause 9 of the law On Enterprise Income Tax (wording which was in force until 31 December 2013).

[*6 November 2013*]

103. A borrower shall, until 30 June 2014, provide the information to the State Revenue Service on loan (a part thereof) that have been issued to him or her and are not repaid until 31 December 2013, if a non-repaid loan (a part thereof) from one creditor exceeds EUR 15 000. The abovementioned information shall include the given name and surname or firm name of the creditor and borrower, taxpayer’s personal identity number or registration number, and also information on the date of issue of the loan, non-repaid part thereof on 31 December 2013 and a time period provided for in the agreement. The information shall not be provided regarding loans, if a creditor and borrower is connected by marriage or kinship to the third degree within the meaning of the Civil Law, and also if the creditor is a credit institution of savings and loan company or a capital company which has received a special permit (licence) for the provision of a consumer crediting services.

[*6 November 2013*]

104. When determining the total amount of issued loans in accordance with Section 8.1, Paragraph five of this Law, a creditor shall include in a total amount of loans issued to one natural person (a borrower – in the amount of loans received from one creditor) also such loans (a part thereof) which have been issued to a natural person and are not repaid until 31 December 2013 and do not exceed EUR 15 000.

[*6 November 2013*]

105. If a loan (a part thereof) has been issued to a natural person until 31 December 2013, it shall not be equalled to income, except for the cases specified in Paragraph 106 of these Transitional Provisions.

[*6 November 2013*]

106. If information on loans (a part thereof) that have been issued to a natural person until 31 December 2013 might be provided, however was not provided in accordance with the procedures laid down in Paragraph 103 of the Transitional Provisions of this Law, the abovementioned loans shall be equalled to income that is obtained on 1 January 2014. If after 31 December 2016 the tax administration determines, by carrying out an inspection, that a non-declared loan received until 31 December 2013 is not repaid, it shall be assumed that the income is obtained on the last day of the taxation year for which a taxpayer or tax administration may adjust taxable income in accordance with the law On Taxes and Fees.

[*6 November 2013*]

107. Section 8.2 of this Law shall be applied also to loans which have been issued to a natural person until 31 December 2013 and which he or she does not take a loan within the framework of his or her economic activity and which have been issued thereto by a merchant, individual undertaking (farm or fish farm), cooperative society, permanent representation of the non-resident, association, foundation, organisation, natural person who has registered with the State Revenue Service as a performer of economic activity, or two or more persons joined on the basis of the agreement.

[*6 November 2013*]

108. The criteria laid down in Section 11.7, Paragraph three, Clause 3 of this Law shall not be applied from 1 July 2014 until 1 July 2023.

[*6 November 2013; 30 November 2015; 28 July 2017*]

109. Amounts (for example, funeral benefit, donation, compensation) which natural and legal persons have disbursed to persons who have suffered and relatives of persons who lost their lives in a tragedy of 21 November 2013 in the trade centre at Priedaines iela 20, Rīga, in relation to this tragedy shall not be taxable.

[*28 November 2013*]

110. Paragraph 109 of the Transitional Provisions of this Law shall be applied in respect of the amounts disbursed after 21 November 2013.

[*28 November 2013*]

111. Section 9, Paragraph one, Clauses 37.1 and 37.2 of this Law shall be applied from 1 January 2014.

[*20 February 2014*]

112. The Cabinet shall, by 1 April 2014, issue the regulations referred to in Section 11.12, Paragraph nine of this Law.

[*6 March 2014*]

113. Amendments to Section 8.1, Paragraph seventeen and Section 8.2, Paragraph seven of this Law shall come into force on 1 March 2015.

[*17 December 2014*]

114. Amendment in relation to the supplementation of Section 15 with Paragraph eleven shall be applied to the income obtained starting from 1 January 2015.

[*17 December 2014*]

115. Section 19, Paragraph 2.4 of this Law shall be applied from the taxation year commencing in 2015.

[*17 December 2014*]

116. Amendment to Section 10, Paragraph one, Clause 2, Section 10, Paragraph one, Clause 8, and also amendments to Section 10, Paragraphs 1.1,1.3, three, and five of this Law shall come into force on 1 January 2016.

[*30 April 2015*]

117. Section 17.2, Paragraph two, Clause five of this Law shall come into force on 1 July 2015. In respect of the agreements entered into until 30 June 2015, Section 17.2, Paragraph two, Clause 5 shall be applied from 1 July 2016.

[*30 April 2015*]

118. Amendments in relation to the supplementation of Section 9, Paragraph one of this Law with Clause 44, and the supplementation of Section 17, Paragraph ten with Clause 21 shall come into force on 1 January 2016.

[*29 October 2015*]

119. The Cabinet shall, by 1 January 2016, issue the regulations for determination of the composition and norms of the expenditure laid down in Section 9, Paragraph one, Clause 44 of this Law.

[*29 October 2015*]

120. Amendments to Section 11.10, Paragraphs two and three of this Law, and amendment in relation to the supplementation of this Section with Paragraph 3.1, and Section 28, Clause 16 shall come into force on 1 January 2017.

[*30 November 2015*]

121. Section 19, Paragraph 10.1 of this Law shall be applied starting from 1 January 2017. The Ministry of Education and Science shall submit the information referred to in Section 19, Paragraph 10.1 of this Law for the taxation year 2016 to the State Revenue Service by 1 February 2017.

[*30 November 2015*]

122. General, vocational, higher or special education institutions shall submit the information referred to in Section 19, Paragraph 10.2 of this Law for the taxation year 2015 to the State Revenue Service by 1 February 2016.

[*30 November 2015*]

123. Starting from 1 May 2016, the income obtained by an employee in a form of co-financing of the flexible childminders service within the framework of the project No. VS/2015/0206 “Provision of Flexible Childminders Service to Workers with Non-standard Work Schedules” co-financed by the European Union Programme for Employment and Social Innovation (EaSI) shall be exempted from the imposition of the personal income tax, if the employee works non-standard working hours and participates in the abovementioned project.

[*16 June 2016*]

124. In order to commence application of Section 10, Paragraphs 1.6 and 1.7 and Section 28, Clause 17 of this Law from the taxation year 2017, the private pension funds shall electronically send the information referred to in Section 19, Paragraph ten, Clause 1 of this Law to the State Revenue Service until 1 September 2017 on additional pension capital accumulated by persons making individual contributions as of 31 December 2016.

[*23 November 2016*]

125. When applying Section 10 Paragraph 1.6 of this Law in the taxation year 2017, if the payer – participant to the pension scheme – makes contributions in a pension scheme of private pension funds in the taxation year 2017 and includes them in eligible expenditure of the taxation year 2017 in accordance with Section 10, Paragraph one, Clause 5 of this Law, but during the taxation year 2017 or post-taxation year (2018) increases taxable income by a positive difference of the amount of disbursement made by the private pension fund during the taxation year (2017) and post-taxation year (2018 (and pension capital accumulated as of 31 December of the pre-taxation year (2016).

[*23 November 2016*]

126. Amendments to Section 8, Paragraph five, Clause 1 and Paragraph 5.1, Section 10, Paragraphs six and eight and Section 16.1, Paragraph 3.2 of this Law shall be applied to such life insurance agreements (with accumulation of funds) which have been entered into starting from 1 January 2018.

[*28 July 2017*]

127. When applying Section 12, Paragraph five of this Law, the non-taxable minimum of a pensioner:

1) in 2018 shall be EUR 3000;

2) in 2019 shall be EUR 3240;

3) in 2020 shall be EUR 3600.

[*28 July 2017; 27 September 2018*]

128. The payer is entitled to choose one of the following calculation methods which he or she does not have the right to change hereinafter for the calculation of depreciation of fixed assets in respect of the fixed assets which are purchased until 31 December 2017:

1) the procedures laid down in Section 13 of the law On Enterprise Income Tax (wording of the Law which was in force until 31 December 2017);

2) the procedures laid down in Sub-paragraph 1 of this Paragraph by not applying double amount and coefficient to the tax rate laid down for the tax rate in Section 13, Paragraph one, Clauses 3 and 3.1 (wording of the Law which was in force until 31 December 2017).

[*28 July 2017*]

129. If in the taxation year 2018 the income from paid employment, pension or benefit is disbursed for the pre-taxation year, the personal income tax rate in force in the relevant pre-taxation year shall be applied to such types of income.

[*28 July 2017*]

130. In the taxation years 2018 and 2019 the personal income tax rate in the amount of 10 per cent shall be applied to dividends and notional dividends which the enterprise income taxpayer disburses from the profit which has arisen until 31 December 2017.

[*28 July 2017*]

131. In the taxation years 2018 and 2019 the personal income tax rate in the amount of 10 per cent shall be applied to dividends and notional dividends which are disbursed by a foreign capital company (except for a foreign capital company which is located, set up or established in low tax or tax haven countries or territories referred to in the laws and regulations), unless a taxpayer proves that the dividends are disbursed from the profit which has arisen starting from 1 January 2018.

[*28 July 2017*]

132. Income equalled to dividends which is disbursed by a partnership to a member of the partnership in the taxation year 2018 and on next taxation years shall not be subject to the personal income tax if the source of disbursement thereof is the calculated part of the profit of the partnership applicable to the payer which has arisen until 31 December 2017 and the personal income tax has been paid for it.

[*28 July 2017*]

133. Personal income tax rate in the amount of 10 per cent shall be applied in 2018 and 2019 to the income equalled to dividends which the individual undertaking (also farm or fish farm) that is the enterprise income taxpayer disburses to the owner of the individual undertaking (also farm or fish farm) by performing the distribution of non-distributed profit (which has arisen until 31 December 2017) of previous years.

[*28 July 2017*]

134. Profit to which Paragraphs 130, 131, 132, and 133 of these Transitional Provision are applied shall be determined in accordance with the Enterprise Income Tax Law.

[*28 July 2017*]

135. Paragraph 130 of these Transitional Provisions shall not be applied to the dividends calculated and disbursed by the micro-enterprise taxpayers and notional dividends, and also to the dividends and notional dividends from profit which the enterprise income taxpayer has acquired while he or she has had the status of the micro-enterprise taxpayer. Paragraph 130 of these Transitional Provisions shall be applied if dividends and conditional dividends are calculated and disbursed from the profit which the micro-enterprise taxpayer has obtained while he or she has been the enterprise income taxpayer.

[*22 November 2017*]

136. Section 3, Paragraph three, Clause 26 of this Law and Section 8, Paragraph three, Clause 20.4 of this Law shall not be applied to the income from the instant lottery “The hundred year lottery”.

[*28 July 2017*]

137. The personal income tax in the amount of 15 per cent shall be applied to the income from the capital gains in transactions with capital assets which have been commenced until 31 December 2017 but have not been finished until 31 December 2017 and for which statement on income from the capital gains has been submitted.

[*28 July 2017*]

138. Amendment to Section 13, Paragraph one, Clause 1 of this Law in respect to supplementing thereof with Sub-clauses “l”, “m”, and “n” shall come into force on 1 July 2018.

[*28 July 2017*]

139. The payer is entitled to grant the status of an investment account to the accounts for the performance of transactions with financial instruments which are opened until 1 January 2018 and comply with the conditions of Section 11.13 of this Law not later than until 31 December 2018 by informing the investment service provider. If the investment service provider fails to ensure provision of information on opened accounts in accordance with the Account Register Law, the payer shall, not later than until 31 December 2018, inform the State Revenue Service of granting the status of an investment account to such accounts. At the time of granting the status of an investment account the financial instruments present in such account are equalled to financial instruments acquired as a result of funds transferred to the investment account by determining the value of financial instruments in conformity with their purchase value.

[*22 November 2017*]

140. The deadline for the payment of the tax calculated in the return for 2018 and 2019 shall be 1 December 2020 if the following conditions are true:

1) the payer has not registered economic activity;

2) the income of the taxation year, except for the non-taxable income referred to in Section 9 of this Law, conform to the following indications:

a) has been obtained only in Latvia;

b) does not exceed the threshold specified in Section 15, Paragraph two, Clause 2 of this Law (for 2018 – EUR 55 000, but for 2019 – EUR 62 800);

c) is an income from which the tax has been withheld at the place of payment;

d) is an income to which the annual differentiated non-taxable minimum and the relief provided for in Section 13 of this Law are applied.

[*21 March 2019*]

141. Section 9, Paragraph one, Clause 26.1 of this Law shall come into force on 1 July 2019.

[*21 March 2019*]

142. Amendments to Section 19, Paragraph two and Section 20 , Paragraph one of this Law regarding the replacement of the number “4000” with the number “10 000” shall be applied to income gained as of 1 January 2019.

[*21 March 2019*]

143. Amendments to Section 19, Paragraph three of this Law shall be applicable to returns for 2018 and the subsequent taxation years.

[*21 March 2019*]

144. The Cabinet shall, by 1 October 2019, issue the regulations referred to in Section 25.1, Paragraph four of this Law.

[*23 May 2019*]

145. Amendment to Section 9, Paragraph one, Clause 27 of this Law regarding the supplementation of the first sentence thereof shall come into force on 1 January 2021.

[*9 July 2020*]

146. The relief specified in Section 9, Paragraph one, Clause 2.1 of this Law shall not be applied to the dividends, income equivalent to dividends, and notional dividends which have arisen from the distribution of the income (profit) from economic activity of a micro-enterprise taxpayer if this income (profit) from economic activity has been obtained until 31 December 2020.

[*27 November 2020*]

147. Upon liquidating a micro-enterprise, the relief specified in Section 9, Paragraph one, Clause 2.2 of this Law shall not be applied to the liquidation quota (in the amount of the non-distributed profit which has arisen until 31 December 2020).

[*27 November 2020*]

148. Dividends, income equivalent to dividends, or notional dividends shall not be subject to the personal income tax if the micro-enterprise tax has been paid in the Republic of Latvia, in accordance with the wording of the Micro-enterprise Tax Law which is in force from 1 January 2021, for the calculated dividends, income equivalent to dividends, or notional dividends at the level of enterprise from the share of the profit from which the dividends, income equivalent to dividends, or notional dividends are paid.

[*27 November 2020*]

149. Amendments to Section 9, Paragraph one of this Law regarding the supplementation thereof with Clause 45 shall be applicable to the income obtained starting from 1 January 2020.

[*27 November 2020*]

150. Amendments to Section 10, Paragraph 1.4 and Section 14, Paragraph 1.1 of this Law shall be applicable in respect of the eligible expenditure incurred starting from 1 January 2020.

[*27 November 2020*]

151. Upon applying Section 11.10 of this Law starting from 2021, the payers who have made a licence fee payment for 2021 by 31 December 2020 will be able to apply the licence fee regime also in 2021 for the period for which the licence fee was paid but not longer than until 31 December 2021. The payers who apply the licence fee regime in 2021 shall apply, in respect of the licence fees, the wording of the provision of this Law which was in force on 31 December 2020.

[*27 November 2020*]

152. If the payer has not submitted a return for 2018 and 2019 (or for any of these years) within the time period specified in Section 19, Paragraph five of this Law, the State Revenue Service shall, by 1 March 2021, complete those sections of the return on which information is available in the State information systems, and also calculate, in accordance with summary procedures, the amount of tax to be paid into the budget and notify it to the payer. It is considered with such notification that the return has been submitted.

[*27 November 2020*]

153. Amendments to Section 19, Paragraph 5.4 and Section 20, Paragraph two, and also Section 29.1, Paragraph three of this Law shall be applicable to returns for 2020 and for subsequent years.

[*27 November 2020*]

154. Section 19, Paragraphs 10.3, 10.4, and 10.6 of this Law shall be applicable from 1 January 2022 for the taxation year of 2022 and for subsequent years.

[*27 November 2020*]

155. Section 19, Paragraphs 10.5, 10.7 and Section 30, Clause 9 of this Law shall be applicable from 1 January 2022.

[*27 November 2020*]

156. Section 19, Paragraph 4.2, Section 20.1, Section 28, Clause 19, Section 29.1, Paragraph four, and Section 32.1, Paragraph four of this Law shall be applicable to the overpaid tax which is determined in accordance with summary procedures when calculating tax for the taxation year of 2022 and for subsequent years.

[*27 November 2020*]

157. Amendments to Section 38, Paragraph two and Section 38, Paragraph three of this Law shall come into force on 1 January 2022.

[*27 November 2020*]

158. In order to receive automatic reimbursement of the overpaid tax in 2023 for 2022, a taxpayer shall, by 30 September 2023, provide the information in the Electronic Declaration System of the State Revenue Service which has been specified in Section 20.1, Paragraph four of this Law.

[*27 November 2020*]

159. Expenditure of an employee which is related to the performance of remote work and covered by the employer in accordance with the Labour Law shall be exempted from the imposition of tax in the taxation years of 2021 and 2022 if the total amount thereof per month for full-time work does not exceed EUR 30.

[*27 November 2020; 16 November 2021*]

160. Paragraph 159 of Transitional Provisions of this Law shall be applied if the following conditions are met:

1) an agreement on the performance of remote work is specified in an employment contract or by an order of the employer, and it has been indicated which expenditure is compensated by the employer;

2) the expenditure related to the performance of remote work is covered by the employer to whom the salary tax booklet of the employee has been submitted;

3) amounts of the expenditure related to the performance of remote work are determined in proportion to the load and the number of days of remote work per month specified in the contract or order if the work is performed both remotely and at a workplace.

[*27 November 2020*]

161. Paragraph 159 of Transitional Provisions of this Law shall not be applied during sustained absence which exceeds 30 days.

[*27 November 2020*]

162. Amendments to Section 3, Paragraph three, Clause 12, Sub-clause “a”, Section 8, Paragraph 2.12 (regarding the deletion of this Paragraph), Paragraph three, Clause 8, Section 8, Paragraphs 11.2 and 11.3, amendments to Section 10, Paragraph one, Clause 4, Section 11, Paragraphs 3.5, 3.6 and Paragraph twenty-two, and also amendments to Section 15, Paragraph eighteen and Section 17, Paragraph ten, Clauses 1, 2, and 7 and Paragraph 10.1 of this Law shall be applied from 1 July 2021.

[*27 November 2020*]

163. A payer (resident) who obtains income from the payment for intellectual property (except for the income disbursed by a collective management organisation) or from the creation, publication, performance, or other use of works of literature, science or art, discoveries, inventions, and industrial models of authors and performers has the right not to register as a performer of economic activity from 1 July 2021 to 31 December 2023. If the abovementioned payer does not register as a performer of economic activity, the provisions of Paragraphs 164, 165, 166, 167, 168, 169, 170, and 171 of Transitional Provisions of this Law shall be applied to the respective income.

[*27 November 2020; 16 November 2021; 1 December 2022*]

164. The tax shall be withheld in the place of disbursement from the income of the taxpayer referred to in Paragraph 163 of Transitional Provisions of this Law which has been disbursed by merchants, individual undertakings (also farms or fish farms), cooperative societies, non-resident permanent representations, institutions, organisations, associations, foundations and natural persons who have been registered as performers of economic activity, and it shall be paid into the single tax account not later than on the 23rd day of the month following the month when the income was disbursed by applying the following rate:

1) for the revenue of up to EUR 25 000 – 25 per cent;

2) for the revenue exceeding EUR 25 000 – 40 per cent.

[*27 November 2020*]

165. Merchants, individual undertakings (also farms or fish farms), cooperative societies, non-resident permanent representations, institutions, organisations, associations, foundations and natural persons who have been registered as performers of economic activity shall, upon request of a person who is a taxpayer, issue a notification to this person regarding the income of the payer referred to in Paragraph 163 of Transitional Provisions of this Law, and send a notification to the State Revenue Service not later than by the 15th day of the month following the month when the income was disbursed.

[*27 November 2020*]

166. The payer shall submit an annual income return of the recipient of remuneration for the relevant taxation year in relation to the income referred to in Paragraph 163 of Transitional Provisions of this Law by 28 February of the year following the taxation year if the income referred to in Paragraph 163 of Transitional Provisions of this Law in the time period from 1 July 2021 to 31 December 2021 or in the taxation years of 2022 and 2023 has been:

1) received from several disbursers of income and it exceeds EUR 25 000 in total;

2) obtained in foreign countries or the tax needed not be withheld and has not been withheld from it.

[*16 November 2021; 1 December 2022*]

167. The payer shall declare in the return of the recipient of remuneration of the relevant taxation year referred to in Paragraph 166 of Transitional Provisions of this Law all income obtained in the time period from 1 July 2021 to 31 December 2021 and the income obtained in the taxation years of 2022 and 2023 from the payment for intellectual property (except for the income disbursed by a collective management organisation), or from the creation, publication, performance, or other use of works of literature, science or art, discoveries, inventions, and industrial models of authors and performers, and the tax calculated in accordance with Paragraph 164 of Transitional Provisions of this Law.

[*27 November 2020; 16 November 2021; 1 December 2022*]

168. If, in submitting the annual income return of the recipient of remuneration, a tax premium results for the payer on the basis thereof, the payer shall pay the missing amount of the tax in accordance with summary procedures by 23 June of the year following the taxation year.

[*16 November 2021*]

169. If the payer has not submitted the annual income return of the recipient of remuneration within the time period specified in Paragraph 166 of Transitional Provisions of this Law, the State Revenue Service shall, by 5 March of the year following the taxation year, complete the abovementioned return with information which is available in the State information systems and also calculate, in accordance with summary procedures, the amount of tax to be paid into the budget and notify it to the payer. It shall be considered with such notification that the relevant annual income return of the recipient of remuneration has been submitted.

[*16 November 2021*]

170. If the payer obtains the income referred to in Paragraph 163 of Transitional Provisions of this Law in the time period from 1 July 2021 to 31 December 2023 and exercises the right not to register as a performer of economic activity:

1) the income referred to in Paragraph 163 of the Transitional Provisions of this Law are not included in the total taxable income of the taxation year to which the progressive tax rate is applied, and it is not taken into account when determining the annual differentiated non-taxable minimum of the payer;

2) the deductions specified in Sections 10, 12, and 13 of this Law shall not be applied to the income referred to in Paragraph 163 of Transitional Provisions of this Law.

[*27 November 2020; 16 November 2021; 1 December 2022*]

171. The tax paid into the single tax account from the income referred to in Paragraph 163 of Transitional Provisions of this Law shall be allocated and transferred according to the following allocation:

1) 80 per cent shall be allocated to the mandatory State social insurance contributions and transferred to the distribution account of the State social insurance contributions;

2) 20 per cent shall be allocated to the personal income tax.

[*27 November 2020*]

172. If a contract for remuneration has been entered into before 31 December 2020 and the payment under the contract for remuneration entered into is disbursed in the taxation year of 2021, the wording of the provision of this Law which was in force on 31 December 2020 shall be applied to the payer in the taxation year of 2021 in respect of the income from the respective contract for remuneration.

[*27 November 2020*]

173. The Cabinet shall evaluate results of the application of the regulation specified in Section 12 of this Law (regarding application of the non-taxable amount of foreign pension to the pension income received from foreign countries by re-migrated members of diaspora) and submit a report to the *Saeima* on efficiency of further application of the abovementioned regulation by 1 March 2030. Upon carrying out the evaluation, the impact of the regulation on the national economy – tax revenue, consumption, health care budget and regional development – shall be taken into account.

[*17 December 2020*]

174. The regulation specified in Section 12 of this Law (regarding application of the non-taxable amount of foreign pension to the pension income received from foreign countries by re-migrated members of diaspora) shall also be applied prior to coming into force thereof in respect of the pension income received from foreign countries (including within the meaning of the Repatriation Law) by tax residents registered in Latvia who are re-migrated members of diaspora.

[*17 December 2020*]

175. The regulation specified in Section 12 of this Law (regarding application of the non-taxable amount of foreign pension to the pension income received from foreign countries by re-migrated members of diaspora) shall be applied to the pension income of re-migrated members of diaspora which has been obtained from all foreign countries, including those with which international agreements have been entered into regarding prevention of double taxation and tax evasion in respect of the income and capital taxes, except for the cases where such agreement provides for a regulation more favourable to a person.

[*17 December 2020*]

176. Amendments to Section 12 of this Law regarding the supplementation thereof with Paragraphs thirteen, fourteen, fifteen, sixteen, seventeen, eighteen, and nineteen, and also amendment to Section 30 of this Law regarding the supplementation thereof with Clause 10 shall be applicable starting from 1 January 2021.

[*17 December 2020*]

177. Amendment to Section 9, Paragraph one, Clause 43, Sub-paragraph “e” of this Law regarding the supplementation thereof with an exception in respect of loans which are issued by the person referred to in Section 8.1, Paragraph seventeen of this Law which is a capital company shall be applied starting from 12 January 2021.

[*4 February 2021*]

178. Section 9, Paragraph one, Clause 47 of this Law shall be applied, starting from the taxation year of 2021.

[*16 November 2021*]

179. If a life insurance contract (with accumulation of funds) in which the policy holder and the insured person are the same person has been entered into by 31 December 2021 and the accumulation is made for a child who has the right to receive the accumulated monetary funds at the expiry of the term of the insurance contract, the taxpayer may, when submitting the return for the years 2021, 2022, and 2023, continue the inclusion of the payments of insurance premiums made until 31 December 2023 according to the insurance contract entered into in his or her eligible expenditure. The taxpayer may include the payments in eligible expenditure of insurance premiums made according to such insurance contracts starting from 1 January 2024 if the provisions of the insurance contract have been amended, determining that the policy holder is the insured person at the expiry of the term of insurance.

[*16 November 2021*]

180. Amendments to Section 11.7, Paragraphs four and five of this Law which provide for exemption from taxation of the income from alienation of agricultural land in proportion to the ratio of its market value in the total value of the immovable property shall be attributed to transactions which have been commenced starting from 1 January 2021 and are applicable if the taxpayer has an appraisal of a certified appraiser of immovable property which is not older than 12 months from the day when the alienation contract was entered into.

[*16 November 2021*]

181. Amendments to Section 12, Paragraph five of this Law shall come into force on1 January 2023. When applying Section 12, Paragraph five of this Law, the non-taxable minimum of a retired person in 2022 shall be as follows:

1) from 1 January 2022 to 30 June 2022 – EUR 2100;

2) from 1 July 2022 to 31 December 2022 – EUR 3000.

[*16 November 2021*]

182. The Cabinet shall determine the following values to be used in the calculation of the differentiated non-taxable minimum for the taxation year of 2022 for each time period individually (for the time period from 1 January 2022 to 30 June 2022 and for the time period from 1 July 2022 to 31 December 2022):

1) the maximum non-taxable minimum;

2) the amount of the taxable income up to which the maximum non-taxable minimum is applied;

3) the amount of the taxable income above which the differentiated non-taxable minimum is not applied.

[*16 November 2021*]

183. In the taxation year of 2022, the monthly non-taxable minimum projected by the State Revenue Service may not exceed:

1) in the time period from 1 January 2022 to 31 July 2022 – one sixth from the maximum differentiated non-taxable minimum specified in Cabinet regulations for the time period from 1 January 2022 to 30 June 2022;

2) in the time period from 1 August 2022 to 31 December 2022 – one sixth from the maximum differentiated non-taxable minimum specified in Cabinet regulations for the time period from 1 July 2022 to 31 December 2022.

[*16 November 2021*]

184. If, in determining the monthly non-taxable minimum projected by the State Revenue Service for the taxation year of 2022, the State Revenue Service does not have information at its disposal on the taxable income of the payer or the payer has not obtained taxable income within the time periods referred to in Section 12, Paragraph 1.4, Clause 1 or 2 of this Law, or the payer has acquired the status of a resident in the taxation year, the monthly non-taxable minimum projected by the State Revenue Service shall conform to:

1) in the time period from 1 January 2022 to 31 July 2022 – one-sixth of the maximum non-taxable minimum specified in Cabinet regulations for the time period from 1 January 2022 to 30 June 2022, divided by two;

2) in the time period from 1 August 2022 to 31 December 2022 – one-sixth of the maximum non-taxable minimum specified in Cabinet regulations for the time period from 1 July 2022 to 31 December 2022, divided by two.

[*16 November 2021*]

185. Section 9, Paragraph one, Clause 32.2 of this Law shall come into force on 1 July 2022 and shall apply to the allowances disbursed for children born after 31 December 2021.

[*12 May 2022*]

186. Section 9, Paragraph one, Clause 34.3 of this Law shall come into force on 1 January 2023.

[*20 October 2022*]

187. Section 9, Paragraph one, Clause 35.6 of this Law shall be applicable from 1 January 2022.

[*20 October 2022*]

188. Section 9, Paragraph one, Clause 35.7 and Section 16.1, Paragraph seventeen of this Law shall be applicable to such capital asset alienated within the scope of insolvency proceedings of a natural person which has been alienated after the day of coming into force of these norms.

[*20 October 2022*]

189. The Cabinet shall, by 1 June 2027, assess the application of Section 9, Paragraph one, Clause 35.7 of this Law in practice and submit to the *Saeima* an assessment regarding the necessity to revoke the relevant exception.

[*20 October 2022*]

190. Section 11, Paragraph 3.1 and Section 11.1, Paragraph 6.1 of this Law shall not be applied for the period from 1 January 2022 to 6 January 2022.

[*20 October 2022*]

191. Amendments to Section 11 of this Law in respect of the deletion of Paragraphs 3.2, 3.3, and 3.4, amendment to Paragraphs 3.5 and nine of Section 11, amendment to Paragraph eight of Section 11.1, and amendment to Paragraph nine of Section 19 shall be applied from 1 January 2022.

[*20 October 2022*]

192. The Cabinet shall assess and, by 31 December 2025, submit to the *Saeima* a report on efficiency of further application of the regulation specified in Section 15, Paragraphs 7.2 and 7.3, and also the second sentence of Section 17, Paragraph ten, Clause 13 of this Law. In carrying out the assessment, the impact of the regulation on national economy, i.e. capital market growth, attraction of new investments, tax revenue, and compliance with the international standards of tax information exchange, shall be taken into account.

[*20 October 2022*]

193. Amendments by which Section 4, Paragraph three, Section 18, Section 31.1, Paragraph one of this Law are deleted, and amendment to Section 32.1, Paragraph three shall be applicable from 1 January 2023.

[*23 March 2023*]

**Informative Reference to Directive of the European Union**

[*15 November 2012*]

The Law includes legal norms arising from Directive 2011/98/EU of the European Parliament and of the Council of 13 December 2011 on a single application procedure for a single permit for third-country nationals to reside and work in the territory of a Member State and on a common set of rights for third-country workers legally residing in a Member State.

Chairperson of the Supreme Council of the Republic of Latvia A. Gorbunovs

Secretary of the Supreme Council of the Republic of Latvia I. Daudišs

Rīga, 11 May 1993

Law On Personal Income Tax

**Annex**

**Specification of the Amount of Fixed Income Tax Regarding Revenue from Economic Activity**

[9 August 2010 / Amendment in respect of deletion of Annex shall come into force on 1 January 2011. See Paragraph 62 of Transitional Provisions]