

# Latvia Country Profile

EU Tax Centre

June 2018

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

**EU Member State** Yes

**Double Tax Treaties** With:

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

**Most important 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.

<b>Compliance requirements for CIT purposes</b>	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.
<b>Corporate income tax rate</b>	The standard corporate income tax rate is 15 percent.
<b>Withholding tax rates</b>	<p><b>On dividends paid to non-resident companies</b> 0 percent tax rate except if dividends are paid to entities registered in listed low tax territories.</p> <p><b>On interest paid to non-resident companies</b> 0 percent tax rate except if interest paid to entities registered in listed low tax territories.</p> <p><b>On patent royalties and certain copyright royalties paid to non-resident companies</b> 0 percent tax rate except if royalties are paid to entities registered in listed low tax territories.</p> <p><b>On fees for technical services</b> 0 percent.</p> <p><b>On other payments</b></p> <ul style="list-style-type: none"><li>- 10 percent on management and consultancy fees;</li><li>- 5 percent on rental payments made to non-residents for the use of property in Latvia (except for the use of airplanes and commercial, manufacturing or scientific equipment);</li><li>- 15 percent on remuneration received from participation in Latvian partnerships.</li></ul> <p><b>Branch withholding taxes</b> No</p>
<b>Holding rules</b>	<p><b>Dividend received from resident/non-resident subsidiaries</b> Exemption method (100 percent):</p> <ul style="list-style-type: none"><li>- Taxation requirement: subsidiary must not be established in low tax regions.</li></ul>

	<b>Capital gains obtained from resident/non-resident subsidiaries</b>
	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.
<b>Tax losses</b>	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.
<b>Tax consolidation rules/Group relief rules</b>	No
<b>Registration duties</b>	Registration of a limited liability company: EUR 142.29 Registration of a joint-stock company: EUR 355.72
<b>Transfer duties</b>	<p><b>On the transfer of shares</b></p> <p>Proceeds from the sale of real estate company shares in Latvia: 2 percent.</p> <p><b>On the transfer of land and buildings</b></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 EUR 42,686. No other stamp duties apply.</p> <p><b>Stamp duties</b></p> <p>Please see above.</p> <p><b>Real estate taxes</b></p> <p>Yes, locally determined.</p>
<b>Controlled Foreign Company rules</b>	No
<b>Transfer pricing rules</b>	<p><b>General transfer pricing rules</b></p> <p>Yes</p> <p><b>Documentation requirement</b></p> <p>Supporting documentation is required.</p>

<b>Thin capitalization rules</b>	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.
	No application of rules to loans from Latvian credit institutions and credit institutions registered in EU, EEA, and DTT countries.
<b>General Anti-Avoidance rules (GAAR)</b>	No
<b>Specific Anti-Avoidance rules/Anti-Treaty Shopping Provisions/Anti-Hybrid rules</b>	No
<b>Advance Ruling system</b>	Yes
<b>IP / R&amp;D incentives</b>	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.
<b>Other incentives</b>	Relief available on significant investment.
<b>VAT</b>	The standard rate is 21 percent.
<b>Other relevant points of attention</b>	No

Source: Latvian tax law and local tax administration guidelines, updated 2016.

## Contact us

**Steve Austwick**

**KPMG in Latvia**

**T** +371 67 038 057

**E** [saustwick@kpmg.com](mailto:saustwick@kpmg.com)

[kpmg.com](http://kpmg.com)



The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2018 KPMG International Cooperative ("KPMG International"), a Swiss entity. Member firms of the KPMG network of independent firms are affiliated with KPMG International. KPMG International provides no client services. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm. All rights reserved. The KPMG name and logo are registered trademarks or trademarks of KPMG International.