

Student work in summer: tax issues 3/27/23



Director, Tax, and Head of Pan-Baltic
People and Organisation Practice, PwC
Latvia

Irena Arbidane

Summertime sees school students entering the labour market more actively, and their first experience of paid work includes paying taxes. In this article we have summarised useful information that new workers and their parents should know.

Terms of payment

If a student's employer pays taxes under general procedure, the student can choose between filing their wage tax book with the employer or not filing it at all. If it's filed, the student's income attracts a 20% personal income tax (PIT) and a personal allowance estimated by the State Revenue Service. If a wage tax book isn't filed, the entire income is charged to a 23% PIT, with no personal allowance available, and any overpaid PIT can be reclaimed by filing the annual income tax return between 1 March and 1 June in the following year.

Social insurance contributions are due if the student is more than 15 years old. The employer withholds 10.50% on the wage and pays 23.59% out of their own funds.

Different rules apply if a student earns seasonal farmhand income. In such cases a wage tax book can't be filed with the employer, so a different tax scheme applies and PIT allowances are not available. The rate of seasonal farmhand tax is 15%, and the minimum charge per day is EUR 0.70.

A parent's wage tax book

Once a child or teenager starts work, their parents are often confused about claiming a dependant allowance.

The principle behind this is a simple one. If a student up to 19 years old works only during the summer holidays (1 June through 31 August) and continues their studies, then the entry naming the child as a dependant in the parent's wage tax book will stand, with a monthly allowance of EUR 250. Yet it's important to note that if the student continues work during the school year, payment of the allowance will terminate automatically from the child's first day of employment, but the child's allowable expenses can be claimed through the parent's annual income tax return for the full year regardless of the child being employed in summer. When the student stops working, the parent should update the child's dependant status.

This article merely summarises some FAQs about children summer employment, and we encourage you to follow up by reading materials prepared by the Latvian Confederation of Free Trade Unions and the State Revenue Service.