

2025 Cheat sheet for a payroll accountant 2/3/25



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On 1 January 2025, significant changes to the personal income tax (PIT) legislation came into force. Continuing our tradition, we have prepared an overview of the application of PIT, mandatory national social insurance contributions (MNSIC), and solidarity tax (ST) on salaries and wages in 2025.

Mandatory national social insurance contributions

The MNSIC rates applicable in 2025 have not changed from those applicable in 2024:

Category	Employer's rate (%)	Employee's rate (%)	Total rate (%)
Insured in all forms of social security	23.59	10.5	34.09
Has reached the age giving entitlement to the State old-age pension	20.77	9.25	30.02
Recipient of a service pension or a disabled person - recipient of a State special pension	21.94	9.76	31.70

In 2025, the cap on employment income subject to MNSIC rose from EUR 78,100 to EUR 105,300. Once the cap has been reached, the employer will continue to calculate and withhold the employer's and employee's share of MNSIC, but payments above the cap will be treated as solidarity tax (ST).

In 2025, the ST rate is 25%. The difference between the paid (34.09%) and the calculated ST (25%) will be considered an overpayment and repaid to the employer on or before 1 September after the end of the reporting year.

Minimum MNSIC

The employer must make the minimum MNSIC for the employee if the employee's salary is below the minimum monthly wage, which is EUR 740 in 2025.

The minimum MNSIC are to be applied pro-rata by several employers if the person earns an income below the minimum wage at several employers. The State Social Insurance Agency will calculate the minimum MNSIC to be paid for each employer separately and provide information through the EDS.

The minimum MNSIC payment is the employer's expense, which should not be reported in monthly reports or other reports that show the amount of MNSIC.

Calculation of PIT and taxable income

In 2025, new progressive PIT rates and thresholds apply to employment income:

Rate	The salary booklet submitted to the employer, the employee is socially insured in Latvia	The salary booklet has not been submitted to the employer, the employee is socially insured in Latvia	Foreigner who is not socially insured in Latvia
25,5%	Applied by employers to all income		Applied by employers to income of up to EUR 8,775 per month
33%	Employers are not required to apply	Employers are not required to apply	Applied by employers to income above EUR 8,775 per month

The calculated PIT payable is reduced by the statutory deductions, the resulting amount is multiplied by the rate of 25.5%. The deductions are:

- the employee's MNSIC;
- the employee's ST contributions;
- the fixed monthly non-taxable minimum of EUR 510 * in 2025;
- the deduction of EUR 250 per month for each dependent individual registered in the salary booklet**;
- the deduction of EUR 154 per month (EUR 1,848 per year) for a person with disability group I or II and EUR 120 per month (EUR 1,440 per year) for a person with disability group III **;
- the additional deduction of EUR 154 per month (EUR 1,848 per year) for a politically repressed person and a person who has been granted the status of a member of the national resistance movement **.

** In 2025, the differentiated non-taxable minimum has been replaced by a fixed non-taxable minimum of EUR 510. The employer would apply the fixed non-taxable minimum in full regardless of the employee's income level.*

*** Benefits apply to employees who submitted a salary booklet containing information about the benefits granted and who have chosen to show this information to their employer.*

From 2025, the minimum non-taxable amount for recipients of old-age and invalidity pensions has doubled from EUR 500 to EUR 1,000 per month. If a pensioner is gainfully employed, they have the option of applying the non-taxable minimum separately - EUR 500 for the pension and EUR 500 for the salary. For an employer to deduct the non-taxable minimum amount of EUR 500 from the salary, the pensioner must submit an income tax booklet. If the tax booklet has already been submitted, no further action is required and the non-taxable allowance can be applied to the salary.

We remind you that micro-enterprise taxpayers can apply the non-taxable minimum amount and the deduction for dependents with PIT to the taxable income by submitting their salary booklet to the employer where they earn income.

Calculation of PIT and MNSIC on royalties

In 2025, the principles of calculating PIT and MNSIC for the receivers of royalties have not changed. After changes to the Personal Income Tax Law passed in December 2024, until 31 December 2027, the payer of royalties may only withhold 25% tax from the total amount of royalties without applying the notional expense deduction, unless the recipient of the royalties has registered as a sole trader under the general regime or as a micro-enterprise taxpayer.

The tax withheld and paid into the budget is allocated between PIT and the MNSIC, by 20% and 80%, accordingly.

The payer of the royalties is required to submit a report regarding the amounts disbursed to natural persons under the procedures thus far, indicating income with code 1061 *Payment for intellectual property or from the creation, issuance, performance or other utilisation of the works of authors and performers of literary, scientific or artistic works, discoveries, inventions and industrial samples* and pay the tax by the 23rd date of the month.

We note that royalty recipients who are micro-enterprise taxpayers have the possibility to use a business

income (BI) account. Accordingly, when concluding a contract with a royalty recipient, it should be clarified whether it uses a BI that would allow the payer not to withhold the PIT instead of the payout.

Minimum wage and hourly rate

From 1 January 2025, the minimum monthly wage of the normal working time (160 hours) was increased to EUR 740.

The minimum monthly hourly rate is to be determined as before - dividing the minimum monthly wage by the number of hours of normal working time in the month. For example, if an employee is expected to work 160 hours per month (40 hours per week), the minimum hourly rate per month is calculated as follows:

$$740/160 = \text{EUR } 4.625$$

Business risk duty

In 2025, the duty is set at EUR 0.36 per month for each employee with whom an employment relationship has been established and who is not subject to the income tax as a seasonal agricultural worker.