

Latvian Tax System Overview 2025

Latvian tax system ranked **#2** in International Tax competitiveness index in 2024 (ITCI, 2024)



Corporate Income Tax (CIT)

0% on retained earnings
(tax applies only upon profit distribution)

20% on gross distributed profits (i.e. the 20% rate is applied on a grossed-up base, calculated as the net amount divided by 0.8)

NO withholding tax on dividend payments to non-resident parent company.

Thin capitalisation rules:

- annual financing costs over EUR 3,000,000 and EBITDA 30%, **or**
- debt-equity ratio 4:1

Recognized as the best CIT system in the world*

*corporate tax rate index (ITCI, 2024).



Value Added Tax (VAT)

Standard rate: 21% **Reduced rates: 12% / 5%** (for specific sectors)



Personal Income Tax (PIT)

Progressive rates:

25.5% on annual income below EUR 105,300

33% on annual income over EUR 105,300

Additional

3% PIT applied to annual income exceeding EUR 200,000



Social Security Contributions (SSC)

34.09% total:

- **23.59%** employer-paid
- **10.50%** employee-paid

Total cost of an employee to the employer = gross salary × 1.2359



Additional employment cost specifics:

Minimum salary:

€740 / month

Non-taxable minimum:

fixed €510 / month

Additional allowances for dependents apply.

Salary example



Salary example:

Gross salary: €2,000 / month, 1 dependent (child)

Item	Formula	Result (€)
Gross Salary		2000.00
Employee SSC	$2,000 \times 10.5\%$	210.00
Non-taxable minimum	fixed	510.00
Dependent Relief	fixed	250.00
Taxable Income	$2,000 - 210 - 510 - 250$	1,030.00
PIT	$1,030 \times 25.5\%$	262.65
Net Salary	$2,000 - 210 - 262.65$	1,527.35
Employer SSC	$2,000 \times 23.59\%$	471.80
Total Employer Cost	$2,000 + 471.80$	2,471.80



Real Estate tax

0.2%-3% per year of the cadastral value of property.