

Employing Ukrainian nationals in Latvia (1)

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Looking for shelter from the war, Ukrainian civilians are emigrating en masse. Several thousands of refugees have entered Latvia, and some Latvian companies have already come forward to employ them. This article explores the tax treatment of these persons being employed in Latvia.

Employment take-up benefit

Effective from 5 March 2022, [the Support for Ukrainian Civilians Act](#) provides that when taking up employment, a Ukrainian civilian is entitled to a one-off employment take-up benefit that equals one minimum monthly wage and is exempt from personal income tax (PIT) and mandatory national social insurance (NSI) contributions. To claim this benefit, the employee should file an application with the National Employment Agency within one month of taking up employment.

The Support for Ukrainian Civilians Act does not lay down a procedure for taxing the Latvian-source income of Ukrainian civilian refugees, so provisions of [the PIT Act](#) and [the NSI Act](#) apply.

Latvian-source income attracts Latvian taxes

The labour tax treatment is prescribed not only by Latvian legislation, such as [the PIT Act](#) and [the NSI Act](#), but also by international agreements, such as [the Latvia-Ukraine double tax treaty](#) and [the Latvia-Ukraine agreement on social security cooperation](#).

A Latvian company employing a Ukrainian national under an employment contract

For general Latvian tax purposes a refugee that has entered Latvia from Ukraine is a non-resident and will keep this status unless their stay exceeds 183 days in any 12-month period. A tax resident pays PIT on their worldwide income, while a non-resident pays tax only on their Latvian-source income. This status will also affect how their Latvian taxes are calculated and whether they can take out a wage tax book.

Regardless of tax residence, however, a Latvian employer employing someone in Latvia will withhold PIT and NSI on their wages under general procedure and register the person as employee.

Article 6 of [the Latvia-Ukraine social security agreement](#) provides that NSI contributions are payable in the country where the person is employed, i.e. Latvia. Article 16 of the agreement states that insurance periods (length of service) for old-age pension purposes will be added up (i.e. they will not be lost). If certain criteria are met, the NSI contributions paid in Latvia will require Latvia to pay an old-age pension to the person (article 17 of the agreement) computed under Latvian law.

A Latvian company paying royalties to a Ukrainian national

In general, a Latvian company that pays royalties to a Ukrainian national for intellectual property (e.g. a work they have created) is liable to withhold a 23% PIT at source after deducting notional expenses.

In our next article we will be exploring how taxes are payable if a business is carried on.