

## REDUCE WITHHOLDING TAX IN LATVIA

### INSTRUCTIONS FOR APPLICATION OF TAX RELIEF FOR INTEREST FROM THE DEPOSITS – DEPOSIT (INCLUDING STANDARD OR WITH SPECIAL CONDITIONS), SUBORDINATED DEPOSIT, OVERNIGHT AND SAVINGS ACCOUNT PAID TO NON-RESIDENT INDIVIDUALS (HEREINAFTER – THE INSTRUCTIONS)

According to the Law on Personal Income Tax of the Republic of Latvia (hereinafter – Latvia), interest income payable to a non-resident individual<sup>1</sup> is subject to 25,5% withholding tax in Latvia. Withholding tax in Latvia can be reduced by applying provisions of the Convention for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income and on capital<sup>2</sup> (hereinafter – DTT). The reduced tax rate is determined in the DTT, while the procedure for application and residence documents to be submitted are determined in the Cabinet Regulations No. 178 “Procedures for Application of Tax Relief Determined in International Agreements for Prevention of Double Taxation and Tax Evasion”.

#### SUBMIT RESIDENCE DOCUMENTS

In order to apply the reduced tax rate in Latvia, please submit to the bank one of the following types of the residence documents:

##### TYPE 1 (ONLY FOR INCOME UP TO 5,000 EUR PER YEAR)

1. A specific form of the residence certificate of the residence country (hereinafter – **the Residence Certificate**) in one or several foreign languages one of which is English:
  - 1.1. An electronic document, the authenticity of which can be verified on the official website by using a verification code;  
or
  - 1.2. 1 (one) original of paper document with a handwritten (physical) signature and stamp of the tax authority of the residence country;  
or
  - 1.3. An electronic document signed with a secure electronic signature<sup>3</sup> (eDOC, ASICE) of the tax authority of the residence country<sup>3</sup>.

Submit the Residence Certificate to the bank.

The relevant Residence Certificate will be valid:

- if the total sum of income in the taxation year does not exceed 5,000 EUR;
- within one year from the date of issue of the Residence Certificate or within the taxation year, if the Residence Certificate is issued for a specific taxation year.

##### TYPE 2

2. A resident’s certificate-application for tax relieves on the form specified by the tax authority of Latvia (hereinafter – **the Resident’s Certificate-Application**). The Resident’s Certificate-Application can be found at the end of the Instructions or on the website: <https://bluorbank.lv/docs/Residents-Certificate-Application.docx>. Please follow the instructions below:
  - 2.1. Fill in the required fields of the Resident’s Certificate-Application and sign it:
    - (a) fill in the name of the residence country in all required fields in all Parts of the Resident’s Certificate-Application;
    - (b) fill in the name, surname, taxpayer’s registration/identity number, address and contact details in Part I “Recipient of Payment”;
    - (c) fill in the date as from which reduction or exemption is claimed, in Part III “Income” Clause 2 (usually the same date as in Part IV “Statement of Recipient”);
    - (d) fill in the contract number in Part III “Income” Clause 4 (usually client number);
    - (e) fill in the place and the date, your name and surname in Part IV “Statement of Recipient” and sign it with a handwritten (physical) signature or with a secure electronic signature<sup>3</sup> (eDOC, ASICE);

- 2.2. After filling in and signing, submit the Resident’s Certificate-Application to the tax authority of the residence country for approval in Part V “Statement of the Competent Authority of the other Contracting State”.

*Please pay attention! If in accordance with Clause 2.1(e) of the Instructions you signed Part IV “Statement of Recipient” with the handwritten (physical) signature, then in accordance with Clause 2.2 of the Instructions, Part V “Statement of the Competent Authority of the other Contracting State” must also be approved with a handwritten (physical) signature and stamp of the tax authority of the residence country. And vice versa, if you signed Part IV with the secure electronic signature<sup>3</sup> (eDOC, ASICE), then Part V must also be approved with the secure electronic signature<sup>3</sup> (eDOC, ASICE) of the tax authority of the residence country;*

- 2.3. Submit the approved Resident’s Certificate-Application to the bank.

The relevant Resident’s Certificate-Application will be valid:

- for the total sum of interest income without limit;
- within five years from the date as from which reduction or exemption from taxation is claimed, if the competent national tax authorities have not established that the term of validity of the issued Resident’s Certificate-Application is shorter.

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## TYPE 3

3. **The Residence Certificate** referred to in Clause 1 of the Instructions **together with completed Parts I, II, III, and IV of the Resident's Certificate-Application** referred to in Clause 2 of the Instructions. Please follow the instructions below:
- 3.1. receive the Residence Certificate in accordance with Clause 1 of the Instructions;
  - 3.2. fill in the required fields of the Resident's Certificate-Application and sign it with a handwritten (physical) signature or with a secure electronic signature<sup>3</sup> (eDOC, ASICE) in accordance with Clause 2.1(a-e) of the Instructions;
  - 3.3. you do not have to submit the Resident's Certificate-Application to the tax authority of the residence country for approval in accordance with Clause 2.2 of the Instructions.
  - 3.4. submit to the bank the Residence Certificate and the Resident's Certificate-Application filled in and signed by you.

The relevant Residence Certificate together with the Resident's Certificate-Application will be valid:

- for the total sum of interest income without limit;
- five years from the date as from which reduction or exemption from taxation is claimed, if the competent national tax authorities have not established that the term of validity is shorter, or within the taxation year, if the Residence Certificate is issued for a specific taxation year.

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## SUBMISSION DEADLINE

To ensure validity and application of the residence documents, please submit the residence documents to the bank no earlier than 11 months before the interest income payment, but no later than 2 months before the interest income payment.

## HOW TO SUBMIT?

The electronic document shall be sent via the internet bank and/or to the e-mail [Deposits@bluorbank.lv](mailto:Deposits@bluorbank.lv).

The original paper document shall be sent to the bank by post:

BluOr Bank AS  
Smilšu iela 6,  
Rīga, LV-1050,  
Latvija

## WHAT HAPPENS NEXT?

The bank will check the residence documents and, in cases determined by the laws and regulations of Latvia, will send them to the tax authority of Latvia for final approval. Only then can the reduced tax rate be applied in accordance with the DTT and interest income can be paid by withholding tax in Latvia at the respective reduced tax rate.

## IMPORTANT NOTES

Please note that the tax authority of Latvia shall not accept a scan/copy of the residence documents with scanned/copied signatures (both of the recipient of income and the tax authority)!

The Instructions shall not constitute tax advice. For individual clarification of tax law issues or requirements to pay tax in the residence country, you should consult a tax advisor and/or the tax authority of the residence country.

## RESIDENT'S CERTIFICATE-APPLICATION

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<sup>1</sup> For tax purposes, an individual shall be considered a non-resident of Latvia if the declared place of residence of such person is not in Latvia, or the person does not stay in Latvia for 183 days or longer during any 12-month period, or the person is not a citizen of Latvia, who is employed abroad by the government of Latvia.

<sup>2</sup> Status of the DTT with Latvia can be found on the website: <https://www.fm.gov.lv/en/tax-conventions>.

<sup>3</sup> Secure electronic signature – a qualified electronic signature within the meaning of Article 3(12) of Regulation (EU) No 910/2014 of the European Parliament and of the Council of 23 July 2014 on electronic identification and trust services for electronic transactions in the internal market and repealing Directive 1999/93/EC.