

Reporting last year's payments to individuals by 1 February (2/5/17)

As you may know, 1 February is the deadline by which companies are required to notify the State Revenue Service (SRS) of any income paid in the preceding tax year (i.e. 2016). This article explores income payments to employees and non-employees that must be reported to the SRS on or before 1 February in the year that follows the tax year.

Filing procedures

Latvian companies are probably used to filing a statement of amounts paid to an individual. This statement should be filed with the SRS either through the Electronic Declaration System or on paper.

The statement form and procedures for completing it are specified in Annex 1 to Cabinet Regulation No. 677 of 25 August 2008, *Statements of Personal Income Tax*. This annex must be used to report income paid under an employment contract. Annex 2 must be completed and filed with the SRS on or before 1 February by a company that paid income to non-employees in the past year.

The SRS must also be notified of non-taxable income and income that is not subject to income tax deductions at source.

There are many other types of income (other than employment income) that are paid infrequently or irregularly but must still be reported to the SRS, including –

- royalties paid to a self-employed person,
- income paid to a self-employed person,
- income arising on the disposal of real estate and other capital assets,
- income that a shareholder receives when their company goes into liquidation or reorganisation,
- income resulting from loan repayment liabilities being reduced or cancelled, and
- loans treated as income as well as income arising from reduced interest charges.

The full list of income types and relevant codes can be found in the cabinet regulation.

Penalty for late filing

If a statement is not filed on time, an administrative fine of between €70 and €700 may be levied under section 159.8 of the Administrative Offences Code.