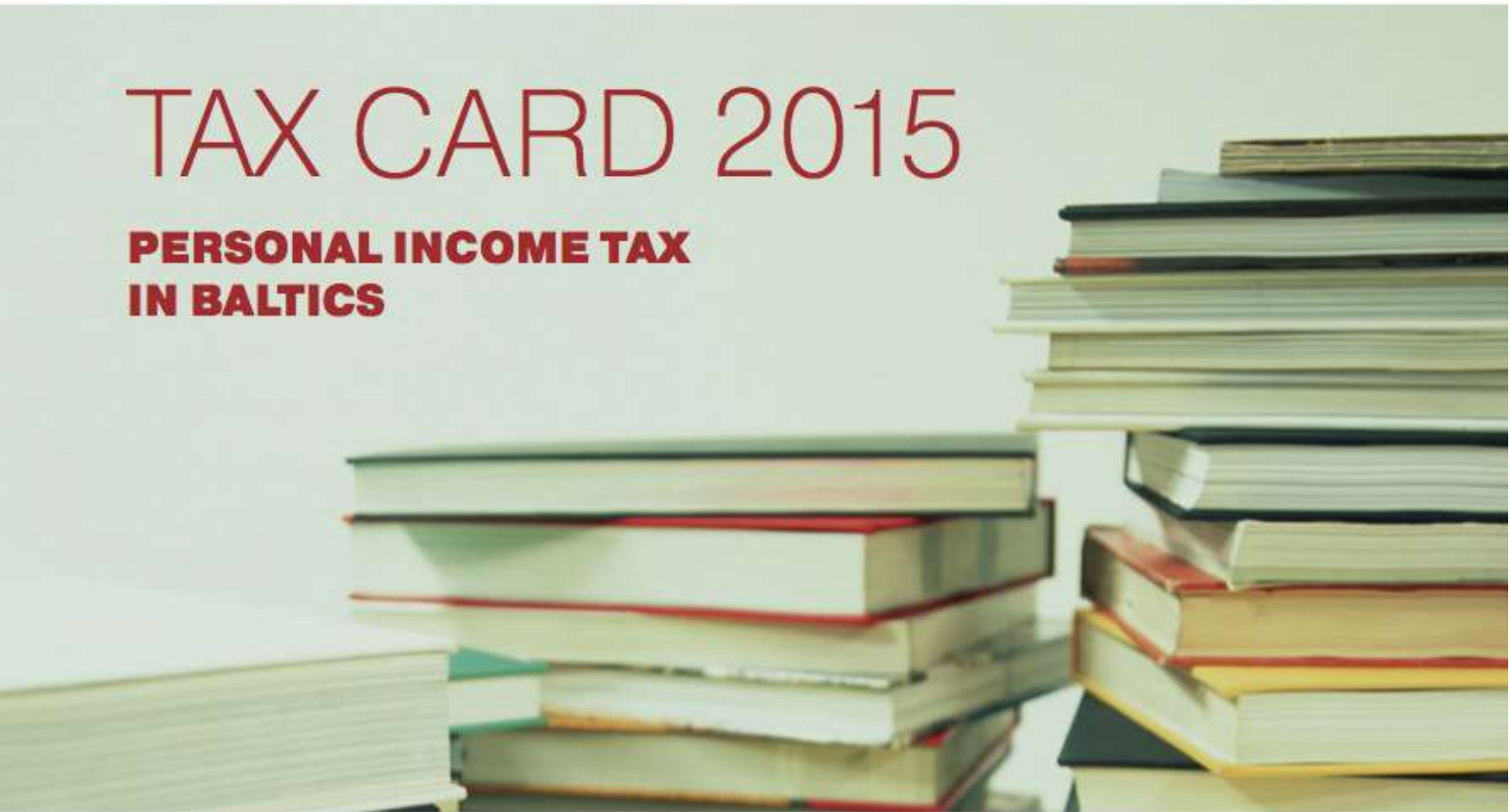


TAX CARD 2015

PERSONAL INCOME TAX IN BALTICS



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PERSONAL INCOME TAX IN BALTICS

Personal Income Tax Rates in Baltics			
Country	Social Tax- employee share	Social Tax- employer share	Personal Income Tax
Latvia	10.50%	23.59%	23%
Lithuania	9%	30.98% - 32.6%	15% / 5% (self-employed)
Estonia	1.6% (+2% or 3% pension funds)	33%	21%

PERSONAL INCOME TAX IN LATVIA

Structure

Personal income tax is imposed on income acquired by a natural person, and it consists of:

- 1) salary tax calculated from the income acquired by the employee and is paid by the employer;
- 2) fixed income tax regarding income from economic activity;
- 3) tax for income from economic activity where it is not the object of the enterprise income tax, and tax from other sources of income;
- 4) tax for income from capital, including tax from increase of capital;
- 5) licence fees for the performance of separate types of economic activities; and
- 6) the parts of the micro-enterprise tax in accordance with the Micro-enterprise Tax Law.

Taxpayers

Personal income tax is paid by natural persons:

- domestic taxpayers (residents) who have obtained income in the Republic of Latvia and/or foreign states during the taxation period;
- foreign taxpayers (non-residents) who have obtained income in the Republic of Latvia during the taxation period;
- the owners of individual businesses, including farms and fisheries, who have gained income during the taxation period what is not imposed with corporate income tax;
- owners of micro-enterprises in accordance with the Micro-enterprise Tax Law.

Taxable objects

Personal income tax is applied to the domestic tax payer's amount of the taxable income of the taxation period. The object of the salary tax shall be the monthly taxable income of the tax payer. The part of a micro-enterprise income shall be imposed with the tax in accordance with the Micro-enterprise Tax Law.

The taxable income of the foreign taxpayer (non-resident) is employment income, income from professional activities, income from the professional activities of artists, sportsmen or

trainers, income from the performance of duties in a council or board of directors of a capital company etc.

For more information please contact Gencs Valters Law Firm.

Tax rate in Latvia

The tax rate is 23% from the annual taxable income, from monthly taxable income and income of economic activity.

To get more information on reduced tax rates, please contact Gencs Valters Law Firm.

Tax is calculated and paid into the budget:

- Salary tax of the payer is paid by the employer;
- If the payer is employed by an employer – a foreign tax payer, the salary tax is paid by the employer or the payer himself; and
- Salary tax of such payer whose work is remunerated from foreign financial or technical assistance or loans from international financial institutions – is paid by the employer or the payer himself.

The payer pays the tax in conformity with the declaration in accordance with summary procedures. Advance payments of the tax are made during the taxation year.

For a natural person – non-resident, with the acquisition of the status of a resident, the final tax shall be the tax calculated and paid into the budget.

Tax declarations

The calculation of tax and payment of tax into the budget shall be performed by the payer. Tax shall be calculated for the total amount of the annual taxable income and not later than within 15 days from the day of the submission of the declaration, a payer shall pay the amount of the calculated tax into the budget.

If the amount of the calculated tax exceeds 640 EUR, the payer may pay it into the budget in three payments – up to 16 June, 16 July and 16 August paying in each time one third of the amount.

The State Revenue Service verifies the reliability and correctness of the data presented in the declaration, performs control of the payment of personal income tax and completeness and correctness of the income and expenditure.

Tax relief

The payer has the right to not submit the declaration if:

- 1.) the payer during the taxation year in the Republic of Latvia has received income, from which tax has been deducted at the place of payment,
- 2.) if the total amount of non-taxable income received by him does not exceed four time the amount of the non-taxable minimum specified for the taxation year,
- 3.) payer does not need to indicate in the declaration income acquired in accordance with PIT Law,

The mentioned conditions are applicable to cases established in PIT Law.

A foreign taxpayer (non-resident) does not have to submit the declaration, except in the cases where the non-resident:

- 1) receives the income established in PIT Law, as well as receives income from employer who is not a resident of Latvia or who does not have a permanent representation in Latvia, or receives the income from commercial companies, which are not residents of the Republic of Latvia;
- 2) receives the income referred to in PIT Law from natural persons who are not referred to in PIT Law;
- 3) receives the income for which tax has not been withheld in place of payment; or
- 4) being a resident of another Member State of the European Union or a European Economic Area state, in the taxation year has acquired more than 75 per cent of his total income in Latvia and wishes to apply in the taxation year the non-taxable minimum in accordance with PIT Law, the tax relief in accordance with PIT Law and the eligible expenditures in accordance with PIT Law.

The relief for the declaration of income is not applicable to payers obtaining income from economic activity.

Budgetary Competence

The amounts of the tax are included into the budget of the local government of the tax payer's place of residence and into the State basic budget according to the allocation specified in the Annual State Budget Law.

Taxation treaties

In Republic of Latvia are in force and are applied Taxation treaties with more than 50 countries.



PERSONAL INCOME TAX IN LITHUANIA

Structure

Personal income tax is imposed on income acquired by a natural person, and it consists of:

- 1) income from employment;
- 2) business income (self-employed income);
- 3) gains from transfer of property;
- 4) rent and royalties;
- 5) interest;
- 6) dividends;
- 7) pensions, scholarships and grants, benefits, awards and gambling winnings;
- 8) insurance indemnities and payments from pension funds;
- 9) other income.

Taxpayers

Personal income tax is paid by natural persons:

- domestic taxpayers (residents) who have obtained income in the Republic of Lithuania and/or foreign states during the taxation period;
- foreign taxpayers (non-residents) who have obtained income in the Republic of Lithuania during the taxation period.

Taxable objects

Personal income tax is applied to the domestic tax payer's amount of the taxable income of the taxation period. The object of the salary tax shall be the monthly taxable income of the tax payer.

The taxable income of the foreign taxpayer (non-resident) is employment income, income from professional activities, income from the professional activities of artists, sportsmen or trainers, royalties etc.

For more information please contact Gencs Valters Law Firm.

Tax rate in Lithuania

The tax rate is 15%. In certain cases income tax rate 5% applies.

To get more information on reduced tax rates, please contact Gencs Valters Law Firm.

Tax is calculated and paid into the budget:

- Generally, personal income tax from employment income is computed and paid by the employer;
- Legal person paying moneys to natural person is obliged to calculate, withhold and pay personal income tax on natural persons behalf

Income tax from A class income must be withheld and paid to the budget before the 15th day of a respective month if the last portion of income was paid out before the 15th day of this month; or before the last day of a respective month if the last portion of income was paid before the last day of this month.

Income tax from B class income must be computed and paid to the budget:

- by a Lithuanian tax resident himself before the 1st May of the following calendar year;
- by non-tax resident himself in 25 days after receiving the income.

Tax declarations

Monthly tax declarations in respect of A class income must be submitted by tax withholding person by the 15th day of the following month. Annual tax declarations in respect of A class income must be submitted by tax withholding person by the 15th February of the following calendar year.

A Lithuanian tax resident who received A or B class income must submit annual tax declaration by the 1st May of the following calendar year. A non-tax resident must submit income tax declaration in 25 days after receiving the income. Additionally, a non-tax resident may submit annual tax declaration by the 1st May of the following calendar year.

The State Taxes Inspection verifies the reliability and correctness of the data presented in the declaration, performs control of the payment of personal income tax and completeness and correctness of the income and expenditure.

Tax relief

The tax payer has a right to not submit the annual tax declaration if he/she:

- 1.) is not going to use the right to deduct annual tax exempt amount or additional tax exempt amount, and
- 2.) is not going to use the right to deduct expenses from income, and
- 3.) during the taxable period received only A class income which is related to employment relations.

The mentioned conditions are applicable to cases established in PIT Law.

Budgetary Competence

The amounts of the tax are included into the State basic budget according to the allocation specified in the Annual State Budget Law. Tax payers have a right to allocate up to 2% of the personal income tax to charity recipients (persons and institutions)

Taxation treaties

In Republic of Lithuania are in force and are applied Taxation treaties with 55 countries.



PERSONAL INCOME TAX IN ESTONIA

Structure

Personal income tax is imposed on income acquired by a natural person, and it includes:

- 1) income from employment;
- 2) business income (self-employed income);
- 3) gains from transfer of property;
- 4) rent and royalties;
- 5) interest;
- 6) dividends;
- 7) pensions, scholarships and grants, benefits, awards and gambling winnings;
- 8) insurance indemnities and payments from pension funds;
- 9) income of a legal person located in a low tax rate territory.

Taxpayers

Personal income tax is paid by natural persons:

- domestic taxpayers (residents) who have obtained income in the Republic of Estonia and/or foreign states during the taxation period;
- foreign taxpayers (non-residents) who have obtained income in the Republic of Estonia during the taxation period (only Estonian source income is taxed);
- sole proprietors registered in the Commercial Register of Estonia

Taxable objects

In Estonia from the residents income tax is charged:

- on all emoluments paid to an employee or public servant, also on remuneration or service fees paid on the basis of a contract for services, authorisation agreement or any other contract under the law of obligations;
- on all the business income of sole proprietor, considering that all certified expenses incurred by a taxpayer in relation to business during a period of taxation may be deducted;
- on reduction in the share capital and on redemption or return of shares or contributions, also in certain cases on liquidation proceeds received by a person upon the liquidation of a legal person (if the acquisition cost of the holding is exceeded);
- on gains from the sale or exchange of any transferable and monetarily appraisable objects;
- on royalties;
- on income the hire or lease of immovable or movable property or parts thereof, and consideration for constitution of right of superficies or encumbrance of immovable property with right of pre-emption, usufruct, personal right of use or servitude;
- on all interest accrued from loans, securities, leases, deposits and other debt obligations, except interest received from deposits with a credit institution which is a resident of a EU state or through or on account of a permanent establishment of a credit institution located in EU; the fine for delay (late interest) payable in the event of delay in performance of a monetary obligation is not deemed to be interest;
- on all dividends and other profit distributions received by a resident natural person from a foreign legal person in monetary or non-monetary form (except if income has

been paid on the share of profit or income tax on the dividends has been withheld in a foreign state);

- on all pensions, benefits, scholarships and grants, cultural, sports and scientific awards, gambling winnings, parental benefits and compensation and daily allowances related to sports assignments and paid by an artistic association to creative persons for business trips relating to the creative activity of the creative persons;
- on benefits for temporary incapacity for work and on unemployment benefits, on funded pension payments, on amounts paid to a policyholder, insured person or beneficiary under a unit linked life insurance contract (insurance premiums deducted) and in some cases on an insurance indemnity;
- on the income of a legal person located in a low tax rate territory and controlled by Estonian residents, irrespective of whether the legal person has distributed any profits to taxpayers or not;

The basic exemption deductible from the income during a period of taxation (a calendar year) is 1848 EUR. Additionally it is possible to deduct additional 1 848 EUR granted to a parent starting from the second child aged 17 or less. Also it is possible to make deductions on housing loan interest, training expenses, gifts, donations, insurance premiums and acquisition of pension fund units etc. Deduction is limited to 1 920 EUR and amount deducted cannot exceed 50% of the taxable income.

In Estonia from non-residents the income tax is charged:

- on income derived by a non-resident natural person from work in Estonia if the payment was made by an Estonian state or local government authority or resident or a non-resident operating in Estonia as an employer or a non-resident through or on account of its permanent establishment located in Estonia, or if the person has stayed in Estonia for the purpose of employment for at least 183 days over the course of 12 consecutive calendar months;
- on emolument paid by a resident legal person to a non-resident member of a management or controlling body or a non-resident through or on account of its permanent establishment located in Estonia to a non-resident member of a management body of the permanent establishment for the performance of his or her functions;
- on business income derived by a non-resident in Estonia (business income as a sole proprietor);
- on gains derived by a non-resident from a transfer of property if the sold or exchanged immovable is located in Estonia or the movable subject to entry in a register was in an Estonian register prior to the transfer or the transferred real right or right of claim is related to an immovable or a structure as a movable, which is located in Estonia, or the transferred holding is a holding in a company, contractual investment fund or other pool of assets of whose property, at the time of the transfer or during a period within two years before transfer, more than 50 per cent was directly or indirectly made up of immovable or structures as movables located in Estonia and in which the non-resident had a holding of at least 10 per cent at the time of transfer;
- on reduction in the share capital, on redemption or return of shares or contributions, on liquidation proceeds received by a person upon the liquidation of a legal person (if

the acquisition cost of the holding is exceeded) only if these payments are made to a non-resident by a resident legal person;

- on income derived from a commercial lease or royalties if the immovable subject to a commercial or residential lease or encumbered with limited real rights is located in Estonia, or the property subject to a commercial or residential lease or encumbered with limited real rights is entered or is subject to entry in an Estonian register, or the payer of the royalties is the Estonian state, a local government, a resident or a non-resident through or on account of its permanent establishment located in Estonia;
- on interest received from the Estonian state, a local government or a resident, or from non-resident through or on account of its permanent establishment registered in Estonia, if it significantly exceeds the amount of interest payable on the similar debt obligation under the market conditions during the period of occurrence of the debt obligation and payment of the interest (in that case income tax is charged on the difference);
- on all pensions, scholarships and grants, cultural, sports and scientific awards, benefits and gambling winnings and parental benefits paid by the Estonian state, a local government, a resident or a non-resident through or on account of its permanent establishment located in Estonia, on insurance indemnities paid by the Estonian Health Insurance Fund, Estonian Unemployment Insurance Fund or a resident insurance company, and on payments made from a pension fund registered in Estonia, on remuneration paid to a non-resident artist or athlete in connection with his or her performance or competition in Estonia or the presentation of his or her works in Estonia; income tax is also charged on remuneration paid to a non-resident third person in connection with the activities of a resident or non-resident artist or athlete in Estonia;

Withheld unemployment insurance premiums shall be deducted from the income during a period of taxation. In certain cases non-residents can make also deductions allowed for residents.

For more information (also about deductions) please contact Gencs Valters Law Firm.

Tax rate in Estonia

The tax rate is 20% from personal income. In certain cases income tax rate 10% applies. To get more information on reduced tax rates, please contact Gencs Valters Law Firm.

Tax is calculated and paid into the bank account of Tax and Customs Board:

Taxes related to salary and other employment payments of the payer are withheld and paid by the employer (even if employer is non-resident) monthly.

Rest of the personal income tax generally is paid after submission of tax declaration (annually) and receiving respecting tax notice from Tax and Customs Board (Tax and Customs Board calculates the payable tax amount and sends tax notice to payer). Due date of the tax payment in general is July 1 of the following year after the taxable period (calendar year).

A sole proprietor who derived business income during a previous period of taxation is required to make advance payments of income tax during the period of taxation. The size of an advance payment is one-quarter of the total amount of income tax calculated on the business income derived by the person during the previous period of taxation. Advance payments shall be made into the bank account of the Tax and Customs Board in equal amounts by the fifteenth day of

the third month of each quarter, starting from the quarter following the due date for submitting the income tax return. Advance payments need not be paid if the quarterly payment does not exceed 64 EUR. A taxpayer who derives business income is not required to make advance payments of income tax during the first period of taxation.

Tax declarations

Resident and non-resident natural persons shall submit an income tax return to the regional structural unit of the Tax and Customs Board concerning the income of a period of taxation not later than by 31 March of the year following the period of taxation.

It is possible to submit an income tax return through the e-service of the Tax and Customs Board as of 15 February of the year following the period of taxation.

Regarding non-residents, in the case of transfer of an immovable, the income tax return shall be submitted after receiving the gains. If payments for a transferred immovable are made by instalment, a tax return concerning the agreed transaction price is also submitted within one month after receiving the first instalment.

A non-resident who derives business income which is subject to taxation in Estonia is required to submit an income tax return concerning business income within six months following the period of taxation. If engagement in business is terminated before the end of the period of taxation, the income tax return shall be submitted within two months following the termination of activities.

A natural person who has not been resident during the whole period of taxation shall submit an income tax return concerning only income received during the period when the person was resident and may make deductions for the same period of time. A resident natural person who received income which, pursuant to respective law or an international agreement is exempt from income tax in Estonia is required to declare such income.

The Tax and Customs Board shall complete the income tax return concerning the income of a resident natural person during a period of taxation and the deductions on the basis of the data at the disposal of the Tax and Customs Board and make the pre-completed tax return available to the taxpayer through the e-service and at the regional structural unit of the Tax and Customs Board as of 15 February of the year following the period of taxation. If the taxpayer uses the pre-completed tax return, he or she is required to verify the correctness of the data contained in the tax return and submit an amended and supplemented tax return in event of incorrectness or deficiency of the data.

Tax relief

The following persons are not required to submit an income tax return:

- 1) a resident natural person whose income does not exceed the rate of basic exemption or whose income of the period of taxation is not subject to additional income tax;
- 2) resident natural person whose only income was pension (from Estonia or EU);
- 3) resident natural person whose only income was compensation for work accident or occupational disease if this compensation did not exceed 768 EUR or if income tax has been already declared and withheld from the compensation;

4) non-residents, if income tax from payments is withheld (in general from payments for non-residents the income tax is withheld and paid by the payer);

Budgetary Competence

11,4 per cent of the taxable income of a resident natural person is received by the local government of the taxpayer's residence. Rest of the income tax and income tax paid by a non-resident is received by the state.

Taxation treaties

In Republic of Estonia are in force and are applied Taxation treaties with more than 50 countries.



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