

Dividends: income tax treatment and reporting (2/3/20)

We have informed our MindLink.lv subscribers that the period of transition prescribed by paragraph 130 of the transitional provisions of the Personal Income Tax (PIT) Act for charging a 10% PIT on dividends received in 2018 and 2019 out of profits made before 2018 expired on 1 January 2020. This article explores the PIT treatment and reporting of dividends after 2019.

PIT treatment

Any dividends an individual receives generally attract a 20% PIT under section 8(3)(12) of the PIT Act. Dividends received out of profits arising after 2017 are exempt from PIT if conditions laid down by the PIT Act are met.

In this case, under section 9(1)(2.1) of the PIT Act, dividends paid to an individual out of any profit made after 2017 are exempt from PIT –

1. if that profit has been charged to corporate income tax (CIT) in a Latvian company; or
2. if that profit has been charged to CIT or an equivalent tax at company level, or if PIT or an equivalent tax has been withheld on dividends from a foreign company.

Reporting

Section 17(10)(12) of the PIT Act provides that in the general case of an individual's income (including dividend income) that is neither related to employment nor exempt, the payer of income must withhold PIT at source and pay it to the government on or before the 5th day of the month that follows the month in which the income was paid. Such payments must be reported in a statement of amounts paid to individuals with the code "1011" Dividends, Dividend Equivalents, or Deemed Dividends, to be filed with the tax authority on or before the 15th day of the following month.

However, any dividends that are exempt from PIT because they have been charged to CIT at company level under section 9(1)(2.1) of the PIT Act must be reported in an annual statement of amounts paid to an individual with the code "3011" Non-Taxable Income, to be filed with the tax authority on or before 1 February in the following year.