

# Ukrainian nationals providing services in Latvia (2)

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This article looks at the principles of tax treatment when a Ukrainian national provides services to individuals or entities in Latvia.

[As stated earlier, the Support for Ukrainian Civilians Act](#) does not prescribe easy terms for taxing the Latvian-source income of Ukrainian nationals. Thus, in determining their tax liabilities, we need to consider the provisions of Latvian and international law, such as double tax treaties (DTTs).

### Resident or non-resident for Latvian tax purposes

It is standard practice for a foreign national staying in Latvia to be treated as a non-resident for tax purposes during the first 183 days from the day of arrival. The non-resident's taxable items of Latvian-source income are listed [in section 3\(3\) of the Personal Income Tax \(PIT\) Act](#).

A person spending 184 and more days in Latvia becomes a resident for Latvian tax purposes. Residence status is examined in the light of article 4 of Latvia's DTT with the foreign country whose resident the foreign national is (e.g. Ukraine). Once we have established their residence status for treaty purposes, we need to evaluate which of the countries has right of first refusal to tax their income. If it is Latvia, then Latvian PIT is payable under Latvian law.

### PIT and national social insurance (NSI) treatment

Under [section 3\(3\)\(2\) of the PIT Act](#), any business income in respect of professional work carried out in Latvia or for a Latvian resident is subject to Latvian PIT.

The Latvia-Ukraine DTT offers an exemption if a Ukrainian national has registered their business in Ukraine and holds documentary evidence that can be presented to the Latvian payer of income together with a Ukrainian residence certificate. This exemption is available only if the person spends in Latvia no more 183 days in any 12-month period.

If the above does not work, the Ukrainian national providing services to entities may choose not to register their business. In that case the Latvian company will have to pay PIT and NSI in full.

A person providing services to Latvian individuals has to register with the State Revenue Service (SRS) as a trader and choose the most appropriate taxpayer status depending on the type and amount of services, the type and amount of service costs, and other aspects such as micro-enterprise tax, doing business under normal procedure, recording revenues and expenses, and keeping books. Thus, PIT and NSI are both payable according to the chosen tax payment regime.

If the Ukrainian national is registered as a trader, the Latvian company paying income for services rendered or goods produced will withhold neither PIT nor NSI. The onus is on the person to pay these

taxes.

Yet each case should be assessed on its merits, as this article only looks at key principles of tax treatment.

## The SRS helpline

[The tax authority's website lists](#) a dedicated phone number (67120012 "Help Ukraine!") you can call to receive more information on "support and donations" for Ukraine. The SRS will also advise on other situations where a taxpayer needs advice on taxation or cooperation with the tax authority. The helpline is open 8:15-17:00 Mon-Thu and 8:15-15:45 Fri.

## PwC comment: follow residence

In assessing each of the situations outlined above, there is still some confusion, especially over the rules on a change of personal residence in *force majeure* circumstances, which could directly affect where taxes are due. The global conditions keep changing fast, so it is difficult to identify additional factors such as residence status that are affected by the person's centre of vital interests or permanent residence, which may vary from person to person. Before paying taxes, we recommend seeking the tax authority's opinion according to the "Advise First!" principle or asking the help of tax consultants to ensure taxes are paid properly.

This article is based solely on statutory provisions governing the labour tax treatment, and it ignores legal and immigration aspects. If requested, we would be happy to help you with tax, legal and immigration matters, assessing each case on its merits.