

How accessible is tax residence status in Latvia through the State Revenue Service? Ukrainian nationals and Tax Residency in Latvia 2/19/25



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Resident tax status obliges an individual to pay personal income tax (PIT) on their global income in a particular country and generally allows tax relief for residents. Similarly, the correct determination of tax resident status is important to avoid double taxation by applying the relevant laws and regulations. This article describes the experience of PwC specialists concerning the intricacies of determining and registering the tax residency status of Ukrainian nationals in the Republic of Latvia (RoL).

Criteria and registration for determining the status of a tax resident of the Republic of Latvia

In this Article, we highlighted that when Latvian tax residents move to a foreign country, they do not automatically lose the Latvian tax resident status. Likewise, the status of a tax resident of foreign nationals who move to Latvia is not automatically registered. To register it, a person must submit an application to the SRS in free form requesting registration of the tax residence based on evidence that the criteria referred to in the Law on Taxes and Duties have been met (usually the first two):

- The declared place of residence of the person is in Latvia; or
- The person resides in Latvia for 183 days or more in any 12-month period beginning or ending in the tax year; or
- The person is a Latvian national employed abroad by the Latvian government.

If further evidence of the existence of resident tax status is required, the criteria of Article 4 of the relevant tax treaty may also be assessed.

Ukrainian nationals residing in Latvia

Criteria for determining the tax residence status

Since the war in Ukraine in February 2022, several thousand people have moved to Latvia, who can become Latvian tax residents, continuing to live permanently in Latvia. Many Ukrainian nationals stayed in the RoL temporarily and returned to Ukraine or left for another residence country. These persons did not become tax residents of the RoL because they did not meet these criteria.

Ukrainian nationals are subject to the same tax residence principles, which apply to other persons (non-resident in the RoL), i.e., the three abovementioned criteria laid down in the Law on taxes and duties should be assessed.

Ukrainian nationals often fulfil the first two criteria because they have been granted a residence permit, which automatically means the existence of a declared place of residence in Latvia, and they stay in Latvia for more than 183 days in any 12-month period. Thus, according to the Law on Taxes and Duties, a Ukrainian national in Latvia meets the definition of a tax resident.

Law on Assistance to Ukrainian Civilians

At the same time, the Law on Assistance to Ukrainian Civilians has been in force since 5 March 2022. The above law does not contain a specific definition of the status of resident tax and does not lay down any principles for determining such status. At the same time, Article 8³ of the Law on Assistance to Ukrainian Civilians lays down specific rules for the application of PIT to Ukrainian civilians. In substance, that Article confers the right on Ukrainian civilians who have the status of non-residents in the RoL to benefit from the non-taxable minimum and the allowance for dependents (only for minor children).

Available tax breaks vary

However, Ukrainian nationals who do not have registration as a resident of the RoL cannot apply all the benefits applicable to tax residents, for example, it is not possible to recover the overpaid PIT for medical or educational expenses or private pension contributions. Thus, the full registration of the tax resident status in the RoL nevertheless provides a Ukrainian civilian with more benefits than Ukrainian civilians, who have non-resident status and benefit from the benefits provided for in the Law on Assistance to Ukrainian Civilians.

At the same time, the tax resident status in the RoL provides not only for reliefs, but also for an obligation to pay PIT from his worldwide income in Latvia. Thus, the state would also benefit from Ukrainian civilians becoming tax residents and paying PIT from their worldwide income in Latvia.

Practice

In practice, the PwC had several situations in which Ukrainian civilians wanted to register their tax resident status in Latvia, but the SRS denied it only based on the Law on Assistance to Ukrainian Civilians.

For example, persons with the status of residence permit “Temporary protection” were refused registration of the status of resident tax in the RoL even though they had fulfilled the criteria laid down in the Law on Taxes and Duties. In its refusal, the SRS referred to the Ukrainian civilian support Law, noting that according to the abovementioned Law, a Ukrainian national in Latvia may use two forms of relief and at the same time maintain the status of a non-resident (no further explanation was provided). In that situation, it was not appropriate to apply that law, since it does not lay down the principles governing the determination of the status of resident tax, but merely allows certain advantages to be applied to the payment of PIT while maintaining the status of non-resident. It can be argued that the SRS similarly interprets the acquisition of tax resident status for those employees registered by the employer with a special news code “11” (news code from Ukrainian incoming employees). Namely, if you are a Ukrainian civilian, you can only be a non-resident for the RoL tax purposes.

Given the above, we would like to emphasise that Ukrainian nationals may encounter difficulties when applying for tax resident status with the State Revenue Service (SRS). However, by maintaining communication with the SRS and providing additional evidence of permanent residence in Latvia, it is

possible to successfully obtain Latvian tax resident status. Furthermore, if a previous attempt to register as a Latvian tax resident was unsuccessful, but the type of residence permit has since changed, it may be possible to submit a new application for tax residency registration.

Ukrainian nationals residing in Latvia should be aware that, upon obtaining tax resident status in the RoL, they must notify both their bank and employer. These parties will then update the necessary records in the Electronic Declaration System (EDS) and their accounting systems to ensure that taxes are applied correctly for tax residents.