

Time limit for filing income tax return (3/9/17)

Individuals liable to file a Latvian income tax return for 2016 must do so between 1 March and 1 June 2017. This article outlines cases where Latvian tax residents are required by law to file an income tax return.

The filing obligation

A tax return must be filed within the statutory time limit by a Latvian tax resident who gained any of the following types of income in 2016:

1. any foreign-source income;
2. Latvian-source income (or income attributable to Latvia) that has been paid without deducting Latvian personal income tax (PIT) at source;
3. business income; or
4. non-taxable income exceeding €4,000.

Employment income arising in another member state

We have informed our subscribers earlier about amendments to the PIT Act effective from 30 June 2016 which provide that persons who have gained employment income in another member state and had PIT or an equivalent tax deducted in the relevant country are not liable to declare that income in Latvia. These amendments can be interpreted as follows: if a person's foreign-source income is only employment income arising in another member state and charged to income tax there, the person is not liable to file a Latvian tax return.

It is important to note, however, that neither the State Revenue Service (SRS) nor the Ministry of Finance (MOF) has issued any publicly available comments on how to apply the amendments. For example, it is not clear whether the filing exemption is restricted to persons whose foreign employment income has been charged to income tax at source in the relevant country, or to persons whose foreign-source employment income attracts foreign income tax retrospectively (i.e. the person has filed a tax return in another member state).

We still see quite a few uncertainties like this; with no SRS or MOF interpretation publicly available, we recommend evaluating and discussing your tax filing obligation with SRS consultants or tax officers if you gained employment income elsewhere in the EU in 2016.

If you would like PwC's expert advice on how to file your Latvian tax return or any help in preparing it, please feel free to contact Alina Ruskova (alina.ruskova@lv.pwc.com).

We will soon be summarising information about changes to reliefs and allowable expenses relevant to income arising in 2016, expected to encourage voluntary filing.