



Tax Agenda Latvia

February 2024



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No.	Fact	Action
1	<p>Latvia's Corporate Income Tax (CIT) system</p> <p>Latvia has a distribution-based taxation regime, meaning that resident companies are not subject to ongoing taxation on their income, but are instead levied corporate income tax when the profit is distributed as dividends or notional distributed dividends. CIT rate in Latvia equals to 20% on gross taxable profit calculated by dividing net profit with coefficient 0.8.</p>	<p>Assess current CIT regime in Latvia when considering investments in Latvia.</p> <p>● ● ●</p>
2	<p>Tax authority's guidelines on penalties application for transfer pricing (TP) documentation breaches</p> <p>Latvian tax authorities have published detailed guidelines on penalty application regarding TP documentation breaches. This shows the tax authorities intention to focus on TP documentation examination. According to the tax authorities TP breach classification, the absence of benchmarking study or benchmarking that does not correspond to Latvian TP laws is considered as significant breach for which the tax authority has the right to apply an administrative penalty in amount of 1% from the total amount of transactions (capped at EUR 100k).</p>	<p>Analyze current TP documentation validity from perspective of tax authorities TP breach classification. Assess whether any improvements are required to comply with the TP documentation rules.</p> <p>● ● ●</p>
3	<p>Natural resources tax amendments</p> <p>Natural resources tax law amendments envisage that as of mid 2024, natural resources tax also has to be paid for textile products, and from 2025 also for balloons and napkins. Additionally, from 2024 there has been increase of natural resources tax on the extraction of minerals, as well as on certain types of waste.</p>	<p>Review whether the listed product types are used in business operations and whether tax changes may impact the company.</p> <p>● ● ●</p>

Feb Mar Apr May

Use text boxes above the timeline to plan your actions for coming months

● Compliance ● Risk management ● Cash-flow and ETR impact

No.	Fact	Action
4	<p>E-invoicing in Latvia</p> <p>From 1 January 2025, e-invoicing becomes mandatory for transactions between locally registered businesses and government institutions (B2G and G2B), whereas from 1 January 2026, e-invoices must be used for transactions between locally registered businesses (B2B).</p> <p>Additionally, starting 2026, the information on issued e-invoices shall be provided to the tax authorities, the technical framework on this information exchange shall be published by 1 July 2025.</p>	<p>Review new tax authority requirements and help develop a roadmap for e-invoicing implementation.</p> <p>Assess current accounting and enterprise resource planning (ERP) systems to identify gaps and ensure alignment with the new e-invoicing requirements.</p> 
5	<p>Tax changes in Latvia for 2025</p> <p>Effective 1 January 2025, several amendments have been made to the tax legislation in Latvia. The key changes include:</p> <p>Payroll taxation: adjustments in Personal Income Tax rates, introduction of a unified (fixed) non-taxable minimum and revisions in taxable benefits.</p> <p>Value Added Tax: revised VAT registration thresholds and rules, updated definition for cultural and sport events conducted virtually, change in place of supply rules for electronically supplied services,</p> <p>Excise Tax: alterations in tax rates for energy products, alcohol, tobacco, and non-alcoholic beverages. Abolishment of the tax exemption for fuel used in electricity generation</p>	<p>Evaluate potential impact of tax legislation changes on company operations.</p> 

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