

# Non-resident income from the divestment of crypto assets could be exempt from personal income tax 2/8/25



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Crypto-asset trading is a popular source of income that not only attracts new investors but also brings economic benefits to the countries in which crypto-asset providers operate. In order to make Latvia an attractive location for international crypto-asset providers, the Ministry of Economy (“the Ministry”) has recently submitted a draft law that provides for the abolition of personal income tax (PIT) on non-residents' income from the sale of crypto-assets for several years. In this article about the draft law and its impact on the Latvian crypto-asset sector.

## Current situation

With the entry into force of Regulation (EU) 2023/1114 of the European Parliament and of the Council of 31 May 2023 on markets in crypto-assets (MICA Regulation) on 30 December 2024, crypto-asset service providers will have the right to operate in all Member States of the European Union if they obtain an authorisation to provide services in only one of the Member States.

According to the Ministry's statement, Latvia has already attracted the attention of several crypto-asset service providers who are considering obtaining an operating licence directly in Latvia. This opens up the possibility of creating well-paid jobs in Latvia, as well as additional tax revenues and investment inflows.

On the other hand, there are economic barriers, including an uncompetitive tax burden. According to Section 15, Paragraph 7 of the Personal Income Tax Law (PIT Law), crypto asset traders have a duty to withhold 3% of the income tax paid by non-residents on the disposal of crypto assets.

Although non-residents from countries with which Latvia has concluded an agreement to prevent double taxation and tax evasion have the right to recover the tax paid through a tax declaration procedure by submitting a certificate of residence - an application for tax refund - to the State Revenue Service (SRS), the said procedure is cumbersome and unattractive.

Against this background, the Ministry concluded that the PIT should be abolished for such non-resident income in order to provide Latvia with a competitive environment for the entry of foreign crypto-asset traders with a lower tax burden.

## Purpose and impact of the Bill

It is envisaged that from 1 January 2025 to 31 December 2027, income derived by a non-resident from the sale of crypto assets will not be subject to PIT. The envisaged three-year period is linked to the Ministry's plan to assess whether the PIT exemption will make the expected economic contribution during this period.

Namely, the Ministry envisages that several targets must be achieved by the end of the exemption:

1) At least 100 new jobs should be created in the crypto asset sector;

2) The amount of payroll taxes paid (PIT and mandatory national social insurance contributions) for the additional 100 jobs created must reach EUR 7 million over the three years.

If these targets are met, the Ministry will consider extending the PIT exemption.

At the same time, it should be noted that when paying out amounts to non-residents without withholding PIT, crypto-asset service providers must submit a report to the SRS once a year (for the previous year by 1 February of the following year) on the amounts paid to the natural person.

## Conclusions

According to a study by the University of Latvia, the crypto-asset sector is currently one of the most promising economic sectors, which could generate 10 million euros in payroll taxes over the next five years. However, in the optimal scenario, the number of employees in this sector could increase by 25% annually and the amount of payroll taxes could reach up to 20 million euros. The average remuneration in this sector, which is 10-15 higher than that of computer programming, also indicates its development prospects<sup>1</sup>. This proves the potential of a large crypto-asset market for economic development in Latvia.

The Bill was adopted by the Saeima's Budget and Finance Committee (Taxation) on 12 February 2025 but still needs to be considered by the Saeima in three further readings.

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<sup>1</sup> <https://tapportals.mk.gov.lv/annotation/c14fc829-4258-4b1a-b3db-990facf477f9>