

What should a non-resident for tax purposes know about the application of tax reliefs and the filing of an annual income statement? 2/16/25



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Tax residents in the Republic of Latvia (RoL) have the right to recover overpaid personal income tax (PIT), submit a payroll tax booklet to the employer and add a relative as a dependent for tax purposes to receive tax relief. Does a person who is a non-resident for tax purposes, employed by a Latvian company and earning income subject to PIT also have such a right? This article summarises the criteria under which non-residents can recover overpaid PIT for unused tax reliefs and eligible expenses.

Procedures for recovery of overpaid PIT for unused reliefs and eligible expenses

All non-residents of the Republic of Latvia have the right to reduce their annual taxable income by the following expenses (deductions):

1. **National social insurance mandatory contributions (NSIMC) or similar payments** in EU or EEA Member States;

NB! Income subject to PIT in the RoL may be reduced only by NSIMC or similar payments made in other countries, which were calculated on income derived in the RoL¹.

1. **Solidarity tax;**

NB! The share of the solidarity tax (10%), which is included in the PIT revenue of the State budget and intended to cover the costs of the PIT, applying the highest rate (33%), is not considered the PIT paid by the person.

*Consequently, if a person does not have to pay the PIT for income earned in Latvia or/and abroad after the application of the highest tax rate, but the person pays Latvian NSIMC from which the solidarity tax is calculated, the person **may not recover the part of the solidarity tax intended for payment of the PIT.***

1. **Donations and gifts:** up to EUR 600 per year;
2. **Contributions to Pillar 3 pensions and payments of life insurance** (with accumulation of funds) **premiums**, capped at 10% of the annual taxable income and EUR 4,000 p.a..

At the same time, according to Section 6.1 of the PIT Law, based on EU freedoms, a non-resident who is a resident of another EU Member State or a state of the EEC area has the right to apply tax exemptions when calculating tax and to make the deductions provided for by law, as well as to deduct social security contributions from the income of the tax year in the same amount as a resident, if they have earned income in Latvia during the tax year, which exceed 75% of the total income of a non-resident.

Consequently, if a non-resident meets the criteria, they are entitled to tax relief and eligible expense deduction under the provisions of Sections 10, 12 and 13 of the PIT Law, such as the following tax relief/eligible expenses. Some exemptions are available monthly, while others are available only when filing an annual return:

1. **Non-taxable minimum** (EUR 510 per month or EUR 6,120 per year)
2. **Relief for dependents** (EUR 250 or EUR 3,000 per year for each dependent)

NB! If dependents are not declared in the RoL, the non-resident must, when filing the return, submit the documents supporting the dependence status (for example, birth certificate, marriage certificate, etc.).

It should be noted that, under the Official Language Law, such documents, if issued in a foreign language, must be accompanied by a notarised translation into Latvian.

1. Relief for a disabled person, or politically repressed persons or members of the national resistance movement.

If any of these reliefs were not applied (or partially applied) every month, even though the person was entitled to them, they will be applied in full at the time of submission of the GID and the excess tax paid for the previous year will be reimbursed to the person.

4. **Eligible expenses for education and medical treatment** of non-residents and their family members - up to EUR 600 per person, etc.

Right to submit a tax return if filing is optional

If a non-resident does not meet the criteria of the PIT Act (third paragraph of Section 20) (including the 75% limit for the application of tax relief), they may file a tax return stating the income received and correctly stating and deducting the eligible expenses.

The right of a non-resident to voluntarily submit a tax return was confirmed in one of the most recent judgments of the Supreme Court. According to the court, the previously widespread practice that a non-resident can file a tax return and expect the SRS to be accepted and verified, as well as a refund of overpaid PIT, is justified if, for example, the person has declared NSIMC as eligible expenses in the tax return².

Application of an additional 3% PIT rate

Following the changes to the PIT legislation introduced at the beginning of the year, all non-residents are required to file a tax return if their annual taxable income exceeds EUR 200,000.

If the taxable income, which includes all income from Latvia, such as income from employment, interest income, PIT-liable income from the sale of real estate located in the RoL, exceeds the above threshold, the non-resident must file the tax return so that an additional PIT rate of 3% can be applied to the excess, resulting in an additional PIT payment.

However, it should be noted that income derived from other countries should not be included in the tax base of a non-resident with an additional rate, as it does not constitute income subject to PIT.

²

¹ Senate of the Republic of Latvia. Case No. A420215920.

² Senate of the Republic of Latvia. Case No. A420215920.