

Filing annual income tax return 2/10/22



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From 1 March it is possible to prepare the annual income tax return for 2021 through the Electronic Declaration System (EDS) of the State Revenue Service (SRS). This article explores what situations mandate this filing and what time limits apply, as well as other related issues.

When filing is mandatory

Each year Latvian tax residents have to assess whether they are liable to file the annual income tax return. Filing is mandatory if you have –

- carried on a business;
- gained any income abroad other than employment income already charged to personal income tax (PIT) or an equivalent tax in another EU member state. In that case no filing is required unless any of the other criteria included in this section are satisfied;
- gained exempt income exceeding EUR 10,000 for the year (e.g. income from selling private property);
- gained income from renting real estate or income from selling standing timber or wood products on which PIT has not been deducted at source;
- gained taxable income on which PIT has not been deducted at source, including taxable gifts from individuals;
- gained income exceeding EUR 62,800 for the year;
- your income has had a higher annual income-differentiated personal allowance and/or a lower rate of PIT applied to it than what is prescribed by law.

If at least one of these criteria is satisfied, you have to file the annual income tax return within these time limits:

- 1 March to 1 June 2022 for an income of up to EUR 62,800
- 1 April to 1 July 2022 for an income exceeding EUR 62,800

Voluntary filing

You may file the annual income tax return voluntarily to recover any overpaid PIT if your income has had either a higher rate of PIT or a lower relief applied to it than what is prescribed by law. You can do this also if you have claimed various allowable expenses for yourself or your family (spouse, children, grandchildren, parents and grandparents, as well as siblings with a class 1 or 2 disability). Your allowable expenses may include expenses on education, children's interest education, medical expenses, contributions to private pension funds, and life insurance premiums, as well as donations to public benefit organisations and political parties. Your allowable expenses are easy to enter on EDS during the year using the mobile app [Allowable Expenses](#).

Remember that receipts for medical expenses can be filed only once, i.e. any expenses already reimbursed by your insurance company can no longer be filed via EDS. From this January the SRS has the power to seek information from insurance companies on medical services reimbursed to the person for the tax year 2022. The SRS is expected to be actively taking this opportunity. Remember also that only one person can file each expense once and allowable expenses per person are capped at EUR 600. If your allowable expenses come to more than this, the excess will be carried forward to the next tax year. More information on claiming allowable expenses can be found in [SRS Guidance on Allowable Expenses](#).

Automatic filing and refund

Remember that from 2023 the SRS will make an automatic refund of overpaid PIT for the tax year 2022 to taxpayers that have not filed the annual income tax return if the following conditions are satisfied:

- The taxpayer does not have a registered business and has gained no income abroad nor any other income that must be reported on the annual income tax return with PIT payable on an aggregate basis.
- The taxpayer has no tax arrears.
- The automatic PIT refund can be made only if it arises from the following factors:
 - the annual income-differentiated-differentiated personal allowance
 - a pensioner's personal allowance if they receive only a pension under Latvian law
 - an extra allowance (for persons with a disability, politically repressed persons, and members of the national resistance movement)
 - progressive rates of PIT
 - in certain cases where a dependant allowance has not been claimed in full
 - the taxpayer's own allowable expenses associated with their contributions to private pension funds and insurance premiums
- The SRS has details of the Latvian bank account designated for a PIT refund.