

Employer's disclosure of contributions to private pension funds: advance tax ruling (3/42/19)

In July 2019, the State Revenue Service (SRS) published an [advance tax ruling](#) that explains how to correctly disclose information in employer statements where an employer's contributions to private pension funds for a worker come from the employer's money and where they come from the worker's money through the employer.

Background

A Latvian employer contributes to private pension funds for a worker –

- from the employer's money,
- by withholding from the worker's money.

For a better understanding of proper disclosures in the employer's statement, we will use an example from the tax ruling:

Worker's annual gross salary EUR 12,000

Contributions from employer's money EUR 100

Contributions from worker's money EUR 80

The SRS opinion

The ruling expresses the SRS's opinion about contributing to private pension funds registered in EU, EEA or OECD member states. The SRS invokes subsection 5 of section 8 and subsections 1, 1.9 and 2 of section 10 of the [PIT Act](#), as well as paragraph 65 of the Cabinet of Ministers' Regulation No. 899, [Procedures for applying provisions of the PIT Act](#), which provide that before charging income to PIT, the employer may deduct the following from the worker's monthly employment income:

- Contributions paid to private pension funds from the employer's money for the worker which, combined with endowment insurance premiums, do not exceed 10% of their monthly gross employment pay;
- The worker's own contributions to private pension funds which, combined with endowment insurance premiums, do not exceed 10% of their monthly gross employment pay, capped at EUR 4,000 a year.

Under section 17 of the PIT Act, at the year end but no later than 15 days after receiving a worker's request, the employer should –

1. provide them with a statement of amounts paid to the individual, and
2. send the SRS a statement of amounts paid to individuals, giving details of contributions paid to private pension funds.

Since the contributions paid in this situation do not exceed statutory caps, the employer's statement should make the following disclosures:

Contributions paid to private
pension funds

from employer's money
EUR 100

from worker's money
EUR 80

line 6 –
Non-Taxable Income

line 11 –
Allowable Expenses