

Handy hints for payroll accountants in 2024 1/2/24



Senior Consultant, Tax, PwC Latvia
Madara Hmelevska



Consultant, Tax, PwC Latvia
Aleksandrs Afanasjevs

Have a great New Year! By tradition we put together information on the legislation and amendments affecting the calculation of personal income tax (PIT), national social insurance (NSI) contributions and solidarity tax (ST) on wages and salaries. This article explores the changes for 2024 so you can get ready for a successful financial year.

NSI contributions

The 2023 rates continue to apply in 2024:

Employee category	Employer (%)	Employee (%)	Total rate (%)
Covered by all types of NSI	23,59	10,5	34,09
Eligible for state old-age pension	20,77	9,25	30,02
Recipient of retirement pension, or disabled person receiving special state pension	21,94	9,76	31,70

In 2024 the amount of income attracting NSI contributions is still capped at EUR 78,100. Once the cap is exceeded the employer must continue calculating and withholding the employer part and the employee part of NSI contributions but those payments will be treated as ST contributions.

In 2024 the ST rate is 25%. Any difference between the ST actually paid (34.09%) and the ST charge (25%) will be recorded as a credit and refunded to the employer by 1 September in the following tax year.

A minimum NSI payment

There is a minimum NSI payment the employer is required to make for an employee that is paid less than the minimum monthly wage of EUR 700. The minimum requirement also applies proportionally to two or more employers if the person has two or more jobs paying less than the minimum wage. The National Social Insurance Agency computes the minimum NSI proportion for each employer separately and posts payment details via the Electronic Declaration System. While the minimum NSI payment is the employer’s cost, it need not appear on monthly or other reports identifying the amount of NSI.

Computing PIT and taxable income

In 2024, PIT applies on employment income at the progressive rates and thresholds set out below:

Rate	The employee has filed a wage tax book and is socially insured in Latvia	The employee has not filed a wage tax book but is socially insured in Latvia	A foreign national who is not socially insured in Latvia
20%	The employer applies this on a monthly income of up to EUR 1,667*	The employer does not apply this	The employer does not apply this (unless the person has taken out and filed a Latvian wage tax book with the employer)
23%	The employer applies this on any slice of monthly income exceeding EUR 1,667	The employer applies this on the entire income	The employer applies this on a monthly income of up to EUR 6,508.33
31%	The employer does not apply this	The employer does not apply this	The employer applies this on any slice of monthly income exceeding EUR 6,508.33

* An employee may choose to apply a 23% PIT on their income and refuse to apply the State Revenue Service's personal allowance forecast for the tax year, by making a note in their wage tax book or filing a written request with their employer under sections 15(23) and 30(8) of the PIT Act.

The following items multiplied by 20% are deductible from the PIT charge:

- Employee NSI contributions
- Employee ST contributions
- An income-differentiated personal allowance if a wage tax book has been filed and the salary does not exceed EUR 1,800
In 2024 the monthly personal allowance is capped at EUR 500.
- A monthly allowance of EUR 250 for each dependant on a wage tax book filed with the employer
- An allowance of EUR 154 a month (EUR 1,848 a year) for a class I or II disabled person and EUR 120 a month (EUR 1,440 a year) for class III, instead of a personal allowance
- An allowance of EUR 154 a month (EUR 1,848 a year) for a politically repressed person and a person recognised as a member of the national resistance movement

A taxpayer who is entitled to two extra allowances, i.e. as a disabled person and a politically repressed person or a member of the national resistance movement, will receive the higher entitlement.

Please note that from 2024 payers of microbusiness tax (MBT) can claim a personal allowance and dependant allowances by filing a wage tax book where they earn income.

PIT and NSI for the royalties scheme

In 2024 the PIT and NSI treatment of persons working under the royalties scheme remains unchanged except for the PIT rate. Under the December 2023 amendments to the PIT Act, the payer of royalties must withhold a 25% PIT on the entire royalties without applying a deemed expense rate unless the recipient is registered as a sole trader under the general scheme or as an MBT payer. The PIT withheld and paid to the government is split between PIT and NSI as 20% and 80% respectively.

The payer of royalties must file a statement of amounts paid to the individual under the old procedure, giving Income Code 1061, "Income from payments for intellectual property or from the creation, publication, performance or other use of works of literature, science or art, or works of authors of discoveries, inventions and industrial designs and performers", and pay tax on or before the 23rd day of the following month.

Royalty recipients who are registered as MBT payers have the option of using a business revenue account (BRA). So when it comes to signing a contract, the payer of royalties should find out whether the recipient is using a BRA, which allows the payer not to withhold PIT at source.

The minimum monthly wage and hourly rate

Under the amendments of 14 November 2023 to the Cabinet of Ministers' Rule No. 656, "The minimum monthly wage for normal working hours and the minimum hourly rate", the minimum monthly wage for normal working hours (160) is increased to EUR 700 from 1 January 2024.

The minimum hourly rate for a month is arrived at by dividing the minimum monthly wage by the normal

working hours for that month. For example, if an employee is to work 160 hours a month (40 hours a week) their minimum hourly rate will be calculated as follows:

$$700 / 160 = \text{EUR } 4.375$$

Business risk duty

In 2024 the employer must pay this duty monthly at a rate of EUR 0.36 for each employee that has an employment relationship and for whom seasonal farmhand income tax is not paid.