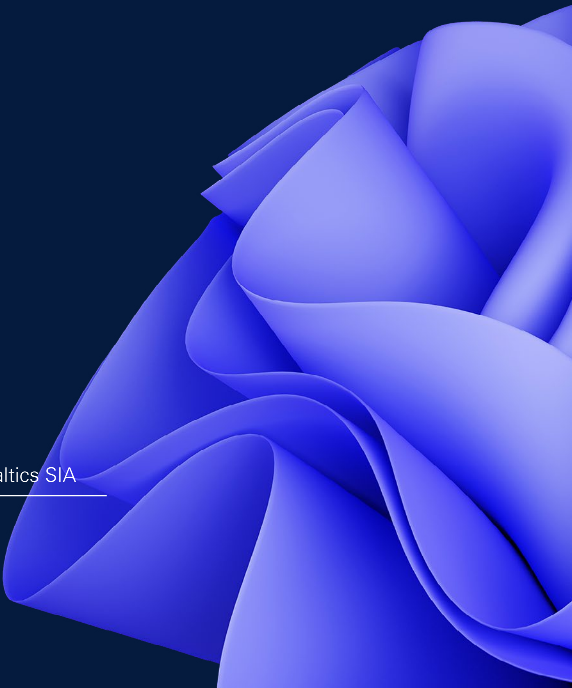
Tax Card 2026

Effective from the 1st of January 2026
The Republic of Latvia



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CORPORATE INCOME TAX

The concept of the Latvian CIT regime, applicable from 2018, is based on two main principles:

- The moment when the CIT payment is due is delayed until income is distributed, or expenses are incurred that do not contribute to generating revenue or support the development of the company; and
- The rate is 20% for gross distributed income, calculated as 0.2/0.8 on net dividends distributed or non-deductible expenses

Companies whose only sharehoulders are individuals may opt for an alternative CIT regime under which distributed dividends are subject to 15% CIT for gross distributed income, calculated as 0.15/0.85 on net dividends distributed; and a 6% PIT withheld at the shareholder level. This regime is voluntary and coexists alongside the standard CIT regime.

The following items are treated as profit distribution and are subject to CIT:

- Dividends
- Deemed dividends, such as share capital reduction, if the increase was made through the capitalisation of profit or liquidation quota
- Other taxable items:
  - Non-business expenses
  - Representation and personnel sustainability expenses exceeding 5% of the previous year's total gross salaries
  - Non-qualifying provisions for bad and doubtful debts older than 36 (60 months of insolvency process is initiated months), and bad debt write-offs
  - Interest expenses exceeding thin capitalisation thresholds:
    - On average non-bank interest bearing debt exceeding four times the equity at the beginning of the financial year excluding reserves
    - If interest expense is above EUR 3 million, the amount which is above 30% of EBIDTA
    - Exceptions apply for interest on financing sourced via EU/EEA traded securities, licensed crowdfunding platforms, licensed investment brokers or credit institutions, EU/EEA securitisation issuances, alternative investment funds, and public-private partnership SPVs
    - Intragroup loans are also exempt if financing is sourced externally from bank loans or bond issuance for the group needs, the interest rate between group companies is at arm's length
  - Long term (>12 month) loans issued to related parties while having retained profits, except for:
    - Loans to direct subsidiarie
    - Loans not exceeding the amount of loans received from third parties, and the amount of capital ans undistributed profit earned before 2018
  - Transfer pricing adjustment for tax purposes

Tax depreciation: the concept of fixed asset depreciation for tax purposes is no longer part of the CIT model. Financial depreciation is a normal expense deductible for tax purposes, except for the depreciation of luxury cars (i.e., of a value exceeding EUR 75,000, excluding Value Added Tax (VAT)) and assets not used for business.

Taxation period

The taxation period is a calendar month. If a taxable event occurs, the return should be filed by the 20th, and the CIT is payable by the 23rd of the following month. The tax point is when the liability is created, e.g., a non-business expense is booked, or a shareholder decision on dividend distribution is made. Non-business expenses and dividends have to be declared monthly, while all other taxable items have to be reported in the CIT return of the last month of the financial year.

Tax allowance for donations

There are three options for allowance for donations made to Public benefit organisations:

- The donation is treated as a deductible cost if it is:
  - up to 5% of the previous year's profit after tax
  - up to 2% of the previous year's total gross salaries, on which SSC was paid
- CIT on dividends can be reduced by 85% of the donation, not exceeding 30% of the CIT on dividends.

Withholding tax rates

Type of payment	Tax rate	Comments
Management fees	20%	Applying a Double Tax Treaty (DTT), the rate can be reduced to 0% subject to a valid residence certificate provided by the non-resident
Rent of real estate located in Latvia	5%	-
Disposal of real estate located in Latvia	3%	There is an option for a foreign seller resident in an EU member country or a country with which Latvia has a double tax treaty to pay 20% tax from capital gains
Dividends, Interest, Royalties	0%	-
Payments to offshore jurisdictions	20%	The domestic list of offshore jurisdictions is aligned with EU list of non-cooperative jurisdictions for tax purposes (EU list of non-cooperative jurisdictions for tax purposes - Consilium (europa.eu))

Capital gain

There is no separate Capital Gains Tax in Latvia for legal entities (gains are part of the ordinary income). All capital gains are, therefore, taxed when the profit is distributed.

Gains from the disposal of shares are tax-exempt if these shares have been in the Seller's possession for at least 36 months, and not more than 50% of the company's assets are made up of real estate in Latvia.

Sale of real estate located in Latvia, or shares in a real estate company, by a non-resident are subject to a 3% withholding tax in Latvia. The residents in the other EU member countries and countries having an effective double tax treaty with Latvia can opt to pay tax of 20% from the actual capital gain by submitting a tax return and providing information on acquisition costs. The tax is applicable not only where the acquiring party is a Latvian entity, but also where the transaction takes place between two foreign parties. In such events the tax has to be paid to the Latvian State by the Seller within 30 days of the transaction.

Dividend taxation

Dividends 'passing through' companies are not taxed with CIT, if the CIT was paid or WHT withheld at source when initially distributing dividends or the company distributing dividends is a CIT payer in the country of residence. This exemption does not apply to:

- Dividends received from a company established in a jurisdiction with low or no taxes
- If the primary purpose of a structure or transaction is to use allowances stated in the CIT Law

Dividends paid from retained earnings accumulated by the 31 December, 2017, are not taxed on distribution. The tax treatment of dividends will follow the FIFO method (i.e., until retained earnings at 31 December 2017 are distributed, no corporate income tax is payable). Losses incurred reduce the earliest profits first.

Annual CIT payment for credit institutions and consumer lenders

Credit institutions and consumer lenders must pay an annual 20% CIT payment from 2024 onwards based on the profit of the previous financial year.

The annual CIT is calculated within four months of the deadline for submitting the company's annual accounts for the previous financial year. The amount of the CIT for the tax year is determined based on the profits of previous financial year less the following a CIT exempt income:

- pass-through dividends
- income from the disposal of shares held for at least 36 months
- profits of the Latvian taxpayer's permanent establishments abroad, if accounted separately and faxed locally

The calculated CIT payment can be reduced by the amount of CIT calculated on profit distributed up to the time of the calculation. Once the company will distribute dividends regularly, it can reduce CIT by the CIT payments made annually.

Controlled Foreign Company (CFC) rules

As per CFC rules transposed from the EU Anti-Tax Avoidance Directive 2016/1164, a foreign entity is treated as a CFC if a Latvian entity alone or together with a related party:

- holds more than 50 percent of the shares or voting rights in a foreign entity or
- has the right to receive more than 50 percent of the profit of that foreign entity, or
- if it has a foreign permanent establishment

The profits of the CFC should be taxed at the level of the Latvian entity if this profit was derived from an artificial arrangement designed for the purpose of gaining a tax advantage. An exemption from the CFC rules applies if the profit of the CFC does not exceed EUR 750,000, and the income derived from sources other than the sale of goods or the provision of services does not exceed EUR 75,000.

MICRO-ENTERPRISE TAX

The following persons may become a micro-enterprise taxpayer if they are not registered as VAT payers:

- A sole proprietorship
- An individual enterprise
- A farm or fishing enterprise
- A natural person, registered with the State Revenue Service for business activity

The micro-enterprise tax rate is 25%.

The micro-enterprise tax revenues are allocated as follows:

- 80% - mandatory State social security contributions
- 20% - personal income tax

In order for a micro-enterprise taxpayer to choose to pay the micro-enterprise tax, it must not be VAT payer and its expected annual turnover should not exceed the VAT registration threshold of EUR 50,000.

PERSONAL INCOME TAX

Latvia imposes progressive tax rates on personal income and income derived by individuals performing business activities in Latvia at the following rates:

Tax rate	Annual gross income cap	Monthly gross income cap
25.5%	Up to EUR 105,300.00	Up to EUR 8,775.00*
33%	From EUR 105,300.00	From EUR 8,775.00**

** Employment income, regardless of the number of income sources, is subject to 25.5% PIT at source.*
*** If an employee is subject to another country's social security system, the employer applies 33% PIT to the employment income exceeding EUR 8,775 per month.*

The progressive PIT rates are recalculated after filing an annual income tax return.

Resident's income exceeding EUR 200,000 annually is subject to an additional 3% PIT rate upon filing the annual income tax return (not applicable to non-residents). This additional rate applies to employment income, capital gains, other capital income, income from economic activity, intellectual property income, dividends and liquidation quotas which are otherwise exempt from PIT. Other income exempt from PIT, such as exempted benefits, gifts, subsidies, allowances, compensations and income from the sale of real estate that qualifies for tax exemption according to law "On Personal Income Tax", are not taxed with the additional PIT rate.

Special rates for particular types of income

- Capital gains (including capital gains, interest, real estate) – 25.5%
- Dividends – 0% if received from income taxed with CIT or on which PIT was applied; 6% if taxed with 15% CIT on gross distributed income (applicable only to companies in Latvia whose only shareholders are natural persons); 25.5% in other cases
- Professional athlete income – 25.5%
- Royalties for the creation of literary, scientific, or artistic work, as well as rewards for discoveries, inventions, and industrial designs – 25.5% (after deducting a conditional expense rate of 50% or 25%)
- Profit element of income from private pension funds and life insurance agreements with accumulation of funds – 25.5%
- Income for non-resident taxpayers from artistic, athletic, or coaching activities – 25.5%
- Rental income – 10% (subject to specific rules)
- Gambling winnings up to EUR 3,000 are tax-exempt, the excess is subject to progressive PIT

Typical tax free benefits for an Employee

- Childbirth allowance up to EUR 500 per year
- Funeral allowance up to EUR 500 per year
- Health insurance up to EUR 700 per year
- Employer gifts up to EUR 100 per year
- Tuition fees for the acquisition of higher education at state-accredited Latvian, EU, EEZ educational institutions

Typical tax free deductions

- A fixed non-taxable minimum of EUR 550 per month
- Non-taxable minimum for pensioners of EUR 1,000 per month
- Allowance for dependents - EUR 250 per dependent per month

Typical allowable expenses

- Contributions to private pension funds and life insurance (with accumulation) of up to EUR 4,000 per year
- Eligible expenditure for education, health and donations up to EUR 600 per year

Taxable Employee benefits

- Living allowance
- Bonuses
- Housing provided by the Employer
- Home leave allowance
- Private insurance paid by the Employer (subject to exceptions)
- Medical care
- School fees
- Reimbursement of business trip expenses exceeding statutory limits
- Reimbursement of foreign and/or home country taxes

Taxation of foreign income

Employment income received by a Latvian tax resident in another EU or EEA country, or a country with which Latvia has signed a Double Tax treaty, is tax-exempt in Latvia if particular requirements are met.

MANDATORY STATE SOCIAL SECURITY CONTRIBUTIONS

Social Security contribution rates payable in 2026 are as follows:

- The Employer's rate is 23.59%
- The Employee's rate is 10.50%

Other social security contribution tax rates exist, e.g., for pensioners, self-employed persons, etc.

State social security contributions are payable in respect of gross employment income. The income cap for social security contributions is EUR 105,300 per year.

SOLIDARITY TAX

Employment income above EUR 105,300 is subject to Solidarity tax. The Solidarity tax is paid on a monthly basis in the same manner and at the same rates as for the social security contributions (total rate 34.09%). The

Solidarity tax rate is 25%. By 1 March of the year following the taxation year the Solidarity tax is recalculated by applying the 25% rate. The overpayment is then repaid to the Employer by the 1 September of the year following the taxation year during which the tax was paid.

VALUE ADDED TAX (VAT)

The taxable base is the value of supplied goods or services. The VAT registration threshold is EUR 50,000. If the turnover does not exceed EUR 55 000 in the calendar year the registration can be postponed till the end of the year.

The VAT standard rate is 21%. There are also reduced rates, at 12%, 5% and 0%, as well as VAT-exempt transactions.

The following are examples of transactions subject to the VAT rate of 0%

- Export of goods and intra-community supplies
- Services related to the transportation of export, import, and transit goods
- Services that are directly related to goods that are imported from third countries and are not released for free circulation within the EU, and that are declared within a free zone territory or customs warehouse
- Supplies of goods and services connected with international transport and rescue ships
- Export of goods for humanitarian and charitable purposes
- International passenger transportation
- Supplies of goods and services under diplomatic and consular arrangements

The following are examples of VAT-exempt transactions

- Transactions in shares and other securities
- Banking and financial services excluding hire of safes and encashment
- Insurance services
- Services closely linked to welfare and social security work
- Provision of medical care
- Educational services
- Sale of real estate, excluding the sale of unused real estate
- Rental of residential premises
- Betting, lotteries, and other forms of gambling

The following are examples of transactions subject to a VAT rate of 12%

- Medicines, medical goods, and appliances
- Infant food products
- Accommodation services in tourist accommodation sites
- Public transport services within Latvia
- Supply of heating to individuals
- Supplies of wood and firewood to individuals
- Fresh fruits, berries and vegetables not processed thermally
- All types of bread (valid from 1 July 2026)
- Fresh, sterilized, or pasteurized milk, excluding ultra-sterilized (UHT) milk (valid from 1 July 2026)
- Fresh chilled poultry meat (valid from 1 July 2026)
- Fresh poultry eggs in shells (valid from 1 July 2026)

A VAT rate of 5% is applied to

- The supply of printed books, including those which are educational*
- The supply of publications (such as newspapers and magazines)*

* if they are published in Latvian, Latgalian, or Livonian languages, as well as in the official languages of the European Union, European Economic Area, Switzerland, EU candidate countries, and OECD.

Special provisions:

- The possibility of forming VAT groups
- A special tax regime for import VAT
- The possibility to correct input VAT by reducing VAT payable to the budget for the amount of tax on a bad debt
- The VAT domestic reverse charge is applicable to the supply of timber, unprocessed precious metals, precious metal alloys, metals clad with precious metals, scrap metal, semi-finished ferrous and non-ferrous metal, construction services, grain crops, industrial crops, mobile phones, tablets, laptops, integrated circuit devices, and game consoles
- The option to choose to apply VAT to the sale of used real estate
- If goods or services are supplied to EU individuals or non-VAT payers, the supplier must register for a special tax regime (OSS or IOSS) in one of the EU countries and apply the tax rate of the EU residence country of the receiver
- Simplified treatment for call-off stock
- VAT compensation to farmers is 14% of the value of the goods supplied to the processor of agricultural products

COMPANY CAR TAX

Company Car Tax applies to cars owned or held by companies that are used not only for business activities but also for private purposes.

The company car tax is based on the type of car propulsion, power of the engine, and the first registration date. For those cars registered after 1 January 2009, the rate is EUR 15 per month for an electric car, EUR 25 per month for hybrid cars and for internal combustion engine cars the rate depends on the power of the engine and can be up to EUR 0,7 for each kW per month. For those cars registered before 1 January 2009 the rate is EUR 60 per month.

IMMOVABLE PROPERTY TAX

The tax on immovable property is based on its cadastral value on the 1st of January of the taxation year or at the moment of registration (the property tax rate varies between 0.2% and 3% of a property’s cadastral value depending on the municipality). A tax rate of more than 1.5% of the property’s cadastral value may be set only in cases where the property is not managed properly, for instance, where the building endangers humans or degrades the environment.
Property tax rates are:

- For buildings (except residential houses, groups of premises, whose use is residential), land used in business activities and for engineering technical buildings – 1.5% from the cadastral value of the property
- For agricultural land with an area exceeding 1 hectare not used in

agriculture – an additional rate of 1.5% of the cadastral value

- For buildings that degrade the environment and endanger human lives – up to 3% of the largest cadastral value of the structure or the land on which it is built (if certain criteria are met)
- For houses, apartments for inhabitants, and additional premises (garages, storage rooms etc.) not used in business activity:
  - 0.2 % of the cadastral value up to EUR 56,915
  - 0.4% of the cadastral value from EUR 56,915 to EUR 106,715
  - 0.6% of the cadastral value which exceeds EUR 106,715
  - 1.5% of the cadastral value, if the property is in the legal possession of a company

Individuals or families designated as most deprived can receive a 90% reduction in property tax. Low income individuals or families may also qualify for up to a 90% reduction, provided they maintain their status. Families with three or more children are eligible for a 50% property tax reduction, but not more than EUR 500.

Local governments notify taxpayers of the tax payable by sending a notice prior to the 15th of February.

Property tax may be paid quarterly, no later than by the 31st of March, the 15th of May, the 15th of August, and the 15th of November, or may be paid in advance once a year.

State duty on the sale of real estate

The state duty applicable for registering changes in real estate ownership in the Land Register is 1.5% if the real estate is sold to an individual, or 2% of sold to a legal entity, calculated on the higher of the cadastral value or the sales price, capped at EUR 50,000. A reduced rate of 1% is applied for an in-kind investment and 0.5% for gifts to relatives. For real estate transfer under a gift agreement, the duty is 3% of the higher of the cadastral value or the gift value, capped at EUR 50,000.

The State duty is payable by the buyer of the property.

BANK SOLIDARITY CONTRIBUTIONS

A new Solidarity Contribution Law mandates payments for credit institutions for the years 2025, 2026, and 2027.

- Calculation base is net interest income exceeding the institution's average annual net interest income of the five financial years from 2018 to 2022 by more than 50%
- Contribution rate is 60% of the excess net interest income
- Payment period is the calendar year, with advance quarterly payments. Advance payment declarations must be submitted by the 20th of the second month following the quarter; payments by the 23rd of the same month. Annual declaration by June 10th of the following year
- If specified credit portfolio growth is achieved during the payment period or quarter it is possible to apply up to 100% discount

TAX TREATIES

On 1st of January 2025 Latvia has effective Double Tax treaties with the following countries:

Albania	France	Lithuania	Singapore
Andorra	Georgia	Luxembourg	Slovakia
Armenia	Great Britain	Macedonia	Slovenia
Austria	Greece	Malta	South Korea
Azerbaijan	Hong Kong	Mexico	Spain
Belarus	Hungary	Moldova	Sweden
Belgium	Iceland	Montenegro	Switzerland
Bulgaria	India	Morocco	Tajikistan
Canada	Ireland	Norway	The Netherlands
Croatia	Isreal	People's Repub-lic of China	Turkey
Cyprus	Italy	Poland	Turkmenistam
Czech Republic	Japan	Portugal	Ukraine
Denmark	Kazakhstan	Qatar	United Arab Emirates
Estonia	Kosovo	Romania	United States of America (USA)
Federal Republic of Germany	Kuwait	Saudi Arabia	Uzbekistan
Finland	Kyrgyzstan	Serbia	Vietnam

INVESTMENT INCENTIVES

The main incentives are:

- Tax allowance for enterprises engaged in an agricultural activity
- CIT relief is available for companies registered in a Special Economic Zone (Latgale, Liepaja, Rezekne)

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This card was prepared on the 12 January 2026 as a quick- reference tool for the most common tax rates and amounts. Any exceptional or special regimes have been deliberately omitted. Please note: the above information may have changed since the 12 January 2026.