Information on Personal income tax

Under the law "On Personal Income Tax", **income from capital earned by individuals**, including capital gains and the employer's contributions into Pillar 3 pensions and premiums paid under life insurance agreements with accumulation of funds **are subject to tax**.

The purpose of this document is to explain **how** various types of savings and investments **are taxed**.

Seeking advice from the SRS

You can seek support (no charge) on filling in your annual tax return and capital gains tax return from the tax consultants of the State Revenue Service, on the spot, subject to arranging an appointment via a toll-free line 371 67120000 or via an email addressed to vid.konsultanti@vid.gov.lv.

Savings account

- Interest earned on a savings account is subject to tax at the rate of 20%.
- Upon payment of the accrued interest, the bank transfers the withheld tax to the State budget automatically.
- You can see the amount of taxes paid in your current account statement.

Term deposit

- Interest earned on the the term deposit is subject to tax at the rate of 20%.
- Upon payment of the accrued interest, (on the deposit maturity date), the bank transfers the tax to the State budget automatically.
- You can see the amount of taxes paid in your current account statement.

* The information provided herein is for information purposes, and SEB Bank AS does not assume liability for any such expenses or losses that may arise due to a different explanation provided by the State Revenue Service or another competent authority. To obtain additional information on the taxation of income earned on deposits and investments, SEB Bank AS recommends that you should seek advice from the State Revenue Service or your tax consultants.

Pillar 3 pension

- Gains on contributions into Pillar 3 pension capital (the positive difference between the disbursable capital and contributions made) assessed at the time of payment thereof are subject to capital gains tax at the rate of 20% to be withheld automatically upon payment of the savings.
- Upon payment of Pillar 3 pension capital, the contributions made by the employer are subject to personal income tax at the rate of 23% (tax on the employment income paid by the employer to Pillar 3 pension without payroll taxes) to be withheld automatically upon payment of the savings.

Life insurance with accumulation of funds

- Gains on the life insurance with accumulation of funds (the positive difference between the disbursable savings and insurance premiums made) assessed at the time of payment thereof are subject to capital gains tax at the rate of 20% to be withheld automatically upon payment of the savings.
- Upon payment of life insurance with accumulation of funds, the premiums paid by the employer are subject to personal income tax at the rate of 23% to be withheld automatically upon payment of the savings.

Investment funds

- Gains made on sale of investment fund units or disposing them in another manner are subject to tax at the rate of 20%. If other capital assets are disposed of during the taxation period, the total capital gains are subject to tax at the rate of 20%. Capital gains are determined as a difference between the disposal proceeds and acquisition costs of the relevant capital assets (including the commissions attributable to the relevant transaction). If the disposal results in a loss, no tax is due to the State budget.
- If gains made on sale are greater than EUR 1,000, capital gains must be calculated once a quarter. If the gain does not exceed EUR 1,000, the tax return must be submitted once a year. The tax due on the gains must be transferred to the Treasury's account LV91TREL1060000110000 within 15 days of the tax return filing deadline.
- If Capital gains must be reported in the capital gains tax return.
- The owners of fund units who acquired the fund units until the end of 2009 may use the tax relief provided for in the law On Personal Income Tax, i.e., to pro-rate the tax on the gains on disposal of the fund units for the period from 2010.

  An example: A customer bought fund units for EUR 1,000 in March 2009, and sold them for EUR 1,800 in March 2018. The gain made is EUR 500. The customer has owned the fund units for 9 years (108 months). Whereas capital gains tax is due only on the gains for the last 8 years (2010-2017). The taxable gain is thus (EUR 500 / 108 months) × 96 months = EUR 444, tax at the rate of 20% on EUR 444 = EUR 88.80.
- The responsibility for the payment of capital gains tax, filing the return and tax payment rests with the investor, i.e., the customer.

Debt securities

- Gains made on transactions in securities are subject to tax at the rate of 20%.
- The responsibility for the payment of capital gains tax, filing the return and tax payment rests with the investor.
- If gains made on sale are greater than EUR 1,000, capital gains must be calculated once a quarter. If the gain does not exceed EUR 1,000, the tax return must be submitted once a year. The tax due on the gains must be transferred to the Treasury's account LV91TREL1060000110000 within 15 days of the tax return filing deadline.

Stocks

- Gains made on transactions in stocks are subject to tax at the rate of 20%.
- The responsibility for the payment of capital gains tax, filing the return and tax payment rests with the investor.
- If gains made on sale are greater than EUR 1,000, capital gains must be calculated once a quarter. If the gain does not exceed EUR 1,000, the capital tax return must be submitted once a year. The tax due on the gains must be transferred to the Treasury's account LV91TREL1060000110000 within 15 days of the tax return filing deadline.

Dividends

- Dividends are not taxed with PIT if they have been subject to corporate income tax (CIT) at the rate of 20% under the new Corporate Income Tax Law or if CIT or PIT on them has been paid abroad.
- In 2018 and 2019, the dividends paid out by a CIT payer from retained earnings up to 31 December 2017 will be subject to PIT at the rate of 10%. Dividends paid out in 2020 and subsequently will be subject to PIT at the rate of 20%.