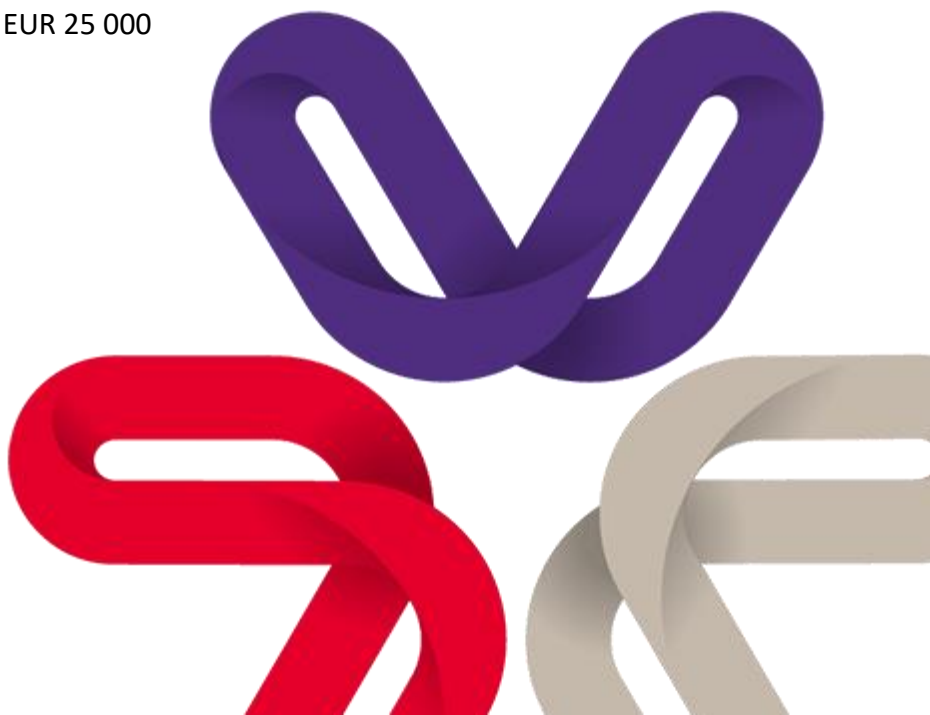


Key Tax rates in Latvia

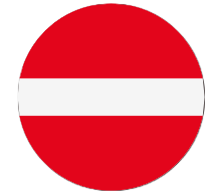


2022 tax rates at glance

- Corporate income tax rate:
 - » Standard rate 20 % is applied to the gross amount, or 20/80 (effective rate 25%) of the net cost
- Personal income tax rates:
 - » 20% for annual income up to EUR 20 004
 - » 23% for annual income exceeding EUR 20 004 up to EUR 78 100
 - » 31% for annual income above EUR 78 100
 - » 20% for income from capital gains
 - » 10% for income from property
- Non- taxable minimum is proportionally applicable to income up to EUR 1 800 per month
- Social tax rates:
 - » Employer's liability is 23.59%
 - » Employee's liability is 10.50%
 - » Solidarity tax rate 25% for annual income above EUR 78 100
- Minimum object of mandatory social tax contributions EUR 170 per month
- Value Added Tax standard rate 21%, reduced rates 12% and 5%
- Value Added Tax registration threshold EUR 40 000
- The minimum wage EUR 500 per month
- Micro-enterprise tax rates (consists of State social insurance mandatory contributions, personal income tax for micro-enterprise owner)
 - » 25% for turnover up to EUR 25 000
 - » 40% for turnover above EUR 25 000



Key Latvian tax changes as of 2022



Changes in the value added tax (hereinafter - VAT)

- From 01.01.2022 **VAT rate of 5%** is applicable to the supply of books, press and other mass media or publications issued in the form of printed matter or electronic publication, including online or by download.
- From 01.01.2022 **VAT exemption takes place**, which applies to the legal land use rights (compulsory lease) and legal relationship between landowners and building owners.

Changes in the personal income tax (hereinafter - PIT)

- The maximum non-taxable minimum of PIT has been increased, the State Revenue Service (hereinafter – the SRS) announces the amount of the non-taxable minimum twice a year. From 01.01.2022 to 30.06.2022 the PIT-free minimum amounts to EUR 350 per month, and from 01.07.2022 - EUR 500 per month (in 2021 - EUR 300 per month).
- **Advance payments of the PIT** for individuals that perform economic activities were abolished.
- The **special tax regime for royalties** extended until 31.12.2022. During the transition period from 01.07.2021 to 31.12.2022 the recipient of royalty will be entitled to not register as a performer of economic activity, the payer of income will be obliged to withhold and pay taxes.
- From 01.01.2022 the following are exempt from PIT:
 - » In addition to the employer's catering expenses covered, the employer's medical expenses up to EUR 480 per year (the amount includes both catering and medical expenses) are covered as well. These expenses are exempt from PIT only if such expenses are provided for in the collective agreement.
 - » The employee's expenses related to the teleoperation - remote work (up to EUR 30 per month in 2022).

Changes in the corporate income tax (hereinafter - CIT)

- **Interest payments.** CIT payers for the increased % payments made in the reporting year, beginning in 2021 and 2022 may include the increased % payments in operating expenses to the full extent.
If the increased interest payments in the reporting year exceed EUR 3 mil, taxpayers are still bound by the terms of increased interest payments in the reporting years 2021 and 2022.

Changes in the Social Contribution Tax (hereinafter - SSC) and in general in the social area

- From 01.01.2022 the maximum amount of the **object of SSC** in 2022, 2023 and 2024 will be EUR 78 100 (in 2021 - EUR 62 800).
Payment of the sick leave, as of 01.04.2022 the sick leave is paid by the state from the 10th day of incapacity to work (currently - from the 11th day), i.e., the employer will pay the sickness benefit for 9 calendar days from his own funds (currently - 10).

Changes in the micro-enterprise tax (MET)

From 01.01.2022 those LLC (SIA in Latvian), which at present have the status of a payer of MET, lose it and automatically become the CIT payers. After 01.01.2022 individual merchant, individual enterprise, farmer's or fisherman's farm, a natural person registered with the SRS as a performer of economic activity can operate in the MET-payer's status without change if they are not registered as VAT payers.



Changes in excise duty

	Until 31.12.2021 (EUR)	As of 01.01.2022 (EUR)
Cigars and cigarillos (per 1000 g)	104.7	115.2
Cigarettes (1000 units)	121.4	128.4
Smoking tobacco, tobacco leaves (per 1000 g)	80.25	85.9
Heated tobacco (per 1000 g)	160	207
Tobacco substitutes (per 1000 g)	80	100
E-liquids, their components (per 1 ml)	0.12	0.16
For soft drinks per 100 l (with a sugar content not exceeding 8 grams (exclusive) per 100 ml)	-	7.4
For soft drinks per 100 l (with a sugar content exceeding 8 grams (inclusive)) per 100 ml)	7.4	14

From 01.07.2022, there are set reduced rates of excise duty on wine, fermented beverages, and intermediate products.

Changes in the natural resources tax (NRT)

Deposit system. As of 01.02.2022 the introduction of mandatory deposit system for reusable and disposable beverage packaging will take place. The transition period is set from 01.02.2022 to 01.08.2022. An exemption from the NRT for deposit packaging will apply under certain conditions.

Intrastat reporting changes

From 01.01.2022, Intrastat reporting thresholds are increasing, as shown in the table below.

	Until 31.12.2021	From 01.01.2022
Intrastat import (from the EU) reporting threshold	EUR 230 000	EUR 280 000
Intrastat export (to the EU) reporting threshold	EUR 120 000	EUR 150 000
Threshold for providing the statistical value of imports (from the EU)	EUR 4 million	EUR 5 million
Threshold for providing the statistical value of exports (to the EU)	EUR 6 million	EUR 7 million

If you have any questions, please do not hesitate to us:



Martins Lubgans

Head of Tax department

M (+371) 29 379 772

E martins.lubgans@lv.gt.com



Dmitrijs Korovackis

Tax Manager

M (+371) 28 862 501

E dmitrijs.korovackis@lv.gt.com