

Time to file annual income tax returns (residents) (2/15/18)

Unless they have already done so, Latvian residents (and non-residents as well, but this article is meant for residents) are now expected to prepare and file their annual income tax return for 2017 in order to calculate and pay tax on any taxable income on which tax has not been paid during the year, and to recover any overpaid tax on any unclaimed balance of personal allowance, allowances for dependants, allowable expenses, contributions to private pension funds (PPFs), life insurance premiums etc.

The time limit for filing the annual income tax return

Where additional tax is due or filing is mandatory, the annual income tax return should be filed between 1 March and 1 June 2018.

Please note that there are rules effective from 30 June 2016 that exempt Latvian residents, who have derived employment income in another member state on which PIT or an equivalent tax has already been withheld in the country concerned, from reporting that income in Latvia. Thus, if the person's foreign income is only employment income derived and charged to PIT in another member state, they are not required to file the annual income tax return in Latvia.

Please note, however, that the interpretation of the State Revenue Service (SRS) is that the annual income tax return should be filed and additional PIT paid on any income that is exempt in another member state but taxable in Latvia (this does not apply to foreign personal allowances and other relief). Accordingly, in that case the person may have to pay additional PIT on foreign employment income. So the tax resident should closely monitor what type of income has been received and what is their tax treatment in the member state concerned in order to calculate the tax liability correctly.

If a person wishes to recover tax, say, on allowable expenses (medical and education expenses, contributions to PPF etc) the annual income tax return may be filed within three years after the tax became due in respect of the 2017 annual income tax return, which is 16 June 2020.

The annual income tax return can be filed by paying a visit to the SRS or using the Electronic Declaration System (EDS) or a secure electronic signature by email.

Disclosures on the annual income tax return

The income tax return and its annexes should make the following disclosures:

1. taxable income derived in Latvia in the tax period (2017) (Annex D1);* income from capital on which tax has not been deducted at source in Latvia (Annex D1.1); foreign source income (Annex D2);** business income (Annex D3);*** allowable expenses (Annex D4 – for each family member);
2. non-taxable income exceeding EUR 4,000 for the tax year, except for benefits listed by section 9(1)(37–40) of the PIT Act or benefits paid by the National Social Insurance Agency, and any income derived from offering assistance to or secretly cooperating with law enforcement investigators and any means of subsistence received from a special protection agency.

*The annual income tax return should only disclose information that is not available from national information systems, i.e. the SRS will complete any chapters of the tax return on which information is available from national information systems.

**No filing required if the resident has received employment income in a member state where it has already been charged to a tax similar to PIT.

***The annual income tax return should not show any employment income paid by a microbusiness under the Micro Business Tax Act or any business income earned in a microbusiness. And business losses cannot offset against other types of income.

Mobile app *Allowable Expenses*

Please note that the SRS has developed a mobile app *Allowable Expenses* available free of charge to users of Android devices from Google Play, to users of iOS devices from App Store, and to users of Windows devices from Microsoft Store. The app can be accessed via the EDS or www.latvija.lv. The app is designed to gradually accumulate documents supporting allowable expenses (receipts and their descriptions) during the year.

To send a payment document from the mobile app to a receipt store:

1. photograph the document supporting the allowable expense using the mobile device's camera or select the right document from the device's image gallery;
2. add more details; and
3. press "Save".