



Press release

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Joint statement calling to balance the tax burden in order to grow Latvia's economy

Nine organizations, including both foreign and domestic investors, business and industry associations, various professionals within Latvia and its diaspora call on the Latvian government to amend the laws and regulations to prevent economic double taxation on dividends for individual investors. At a time when Latvia lags further behind its neighbors in economic growth and development, it is imperative to remove all barriers reducing its international competitiveness. The joint call has been addressed to the Prime Minister, line ministers and respective Saeima's Committees.

According to the organizations' representatives, when Latvia changed its corporate tax system in 2018, the new system resulted in adverse tax treatment for individual investors who live abroad or who may be liable for tax in other jurisdictions. As a result, profits from investments are taxed both in Latvia and in the country of the investor's residence, leaving a negative impact on Latvia's ability to attract new and maintain existing investments compared to other jurisdictions in our region.

Since 2020, the Foreign Investors Council in Latvia, AmCham and other organizations have called on Latvian government institutions to fix this problem, recommending a fiscally neutral solution, which would allow taxpayers to make an election to treat up to 10% of the corporate income tax paid on dividends to be reclassified as a withholding tax or personal income tax for the purpose of applying tax treaty benefits. To date no action has been taken to either implement the recommendation or find an alternate solution.

Commenting on the call to the Prime Minister, sectoral ministers and the responsible Saeima Committees, authors of the statement indicate that the proposed solution is fiscally neutral without leaving a negative impact on the state budget. Under the current regulation, the state only fails to collect a larger share of overall tax mass due to its different tax regime. Investors paying higher taxes in other jurisdictions does not increase Latvian budget revenues, nor does it contribute to the country's competitiveness in terms of attracting new individual and institutional investors.

"This negatively affects not only foreign investors who have invested in Latvian companies, but also Latvian investors who move to foreign countries, trying to find new markets and expand their business. It also affects Latvian re-emigrants who are willing to return to Latvia to do business, but at the same time retaining tax obligations in other jurisdictions. For these reasons, we believe it is important to do everything possible to attract new investors and allow local investors to expand their business in foreign markets without subjecting them to the burden of increased taxes," explains Zinta Jansons, Head of AmCham Tax Work Group.

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