

Latvia Country Profile

EU Tax Centre

March 2014

Key tax factors for efficient cross-border business and investment involving Latvia

EU Member State Yes

Double Tax Treaties With:

Albania	Georgia	Macedonia	Slovenia
Armenia	Germany	Malta	Spain
Austria	Greece	Mexico	Sweden
Azerbaijan	Hungary	Moldova	Switzerland
Belarus	Iceland	Montenegro	Tajikistan
Belgium	India	Morocco	Turkey
Bulgaria	Rep. of Ireland	Netherlands	Turkmenistan
Canada	Israel	Norway	UAE
China	Italy	Poland	UK
Croatia	Kazakhstan	Portugal	Ukraine
Czech Rep.	Rep. of Korea	Romania	US
Denmark	Kuwait	Russia	Uzbekistan
Estonia	Kyrgyzstan	Serbia ^(a)	
Finland	Lithuania	Singapore	
France	Luxembourg	Slovakia	

Notes: (a) Treaty signed with former Serbia and Montenegro applies.

Forms of doing business Limited Liability company
joint-stock company

Legal entity capital requirements Limited Liability company - EUR 2,800
joint-stock company – EUR 35,000

Residence and tax system A company is deemed to be a resident if it is incorporated in Latvia. Latvian tax law treats branches as tax resident whether they are formally registered or should have been registered.

Resident companies are taxed on their worldwide income. Non-resident



companies are taxed only on their Latvian source income.

Compliance requirements for CIT purposes

The taxable period normally corresponds to the calendar year, but a company may elect to have a taxable period different from the calendar year. Tax returns are filed on an annual basis.

Tax rate

The standard corporate income tax rate is 15 percent.

Withholding tax rates

On dividends paid to non-resident companies

0 percent tax rate except if dividends are paid to entities registered in listed low tax territories.

On interest paid to non-resident companies

0 percent tax rate except if interest paid to entities registered in listed low tax territories.

On patent royalties and certain copyright royalties paid to non-resident companies

0 percent tax rate except if royalties are paid to entities registered in listed low tax territories.

On fees for technical services

10 percent

On other payments

10 percent on management and consultancy fees

Branch withholding taxes

No

Holding rules

Dividend received from resident/non-resident subsidiaries

Exemption method (100 percent):

- Taxation requirement: subsidiary must not be established in low tax regions.

Capital gains obtained from resident/non-resident subsidiaries

All gains are taxable as ordinary income; however, gains and losses derived from the sale of shares (if the company is not a resident of a low tax jurisdiction) are exempt from tax.

Tax losses

If tax losses have been calculated and incurred up to 2007, they can be carried forward for 8 years. Losses correctly calculated and incurred from 2008 onward can now be carried forward for an unlimited period of time. Taxpayers registered in special aided territories can carry forward the losses incurred from 2005 onward for an unlimited period of time.



Tax consolidation rules/Group relief rules	No
Registration duties	Registration of a limited liability company: LVL 100 (approximately EUR 140) Registration of a joint-stock company: LVL 250 (approximately EUR 355)
Transfer duties	<p>On the transfer of shares</p> <p>Proceeds from the sale of real estate company shares in Latvia: 2 percent</p> <p>On the transfer of land and buildings</p> <p>Stamp duties apply on the transfer of immovable property: 2 percent of the purchase price or cadastral value of the property or valuation for mortgage purposes, whichever is higher. The maximum tax payable is LVL 30,000 (approximately EUR 42,559). No other stamp duties apply.</p> <p>Stamp duties</p> <p>Please see above.</p> <p>Real estate taxes</p> <p>Yes, locally determined</p>
Controlled Foreign Company rules	No
Transfer pricing rules	<p>General transfer pricing rules</p> <p>Yes</p> <p>Documentation requirement</p> <p>Supporting documentation is required.</p>
Thin capitalization rules	<p>Two methods are applied: (i) debt-equity ratio of 4:1 and (ii) excess of interest rate over 1.57 times the short term interest rate of Bank of Latvia. The excess amount of interest is non-deductible. If both ratios are exceeded, then the higher amount is non-deductible.</p> <p>No application of rules to loans from Latvian credit institutions and credit institutions registered in EU, EEA, and DTT countries.</p>
General Anti-Avoidance rules (GAAR)	No



Specific Anti-Avoidance rules/Anti Treaty Shopping Provisions	No
Advance Ruling system	Yes
IP / R&D incentives	150 percent deduction for costs of establishing or acquiring intangible assets resulting in a trademark or patent registration. Tax rebate for initial long-term investments made within the scope of supported investment projects might be applicable.
Other incentives	Relief available on significant investment
VAT	The standard rate is 21 percent.
Other relevant points of attention	No

Source: Latvian tax law and local tax administration guidelines, updated 2014.



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