

Summer holiday work: taxes 2/22/22



Senior Consultant, Tax, PwC Latvia
Tatjana Klimovica



Director, Tax, and Head of Pan-Baltic
People and Organisation Practice, PwC
Latvia
Irena Arbidane

With the summer holidays approaching, student employment is an option. This article explores tax aspects to be considered if a student wants to do paid work during the summer holiday, how such income is treated, and what tax relief is available to parents.

Tax payment schemes

There are two tax payment schemes:

- The general scheme
- Working for a farmer

The table below shows key aspects of the two schemes.

	General scheme	Farmer
<i>Obligation to file wage tax book</i>	Filing a wage tax book with the State Revenue Service (SRS) is an option. This affects the tax treatment.	If farm work is done for up to 65 calendar days and the income does not exceed EUR 3,000, the student does not need to apply to the SRS for a wage tax book.
<i>Rate of social insurance contributions (SIC) if student is less than 15 years old</i>	SIC are not paid.	
<i>Rate of SIC if student is 15–19 years old</i>	34.09% including - the employer's part 23.59% - the worker's part 10.50% In general, income up to EUR 1,667 attracts 20% and any excess 23%.	
<i>Rate of personal income tax (PIT) if wage tax book is filed</i>	23% applies – - if the wage tax book states the taxpayer wants to apply this rate; - if the wage tax book does not give employer details.	15% but no less than EUR 0.70 for each day of employment
<i>Rate of PIT if wage tax book is not filed</i>	23%	15% but no less than EUR 0.70 for each day of employment
<i>Applying SRS's personal allowance forecast</i>	This applies if the wage tax book has been filed and gives employer details. Next year the student is required to file the annual income tax return in order to pay more PIT potentially arising from the difference between the income-differentiated personal allowance assessed and the SRS's personal allowance forecast applied by the employer. To avoid having more PIT to pay, the wage tax book can state that the monthly personal allowance forecast will not be applied. With an employment period of only three months, it is unlikely that any additional PIT will be assessed. Note that applying a 23% tax will create an overpayment, with a refund available through the annual income tax return.	
<i>Obligation to file annual income tax return</i>		

Tax relief for parents

If a child up to 19 years old continues school and works only during the summer holiday (from 1 June to 31 August), the parent does not need to make any changes to their wage tax book and a dependant allowance can be claimed for this period (EUR 250 a month in 2022). If the child works for more than three months, their dependency on the parent will stop automatically and the child can be entered again as a dependant when the employment ends.

This may also raise the question of whether a university student doing paid work during the summer holiday retains dependant status. The answer is yes if the following criteria are all met at the same time:

- The child is up to 24 years old.
- A statement of continued education has been filed with the SRS.
- The employment income does not exceed EUR 250 a month, equal to the statutory tax relief.