

What should you think about if you want to move to Latvia?

This memo provides general information about why tax resident status is important, how it is determined in Latvia and what tax consequences arise from it.

1. Tax resident status

Tax resident status prescribes a personal income tax (PIT) liability on your worldwide income in your tax residence country. You should carefully assess your tax resident status to avoid potential double taxation, if the tax authorities of two countries treat you as their tax resident.

Please note that:

- If you become a Latvian tax resident, your worldwide income (including, Latvian source income and foreign source income) is subject to tax in Latvia from the date of residency.
- If Latvia has an effective double tax treaty (DTT) with the foreign country, DTT rules will be applied to determine your tax residence and allocate it to one country only.

We would be glad to provide our services regarding analysis of tax resident status in line with the normative acts of Latvia, the current practice and double tax treaty provisions. As a result, you will receive our assessment with our conclusions whether you are considered a Latvian tax resident.



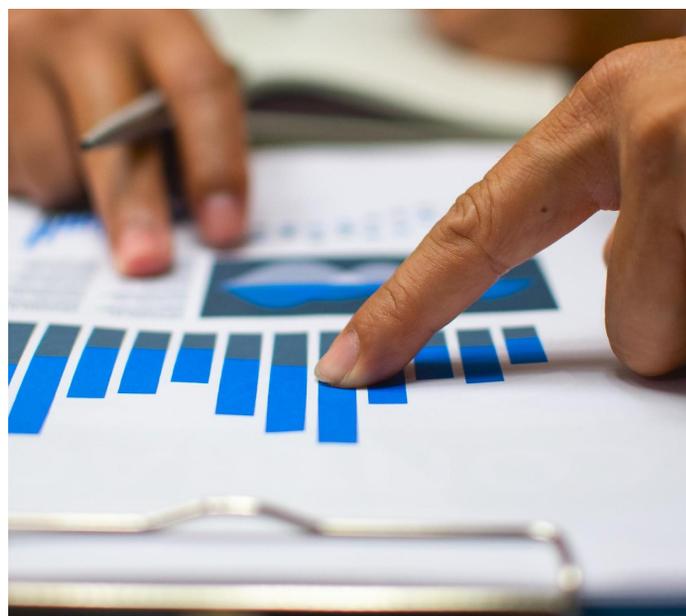
2. Registration

If you qualify as a Latvian tax resident under Latvian law, you are liable to register your Latvian tax resident status. Registration of tax resident status includes 2 steps:

Step 1: To notify the CMO of your Latvian address.

Step 2: To file a registration request with the State Revenue Service (SRS).

Our tax experts can assist you with the registration of Latvian tax resident status. We will prepare the registration application by providing the grounds why you qualify as a Latvian tax resident.



3. Potential tax consequences

There are different criterias for applying PIT and national social insurance contributions (NSIC) to the individual's income, depending on the one's purpose of being in Latvia. Accordingly, you need to assess possible Latvian PIT and NSIC consequences arising from your economic activities and tax residence status.

Application of PIT usually depends on the type of income as Latvian tax law provides various PIT rates and methods of taxable amount calculation. Please note that the aforementioned can be applied to resident and non-resident differently.

Meanwhile, NSIC are payable in the country where work is physically carried out. Please note that this should be only one country so if you are posted to Latvia (working for a foreign employer in Latvia) for a period of up to two years, you can apply to the competent authorities of your home country for an A1 certificate and continue to pay SIC in your home country only.

If you need to determine the potential tax obligations in Latvia, we can prepare an overview on the PIT and NSIC regimes applicable to your specific case from the Latvian tax perspective. Moreover, we will include our comments on tax reporting obligations, based on our expertise and practice.



4. Tax reporting obligations

Latvian tax residents should annually check whether they are obliged to file a Latvian income tax return. You could have a mandatory or voluntary requirement to prepare and submit Latvian annual tax return. Moreover, if you have received capital gains from the sale of real estate or financial assets (shares, bonds, etc.) you may have a requirement to submit the capital gains tax return.

We have experience in providing services related to preparation of capital gains and annual income tax returns. We would be delighted to provide our services.



Contact



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