

# Self employed persons, individual entrepreneurs

Published: 02.11.2022.

Updated: 24.03.2023.

1. Before starting commercial activities, private individuals must register at the State Revenue Service as taxpayers – performers of commercial activities – indicating the area of business of intended activities.

*EC statistical classification of economic activities in the European Community: [NACE2](#).*

Only businesses that have registered with the [Register of Enterprises](#) may operate as real estate agents and commercial agents, for transport services, vehicles sales, and businesses involving excise goods.

*Private individuals MAY NOT register for the following (NACE 2 codes): 4511; 4519;4725; 4726; 4910; 4920; 4931; 4932; 4939; 4941; 4942; 5110; 5310; 6419; 6831; 7120; 7810; 8010; 8220; 8412; 9411; 9412; 9420; 9900.*

Legal entities – self-employed persons to whom regulations on professional activities apply: education, certificates of qualification, and use of a title must be certified for the profession when registering.

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2. Economic activity can be registered in the SRS Electronic Declaration System in the section Documents -> From the form -> Taxpayer registration and data change forms -> Registration of a taxpayer (natural person) or in person at any Client Service Centre, presenting personal identification and completing the Taxpayer Registration Sheet.

There is no registration fee!

The status of the business performer can be verified at the Taxpayer Register which is publicly available.

Information on natural persons engaged in commercial activities and registered at the SRS Register of Taxpayers is available at the SRS homepage in the section Useful information / Public database of the SRS / [Enter the SRS public database<sup>1</sup>](#) / Performers of business activities.

Tax payment regimes:

Tax on business income

Reduced patent fee for specific activities

Micro-enterprise tax

Notified unregistrable commercial activities

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3. When registering a business, you must fill in the Taxpayer Registration and Data Change Form/Taxpayer (Natural Person) Registration Data/ Economic Operator in EDS and additionally fill in the questionnaire by answering Yes or No to make sure that that the planned activity does not resemble an employment contract and inform the applicant of the same.

The purpose of the questionnaire is to inform you about the features of an employment contract and highlight the main differences between employment and company contracts, giving you the opportunity to evaluate the type of business you wish to register.


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4. If economic activity takes place somewhere other than the legal or declared address, the location must be registered with SRS as a structural unit and additional information submitted:

copies of valid documents certifying the right to use the premises if they are not owned by the registrant

permission by the owner (or legal representative) of the premises if they are not owned by the registrant. If the premises has co-owners, consent of all co-owners (or legal representatives) is required. *Consent must indicate the cadastral number of the premises and name, surname and personal identification number (company name and registration number) of the owner/co-owners or legal representative.*

5. When registering with SRS, businesses must provide information on bank accounts in Latvia and abroad.

PIT on business income 



Register before starting business activities.

PIT on income from business activities is calculated as the difference between revenue and expenses.

The tax rate is:

- 20 % on income under EUR 20 004
- 23 % on income between EUR 20 004 and EUR 78 100
- 31% on income over EUR 78 100

Bookkeeping entries for income and expenses are recorded in the simple entry system.

Annual tax returns are filed between 1 March and 1 June of the year following the taxation year. If total annual income exceeds EUR 78 100, persons may file from 1 April to 1 July.

Tax is paid into the single account within 15 days of filing the return. Deadlines are:

- 23 June if tax payable is less than EUR 640
- 23 June, 23 July, and 23 August if tax payable is more than EUR 640 (payable in three installments)

The non-taxable minimum amount, tax breaks, and justifiable expenses can be applied to business income because it is calculated together with all other yearly income.

Self-employed pay a minimum of EUR 50 by 23 June if no there was no taxable income or the calculated tax is below EUR 50.

The minimum tax amount of EUR 50 does not apply to taxpayers who pay income tax or social contributions for their employees or for themselves.

Minimum tax is not applied in the taxation year when business activity was registered, in the following year, and in the year business activity is terminated.

Information can be found on our homepage in the section Taxes > Personal income tax – [Due dates for submitting annual personal tax returns](#)".

Micro-enterprise tax paid by Micro-enterprise Taxpayers (MET) includes contributions to MSSIC and PIT. An MET may not be registered as a VAT payer. If an MET becomes or is required to become a registered VAT payer in accordance with the *Value Added Tax Law*, it loses its MET status the following taxation year.

### Micro-enterprise tax rates

annual turnover under EUR 25 000 - 25%

annual turnover over EUR 25 000 - 40%

In the year when MET status is acquired:

2<sup>nd</sup> quarter – tax on income under EUR 18 750 is 25%; over EUR 18 750 - 40%

3<sup>rd</sup> quarter – tax on income under EUR 12 500 is 25%; over EUR 12 500 - 40%

4<sup>th</sup> quarter – tax on income under EUR 6250 is 25%; over EUR 6250 - 40%

Micro-enterprise tax is paid on quarterly revenue:

submit a MET return by the 15<sup>th</sup> date of the month following the quarter

calculated tax must be paid into the single tax account by the 23<sup>rd</sup> of the month following the quarter, i.e. 23 April, 23 July, 23 October, 23 January

A MET cannot simultaneously pay personal income tax or the reduced patent fee for economic activity. A MET must maintain records on income and expenses.

If a MET hires an employee, all employee income is subject to labour taxes, i.e., PIT and MSSIC.

If a MET doesn't have employees, he/she can use the [Commercial Activity Income Account \(SDI\)](#) to automate tax payment.

A private individual may pay the reduced licence fee if:

the person has been granted old-age pension and has the right to apply the pensioner's non-taxable minimum or has been assigned Group I or II disability status

income from business activities is below EUR 3 000

the person does not pay micro-enterprise tax or tax on business activities

the person does not employ others and does not pay salary taxes

The payer of the reduced licence fee need not file an annual tax return.

The reduced licence fee must be paid for six months (EUR 9) or for one calendar year (EUR 17) only.

## Non-registered commercial activity



If income is earned from property (e.g., leasing or renting, selling tenancy rights, sale, or payment for use restriction of use of natural resources), the private individual must inform the SRS within five business days of concluding the contract:

tax rate on rental income is 10%

revenue from business activities

if income from property is obtained from a legal entity, tax must be withheld at the time of payment

if tax is not withheld, the private individual must calculate the tax and pay as for PIT payments

annual non-taxable minimum, tax breaks and expenses do not apply

the private individual is not considered to be self-employed and MSSIC are not paid;

the person must register as a VAT payer if the total value of transactions subject to VAT within the preceding 12 months exceeded EUR 40 000.

## Cases when business activity does not need to be registered



Business income may be exempt if it is derived from a backyard garden or auxiliary farm or from mushrooming, berry-picking, collection of wild medicinal plants and flowers or wildlife farming (e.g., escargot – *Helixpomatia*) and does not exceed EUR 3000 per year. Accounting records must be kept to determine amount of annual income.

When annual income reaches EUR 3000, this business activity must be reported to SRS within five business days.

## Mandatory State Social Insurance Contributions



A private individual engaged in business activities is considered to be self-employed under the law *On State Social Security*.

Self-employed individuals must submit a report by the 17<sup>th</sup> date of the month following the quarter.

Mandatory State Social Insurance Contributions (MSSIC), including pension insurance contributions, are made quarterly by the 23<sup>rd</sup> date of the month following the quarter into the single account.

Persons required to make MSSIC*	Rate (%)
Self-employed, I, II or III group invalids, early or special pension receivers	31,07
Self-employed who receive old age pension	29,36
Self-employed managers of immovable property	26,59

*\*The following are not subject to mandatory contributions:*

*Owners of farming (fishing) enterprises who receive old-age pensions or who have group I or II disability status.*

*Private individuals who manage their immovable property or who are registered as performers of business activities and receive an old-age pension or who have group I or II disability status or whose permanent residence is not in Latvia.*

Income received over minimum wage	Income received under minimum wage
EUR 620 and over	Under EUR 620
31,07 % + at least 10% of the difference between actual income and EUR 620	MSSIC (10% of income)

! As of 1 July 2021, the minimum mandatory contribution for a quarter is based on three minimum monthly salaries.

Self-employed persons (who are not also employees) must make minimum mandatory contributions to state pension insurance, based on State Social Insurance Agency (SSIA) calculations. SSIA informs SRS of this sum, and SRS informs the taxpayer through EDS.

If a self-employed person has calculated that his/her income will fall below the minimum, then he/she must inform SRS:

simultaneously with registration of economic activity,  
by 17 January 2023 for 2023,  
by 17 January 2023 for the 1<sup>st</sup> quarter of 2023,  
by 17 April 2023 for the 2<sup>nd</sup> quarter of 2023,  
by 17 July for the 3<sup>rd</sup> quarter of 2023,  
by 17 October for the 4<sup>th</sup> quarter of 2023, or  
within 15 days of losing employee status.

If a self-employed person has not filed any reports, SSIA will calculate and inform SRS of the required payment by the 20<sup>th</sup> date of following quarter, but calculated MSSIC must be paid by the 23<sup>rd</sup> of June of the following year.

This minimum payment also applies to METs.

The following Cabinet Regulations prescribe organising of accounting by performers of economic activities as well as the procedure of maintaining of accounting by the simple entry system:

Cabinet Regulation No. 188 of 20 March 2007 "[Procedure of Maintaining of Accounting by The Simple Entry System by Individual Merchants, Individual Enterprises, Farming and Fishing Enterprises, Other Natural Persons Who Perform Economic Activities](#)";

Cabinet Regulation No. 301 of 8 May 2007 "[Regulations on Financial Statements of Individual Merchants](#)";

Cabinet Regulation No. 585 of 21 October 2003 "[Regulations on Maintaining and Organising of Accounting](#)";

Cabinet Regulation No. 584 of 21 October 2003 "[Regulations on Recording of Cash Operations](#)."

Registering the business activities, the natural person can also get registered at the SRS VAT payer register and make VAT payments irrespective of not achieving the registration threshold of EUR 40 000 set by the VAT law.

However if the total value of VAT taxable supplies of goods and services during the preceding 12 months has exceeded EUR 40 000, the natural person is obliged to get registered at the SRS VAT payer register and must charge VAT on the transactions carried out

If the natural person acquires goods in the territory of European Union and if the total value of these goods without tax has achieved or exceeds in the current calendar year the amount of EUR 10 000, the person has to get registered at the SRS VAT payer register and charge VAT on the acquisitions made in that period.

If the natural person provides services to taxpayers of another EU Member State, the place of supply of which is determined in accordance with Section 1, Art 19 of the VAT law, the person must get registered at the SRS VAT payer register before rendering these services.

If the natural person of another Member State or of any third country or territory not doing business in the domestic territory receives services the place of supply for which is determined in accordance with Section 1, Art 19 of the VAT law, the person must get registered at the SRS VAT payer register before receiving these services.

The registered taxpayers using simple entry accounting system, use a log to record the VAT. The form of the log is approved by the Cabinet Regulations No.17 of 3 January 2013 "Procedure of application of VAT law provisions and certain requirements concerning payment and administration of the VAT" (Appendix 6 to the Regulations).

If the registered taxpayers whose total value of the VAT taxable transactions over the preceding taxation year has not exceeded EUR 100 000, the entries in the log-book of revenues and expenditure of the payers of personal income tax or micro-enterprise tax are made electronically. The taxpayer can instead of keeping the log-book mentioned in Appendix 6 to the Cabinet Regulations No.17 of 3 January 2013 "Procedure of application of VAT law provisions and certain requirements concerning payment and administration of the VAT" make additional boxes in the log-book of revenues and expenditure of the payers of personal income tax or micro-enterprise tax in order to register the calculated tax amounts paid during the taxation period in accordance with the invoices received from other registered taxpayers

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Please find the useful information in the SRS homepage section Taxes [Value Added Tax](#)

The reports and returns must be filed electronically using the Electronic Declaration System (EDS). Natural persons can receive free of charge consultations regarding the application of tax legislation electronically, in written form, verbally in person or by phone, or by attending the regular seminars for performers of business activities arranged by the SRS Client Service Centres.

## Client Service Centre contacts

Verbal consultations regarding the application of tax legislation are available at any SRS Client Service Centre

[View more](#)

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## Contacts of the Authority

See main contacts page for the SRS Consultative phone line number

[View more](#)

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First Steps for Entrepreneurs

<https://www.vid.gov.lv/en/self-employed-persons-individual-entrepreneurs>