Text consolidated by Valsts valodas centrs (State Language Centre) with amending laws of:

15 December 2011 [shall come into force on 1 January 2012];

19 September 2013 [shall come into force on 1 January 2014];

6 November 2013 [shall come into force on 1 January 2014];

19 March 2015 [shall come into force on 26 March 2015];

23 April 2015 [shall come into force on 13 May 2015];

30 November 2015 [shall come into force on 1 January 2016];

20 December 2016 [shall come into force on 1 January 2017];

28 July 2017 [shall come into force on 1 January 2018];

23 May 2019 [shall come into force on 15 August 2019];

26 November 2020 [shall come into force on 1 January 2021];

16 June 2021 [shall come into force on 12 July 2021].

If a whole or part of a section has been amended, the date of the amending law appears in square brackets at the end of the section. If a whole section, paragraph or clause has been deleted, the date of the deletion appears in square brackets beside the deleted section, paragraph or clause.

The *Saeima* 1 has adopted and

the President has proclaimed the following law:

**Micro-enterprise Tax Law**

**Section 1. Terms Used in this Law**

The following terms are used in this Law:

1) **turnover** – revenue from the economic activity of the micro-enterprise;

2) **micro-enterprise owner** – an owner of an individual undertaking, farm or fishing enterprise, a sole proprietorship, or another natural person registered with the State Revenue Service as a performer of economic activity;

3) **micro-enterprise** – a sole proprietorship, an individual undertaking, a farm or fishing enterprise, and also a natural person registered with the State Revenue Service as a performer of economic activity, unless the abovementioned persons are registered value added taxpayers;

4) **micro-enterprise tax** – a tax which includes:

a) mandatory State social insurance contributions for the micro-enterprise owner;

b) personal income tax of the micro-enterprise owner for the part of the micro-enterprise revenue from the economic activity;

5) **micro-enterprise taxpayer** – a micro-enterprise owner who has acquired the status of a micro-enterprise taxpayer.

[*26 November 2020*]

**Section 1.1 Purpose of this Law**

The purpose of the Law is to reduce administrative and tax burden for micro-enterprises, especially in the period of commencement of economic activity, and also in the sectors with a low income level potential by concurrently complying with common interests of the public in the field of fair competition and social security.

[*23 April 2015*]

**Section 2. Restrictions on the Rights of a Micro-enterprise and a Micro-enterprise Owner to Opt for the Payment of Micro-enterprise Tax**

(1) A micro-enterprise is entitled to opt for the payment of micro-enterprise tax if the restrictions laid down in this Law have been complied with.

(2) If a natural person is the owner of a farm or fishing enterprise and a sole proprietorship, or an individual undertaking, or a performer of economic activity registered with the State Revenue Service, the right to opt for the payment of micro-enterprise tax shall only apply to one of these forms of economic activity.

(3) A micro-enterprise which has opted for the payment of micro-enterprise tax may not concurrently pay the personal income tax or reduced patent fee for the income from economic activity.

(4) A micro-enterprise owner may not concurrently be the payer of personal income tax from economic activity, including to pay the personal income tax for the income from its individual undertaking or farm, or fishing enterprise.

(5) Provision of Paragraph three of this Section shall not apply to a micro-enterprise taxpayer who determines the income from economic activity in accordance with Section 11, Paragraph twelve of the law On Personal Income Tax.

(6) A micro-enterprise taxpayer who has discontinued economic activity and paying of the micro-enterprise tax in the taxation period may not repeatedly opt for the payment of micro-enterprise tax in the same taxation period and in post-taxation period.

[*26 November 2020*]

**Section 2.1 Income of a Micro-enterprise Employee from a Micro-enterprise**

If a micro-enterprise has an employee, the income of the employee from the micro-enterprise shall be taxable with the personal income tax (salary tax) in accordance with the law On Personal Income Tax, and the employee shall be insured as an employee in accordance with the law On State Social Insurance.

[*26 November 2020*]

**Section 2.2 Employment of an Employee at a Micro-enterprise**

[26 November 2020]

**Section 3. Obligation of a Micro-enterprise Taxpayer to Inform Employees**

[26 November 2020]

**Section 4. Registration of the Micro-enterprise Taxpayer**

(1) A person has the right to apply for the acquisition of the status of a micro-enterprise taxpayer concurrently with a submission for the registration of the sole proprietorship, individual undertaking, farm or fishing enterprise with the relevant register of the Enterprise Register, confirming that in the reporting year which conforms to the taxation period of the micro-enterprise tax:

1) the expected turnover will not exceed the registration threshold of the value added tax, and the micro-enterprise does not plan to become a registered value added taxpayer until reaching the registration threshold of the value added tax;

2) the micro-enterprise would like to pay the micro-enterprise tax.

(2) The Enterprise Register shall send electronically the information on the application received for the acquisition of the status of the micro-enterprise taxpayer to the State Revenue Service within one working day after registration of the subjects referred to in Paragraph one of this Section.

(3) A natural person who, upon commencement of economic activity, registers as a performer of economic activity at the State Revenue Service and opts to be a micro-enterprise taxpayer, shall, concurrently with the registration application, submit an application in which the information referred to in Paragraph one of this Section is indicated.

(4) A micro-enterprise which wishes to acquire the status of a micro-enterprise taxpayer shall, by 15 December of the pre-taxation year, submit an application to the State Revenue Service in which the conformity of the taxpayer with the criteria specified in Section 2 of this Law, and also with the conditions referred to in Paragraph one of this Section in respect of the next taxation period is confirmed.

(5) Within five working days after receipt of an application for the acquisition of the status of the micro-enterprise taxpayer or after receipt of the information referred to in Paragraph two of this Section from the Enterprise Register, the State Revenue Service shall take the decision to register a micro-enterprise as the micro-enterprise taxpayer or the decision to refuse registration, if the State Revenue Service has information at its disposal that the applicant does not conform to the criteria and restrictions for the micro-enterprise laid down in this Law and, therefore, the status of the micro-enterprise taxpayer cannot be granted. The decision to register a micro-enterprise as the micro-enterprise taxpayer shall not be issued in writing; however, the decision shall be notified by publishing information on the website of the State Revenue Service.

(6) If the State Revenue Service takes the decision to refuse to register a micro-enterprise as the micro-enterprise taxpayer, such decision shall be sent to the taxpayer within a day after taking thereof. If the State Revenue Service takes the decision to register a micro-enterprise as the micro-enterprise taxpayer, then the status of the micro-enterprise taxpayer shall be applied to the newly established micro-enterprise from the day when the State Revenue Service received an application for the acquisition of the status of the micro-enterprise taxpayer or from the day when the newly established micro-enterprise was registered in the Enterprise Register.

(7) In conformity with that laid down in Paragraph four of this Section, a micro-enterprise may become a micro-enterprise taxpayer from 1 January of the next taxation period. The micro-enterprise taxpayer is entitled to change the selected status of the micro-enterprise taxpayer and become a personal income taxpayer or an enterprise income taxpayer accordingly not sooner than before the end of the relevant taxation period.

(8) If a micro-enterprise becomes or must become a registered value added taxpayer in accordance with the Value Added Tax Law, it shall lose the status of a micro-enterprise taxpayer starting from the next taxation period.

(81) If a micro-enterprise taxpayer does not have turnover in the taxation period, it shall lose the status of a micro-enterprise taxpayer in the post-taxation period. This condition shall not be applied, if the micro-enterprise taxpayer is registered as a micro-enterprise taxpayer after the first quarter of the taxation period.

(82) If a micro-enterprise is registered as a micro-enterprise taxpayer starting from the second quarter of the pre-taxation period and it does not have turnover in the pre-taxation period and taxation period, it shall lose the status of a micro-enterprise taxpayer with the post-taxation period.

(83) [26 November 2020]

(84) [26 November 2020]

(9) [26 November 2020]

[*15 December 2011; 19 September 2013; 6 November 2013; 23 April 2015; 20 December 2016; 28 July 2017; 26 November 2020; 16 June 2021*]

**Section 5. Taxation Period of the Micro-enterprise Taxpayer, Object Taxable with the Micro-enterprise Tax and Calculation of the Micro-enterprise Tax**

(1) The taxation period of a micro-enterprise taxpayer shall be a calendar year.

(2) The micro-enterprise tax shall be applied to the turnover of the taxation period of the micro-enterprise.

(3) The micro-enterprise tax shall be calculated, multiplying the turnover of the taxation period of the micro-enterprise by the micro-enterprise tax rate specified in Section 6 of this Law.

(4) [26 November 2020]

[*19 September 2013; 26 November 2020*]

**Section 6. Micro-enterprise Tax Rate**

(1) The micro-enterprise tax rate shall be as follows:

1) for the turnover of up to EUR 25 000 per year – 25 per cent;

2) for the share of the turnover exceeding EUR 25 000 per year – 40 per cent.

(2) If, upon clarifying a taxation period micro-enterprise tax return for the previous quarter, the turnover referred to in Paragraph one, Clause 1 of this Section has been exceeded:

1) in the quarter of the taxation period in which, after clarification of the micro-enterprise tax return, the turnover specified in Paragraph one, Clause 1 of this Section has been exceeded, the micro-enterprise tax rate specified in Paragraph one, Clause 2 of this Section shall be applicable to the exceedance;

2) the micro-enterprise tax rate specified in Paragraph one, Clause 2 of this Section shall be applicable in the future quarters of the taxation period.

(3) In the year when a micro-enterprise acquires the status of a micro-enterprise taxpayer starting from:

1) the 2nd quarter, the micro-enterprise tax rate for the turnover of up to EUR 18 750 shall be 25 per cent, but for the share of the turnover exceeding EUR 18 750 – 40 per cent;

2) the 3rd quarter, the micro-enterprise tax rate for the turnover of up to EUR 12 500 shall be 25 per cent, but for the share of the turnover exceeding EUR 12 500 – 40 per cent;

3) the 4th quarter, the micro-enterprise tax rate for the turnover of up to EUR 6250 shall be 25 per cent, but for the share of the turnover exceeding EUR 6250 – 40 per cent.

[*26 November 2020*]

**Section 7. Declaration and Payment of the Micro-enterprise Tax**

(1) A micro-enterprise shall pay the micro-enterprise tax for the turnover of a taxation period four times a year for the turnover of each quarter.

(2) A micro-enterprise shall, by the fifteenth date of the month following the quarter, submit to the State Revenue Service a quarterly micro-enterprise tax return, indicating therein the turnover of the quarter in division by months of the quarter and the micro-enterprise tax calculated therefrom. The micro-enterprise shall submit to the State Revenue Service a quarterly micro-enterprise tax return only for the reporting quarter in which the micro-enterprise has had turnover (also in case where the micro-enterprise has had turnover in one or two months of the reporting quarter).

(21) [20 December 2016]

(3) A micro-enterprise shall pay the micro-enterprise tax by the 23rd date of the month following the quarter, paying it into the single tax account.

(4) [26 November 2020]

(5) A micro-enterprise has the right to clarify the micro-enterprise tax return for a reporting quarter no more than twice within a month after the day laid down in Paragraph two of this Section.

(6) After the end of the time period specified in Paragraph five of this Section a micro-enterprise has the right to submit only such clarifications of the micro-enterprise tax return which increase the amount of the tax to be paid.

[*23 April 2015; 30 November 2015; 20 December 2016; 20 December 2016; 23 May 2019 /* *The new wording of Paragraph three shall come into force on 1 January 2021.* *See Paragraph 30 of Transitional Provisions*]

**Section 7.1 Simplified Procedures for the Calculation and Payment of the Micro-enterprise Tax**

(1) A micro-enterprise taxpayer is entitled to use the simplified tax payment solution within the meaning of the law On Taxes and Fees for the calculation and payment of the micro-enterprise tax and to not provide the quarterly micro-enterprise tax return referred to in Section 7 of this Law, and also to not apply the procedures laid down in Section 7 of this Law to payment of the micro-enterprise tax if the following conditions are complied with:

1) the micro-enterprise taxpayer complies with the conditions laid down in the law On Taxes and Fees regarding the use of the simplified tax payment solution;

2) the micro-enterprise taxpayer does not have micro-enterprise tax debts on the day when he or she applies for the use of the simplified tax payment solution;

3) in the time period when the micro-enterprise taxpayer uses the simplified tax payment solution, all operating income of the micro-enterprise taxpayer has been transferred or paid into the operating income account (within the meaning of the law On Taxes and Fees) and presented in the credit turnover of the operating income account;

4) the micro-enterprise arranges accounting in a single entry system.

(2) If the micro-enterprise taxpayer uses the simplified tax payment solution for the calculation and payment of the micro-enterprise tax, he or she shall pay all cash operating income earned during the taxation year into the operating income account within 15 days from the day of receipt of cash but not later than until 31 December of the taxation year or until termination of economic activity if the micro-enterprise taxpayer terminates economic activity during the taxation year, or until termination of the use of the simplified tax payment solution if the micro-enterprise taxpayer terminates the use of the simplified tax payment solution during the taxation year.

(3) In compliance with the time period specified in the law On Taxes and Fees in which the submission for the commencement of the use of the simplified tax payment solution is submitted, the micro-enterprise taxpayer is entitled to commence the use of the simplified tax payment solution:

1) from the day of acquiring the status of a micro-enterprise taxpayer if one of the following cases sets in:

a) the owner of a newly established micro-enterprise chooses to be a micro-enterprise taxpayer;

b) the micro-enterprise is the enterprise income taxpayer or personal income taxpayer but, in accordance with the procedures laid down in Section 4, Paragraph four of this Law, changes the applicable tax scheme to the micro-enterprise tax scheme from the following taxation period;

2) from the first date of the following quarter if the micro-enterprise taxpayer is already operating in the micro-enterprise tax scheme.

(4) In compliance with the time period specified in the law On Taxes and Fees in which the submission for the termination of the use of the simplified tax payment solution is submitted, the micro-enterprise taxpayer is entitled to terminate the use of the simplified tax payment solution in one of the following ways:

1) from the first date of the following quarter;

2) from the day when it loses the status of a micro-enterprise taxpayer.

(5) If the micro-enterprise taxpayer, without complying with the procedures laid down in Paragraph four of this Section, terminates the use of the simplified tax payment solution (also closes the operating income account) or does not comply with the requirements laid down in this Section or the law On Taxes and Fees in relation to the use of the simplified tax payment solution, he or she shall submit the quarterly micro-enterprise tax return for the current quarter and pay the micro-enterprise tax in accordance with the procedures laid down in Section 7 of this Law.

(6) If the date of commencing the use of the simplified tax payment solution is specified in conformity with Paragraph three, Clause 2 of this Section, the micro-enterprise tax rate (in the period from the day when the use of the simplified tax payment solution will be commenced until the second working day after the day of submitting the quarterly micro-enterprise tax return specified in Section 7, Paragraph two of this Law) which is to be notified to a credit institution as the applicable micro-enterprise tax rate shall be 40 per cent of each payment going into the operating income account which forms the credit turnover of the abovementioned account.

(7) If the date of commencing the use of the simplified tax payment solution is specified in conformity with Paragraph three, Clause 2 of this Section and, in accordance with Paragraph six of this Section, the micro-enterprise tax rate applicable to the operating income of the micro-enterprise taxpayer is 40 per cent or the micro-enterprise taxpayer, in accordance with Section 7, Paragraphs five and six of this Law, submits an updated quarterly micro-enterprise tax return of the taxation period after the credit institution has, on the basis of the information provided by the State Revenue Service, transferred the micro-enterprise tax into the single tax account, the State Revenue Service:

1) if an updated quarterly micro-enterprise tax return has been submitted – shall perform recalculation for such quarters of the taxation period when the turnover of the micro-enterprise exceeds the threshold specified in Section 6 of this Law and the micro-enterprise tax rate changes, and also inform the micro-enterprise taxpayer of the supplement to the micro-enterprise tax. The micro-enterprise taxpayer shall, until the twenty-third date of the month following the relevant quarter, pay the missing micro-enterprise tax into the single tax account;

2) if the quarterly micro-enterprise tax return specified in Section 7, Paragraph two of this Law or an updated quarterly micro-enterprise tax return has been submitted – shall, once a quarter or after receipt of a submission of the micro-enterprise taxpayer, perform recalculation and inform the micro-enterprise taxpayer of overpayment of the micro-enterprise tax. The State Revenue Service shall, on the basis of the submission of the micro-enterprise taxpayer and in accordance with the law On Taxes and Fees, perform repayment of the overpaid micro-enterprise tax to the payment account of the micro-enterprise taxpayer which is not the operating income account.

(8) If the micro-enterprise taxpayer uses the simplified tax payment solution for the calculation and payment of the micro-enterprise tax, the State Revenue Service:

1) on the basis of the quarterly micro-enterprise tax return of the taxation period submitted by the micro-enterprise and the information provided by such credit institution which has opened the operating income account for the micro-enterprise taxpayer, shall record the taxation period turnover of the micro-enterprise and the micro-enterprise tax paid by the micro-enterprise taxpayer, including the micro-enterprise tax which has been paid using the operating income account;

2) on the basis of the information provided by such credit institution which has opened the operating income account for the micro-enterprise taxpayer on the credit turnover of the operating income account and the micro-enterprise tax paid, shall create the quarterly micro-enterprise tax return of the taxation period in the Electronic Declaration System of the State Revenue Service. If the micro-enterprise taxpayer has not confirmed the veracity of the information indicated in the return created in the Electronic Declaration System of the State Revenue Service within the time period for the submission of the quarterly micro-enterprise tax return specified in Section 7, Paragraph two of this Law (has not submitted the abovementioned return), has not updated or supplemented the information indicated in the return, it shall be considered that he or she agrees to the information included in the quarterly micro-enterprise tax return filled in by the State Revenue Service and thus confirms that has not earned other income taxable with the micro-enterprise tax.

(9) If an obligation arises for the micro-enterprise taxpayer in accordance with Paragraph five of this Section to submit the quarterly micro-enterprise tax return for the current quarter and to pay the micro-enterprise tax in accordance with the procedures laid down in Section 7 of this Law, he or she shall submit the current quarterly micro-enterprise tax return and, in addition to the information at the disposal of the State Revenue Service which is specified in Paragraph eight, Clause 2 of this Section, shall indicate therein the part of the turnover of the micro-enterprise tax which has not been taxed with the micro-enterprise tax in division according to the months of the quarter and the micro-enterprise tax calculated from it. The micro-enterprise taxpayer may update the micro-enterprise tax return in conformity with Section 7, Paragraphs five and six of this Law.

[*16 June 2021* / *See Paragraph 44 of Transitional Provisions*]

**Section 8. Procedures for Division of the Micro-enterprise Tax**

(1) The State Revenue Service shall allocate the micro-enterprise tax revenues paid into the State budget by a micro-enterprise taxpayer as follows:

1) 80 per cent – the mandatory State social insurance contributions;

2) 20 per cent – the personal income tax.

(2) The State Revenue Service shall allocate the micro-enterprise tax revenues according to the division specified in Paragraph one of this Section each working day.

[*26 November 2020*]

**Section 9. Performance and Registration of the Mandatory State Social Insurance Contributions**

(1) A micro-enterprise taxpayer shall be socially insured, starting from the day when he or she has acquired the status of a micro-enterprise taxpayer.

(2) According to the calculated sum of the mandatory State social insurance contributions, the State Social Insurance Agency shall, taking into account the rate of the mandatory contributions specified for a self-employed person, calculate the object of the mandatory State social insurance contributions for a full calendar month in which the micro-enterprise had turnover.

(3) The calculated object of the mandatory State social insurance contributions shall be rounded up to euros and cents, discarding 0.49 cents and less and rounding 0.50 cents and more up to a cent.

(4) The Cabinet shall determine the procedures by which the State Revenue Service provides information necessary for the State Social Insurance Agency on micro-enterprise taxpayers for the calculation of the object of the mandatory State social insurance contributions, and also for the registration of the insurance period and the actual mandatory contributions made.

[*26 November 2020*]

**Section 10. Responsibility of Employers for Informing Employees**

[26 November 2020]

**Section 11. Liability for Delay of Due Date for the Payment of the Micro-enterprise Tax to be Paid into the Budget and Reduction of the Amount**

(1) Late payment charges shall be calculated for delay of due date for the payment of the micro-enterprise tax in accordance with the law On Taxes and Fees.

(2) For the micro-enterprise tax infringement detected during a tax review (audit) as a result of which the amount of the tax payable to the budget has been reduced the tax administration shall calculate and enforce on behalf of the budget the amount of underpaid tax and late payment charges for the period from the statutory due date on which the payment of the particular tax fell due up to the date on which the tax review (audit) is started, and impose penalties on the micro-enterprise taxpayer in accordance with the law On Taxes and Fees.

(3) The tax administration shall in addition calculate and enforce on behalf of the budget the amount of underpaid tax and late payment charges for the period from the statutory due date on which the payment of the particular tax fell due up to the decision on the results of data conformity examination for the micro-enterprise tax infringement detected in the data conformity examination.

[*20 December 2016*]

**Section 12. Liability for Other Infringements of this Law**

A taxpayer shall be held administratively liable, as prescribed by the law On Taxes and Fees, for the failure to submit the return specified in Section 7, Paragraph two of this Law or for the submission thereof without complying with the time limit specified in the Law.

[*20 December 2016; 26 November 2020*]

**Transitional Provisions**

[*6 November 2013*]

1. [20 December 2016]

2. Section 1, Clause 1, Sub-clause “e” of this Law shall come into force on 1 July 2014. The part of the profit of a partnership applicable to a micro-enterprise shall be taxable with the micro-enterprise tax, applying the micro-enterprise tax rate laid down in Section 6, Paragraph three of this Law.

[*6 November 2013*]

3. Section 2, Paragraphs seven and eight of this Law shall come into force on 1 January 2015.

[*6 November 2013*]

4. If a micro-enterprise taxpayer has issued a loan to a micro-enterprise employee until 31 December 2013, the micro-enterprise employee shall apply Paragraphs 103, 104, 105, and 106 of Transitional Provisions of the law On Personal Income Tax in relation to such loan.

[*6 November 2013*]

5. Section 2.1, Paragraphs six, seven, and eight of this Law shall come into force on 1 July 2014.

[*6 November 2013*]

6. Amendment to Section 6, Paragraph one and Section 6, Paragraph 1.1 of this Law shall come into force on 1 January 2015.

[*6 November 2013*]

7. Section 6, Paragraphs five and six of this Law shall be applied starting with the taxation period from 1 January 2014.

[*6 November 2013*]

8. When applying Section 7, Paragraphs two and three of this Law in respect of the first quarter of 2015, the time period for the submission of the quarterly micro-enterprise tax return and payment of the micro-enterprise tax shall be from 15 May to 25 May 2015.

[*19 March 2015*]

9. [20 December 2016]

10. [20 December 2016]

11. [20 December 2016]

12. [30 November 2015]

13. The micro-enterprise taxpayers who have acquired the status of the micro-enterprise taxpayer by 31 December 2014, a time period of three years laid down in Section 6, Paragraph 1.1 of this Law shall be counted starting from 1 January 2015.

[*23 April 2015 / See Paragraph 14 of Transitional Provisions*]

14. [30 November 2015]

15. [20 December 2016]

16. The Treasury shall divide the revenue of the micro-enterprise tax paid into the State budget in 2015 in accordance with the procedures laid down in the law On the State Budget for 2015.

[*23 April 2015*]

17. The Treasury shall divide the micro-enterprise tax revenue paid into the State budget in 2016 as follows:

1) the micro-enterprise tax revenue paid into the State budget by a micro-enterprise taxpayer – a limited liability company, individual undertaking or farm or fishing enterprise, which paid the enterprise income tax from the income earned as a result of economic activity in the previous taxation period:

a) 0.1 per cent shall be transferred into the account for the State fee of the business risk;

b) 72.4 per cent – into the account of the mandatory State social insurance contributions;

c) 23.7 per cent – into the account of the personal income tax;

d) 3.8 per cent – into the account of the enterprise income tax;

2) the micro-enterprise tax revenue paid into the State budget by a micro-enterprise taxpayer – a natural person registered as a performer of economic activity at the State Revenue Service:

a) 72.4 per cent shall be transferred into the account of the mandatory State social insurance contributions;

b) 27.6 per cent – into the account of the personal income tax;

3) the micro-enterprise tax revenue paid into the State budget by a micro-enterprise taxpayer – a sole proprietorship, individual undertaking or farm or fishing enterprise the owner of which paid the personal income tax from the income earned by the individual undertaking or farm or fishing enterprise in the previous taxation period:

a) 0.1 per cent shall be transferred into the account for the State fee of the business risk;

b) 72.4 per cent – into the account of the mandatory State social insurance contributions;

c) 27.5 per cent – into the account of the personal income tax.

[*23 April 2015*]

18. [20 December 2016]

19. Section 7, Paragraphs five and six of this Law in the wording which was in force until 31 December 2016 shall be applied in respect of the micro-enterprise tax returns submitted for taxation periods up to 2016.

[*30 November 2015*]

20. [20 December 2016]

21. [28 July 2017]

22. A micro-enterprise which from 1 January 2017 would like to acquire or renew (if the status has not been lost in the cases referred to in this Law) the status of a micro-enterprise taxpayer shall submit an application to the State Revenue Service by 31 January 2017 where conformity of the taxpayer is confirmed with the criterion laid down in Section 1, Clause 1, Sub-clause “a” (if the micro-enterprise is a limited liability company) and the criterion laid down in Section 2 of this Law, and also with the conditions laid down in Section 4, Paragraph one in relation to the next taxation period.

[*20 December 2016*]

23. When applying Section 6, Paragraph one of this Law, the micro-enterprise tax rate for the turnover of the micro-enterprise up to EUR 7000 shall be 12 per cent in 2017.

[*20 December 2016*]

24. The division of the micro-enterprise tax revenue laid down in Section 8 of this Law shall be applied from 1 January 2018.

[*20 December 2016*]

25. The Treasury shall divide the micro-enterprise tax revenue paid into the State budget in 2017 as follows:

1) the micro-enterprise tax revenue paid into the State budget by a micro-enterprise taxpayer – a limited liability company, individual undertaking or farm or fishing enterprise which paid the enterprise income tax from the income earned as a result of economic activity in the previous taxation period:

a) 0.1 per cent shall be transferred into the account for the State fee of the business risk;

b) 70.4 per cent – into the account of the mandatory State social insurance contributions;

c) 27.6 per cent – into the account of the personal income tax;

d) 1.9 per cent – into the account of the enterprise income tax;

2) the micro-enterprise tax revenue paid into the State budget by a micro-enterprise taxpayer – a natural person registered as a performer of economic activity at the State Revenue Service:

a) 70.4 per cent shall be transferred into the account of the mandatory State social insurance contributions;

b) 29.6 per cent – into the account of the personal income tax;

3) the micro-enterprise tax revenue paid into the State budget by a micro-enterprise taxpayer – a sole proprietorship, individual undertaking or farm or fishing enterprise the owner of which paid the personal income tax from the income earned by the individual undertaking or farm or fishing enterprise in the previous taxation period:

a) 0.1 per cent shall be transferred into the account for the State fee of the business risk;

b) 70.4 per cent – into the account of the mandatory State social insurance contributions;

c) 29.5 per cent – into the account of the personal income tax.

[*20 December 2016*]

26. A micro-enterprise taxpayer, upon applying Section 6, Paragraph 3.1 of this Law in the taxation years of 2018 and 2019, is entitled to not to apply Section 6, Paragraph three of this Law to the turnover which does not exceed EUR 52 000, if the annual turnover of the pre-taxation year of the micro-enterprise taxpayer or the turnover of the year which is before the pre-taxation year exceeds EUR 40 000.

[*28 July 2017*]

27. Section 2.2 of this Law with regard to the employees of a micro-enterprise who are employed by the micro-enterprise taxpayer on 31 December 2017 shall be applicable from 1 January 2019.

[*28 July 2017*]

28. Until 1 February 2018, the State Revenue Service shall inform via the Electronic Declaration System those micro-enterprise taxpayers who as on 31 December 2017 employ such natural persons who are employed also by another micro-enterprise taxpayer of the restrictions referred to in Section 2.2 of this Law, indicating the given name, surname and personal identity number of the employee of the micro-enterprise.

[*28 July 2017*]

29. Amendments to Section 3, Paragraph one of this Law with regard to the obligation of a micro-enterprise taxpayer to include the information referred to in this Paragraph in the employment contract shall apply to contracts concluded after 1 January 2018.

[*28 July 2017*]

30. Amendment to Section 6, Paragraph five of this Law regarding its rewording, amendments to Section 7 regarding the rewording of Paragraph three and to the second sentence of Paragraph six in relation to the substitution of the word “budget” with the words “the single tax account”, and also amendment to Section 8 regarding its rewording shall come into force on 1 January 2021.

[*23 May 2019*]

31. A micro-enterprise taxpayer who has been registered as a micro-enterprise taxpayer by 31 December 2020 or has acquired the status of a micro-enterprise taxpayer as of 1 January 2021 (hereinafter – the already registered micro-enterprise taxpayer), shall apply the norms of this Law which were in force on 31 December 2020, except for Paragraphs 32, 33, 34, 35, 36, 37, 38, 39, and 40 of the Transitional Provisions, until 31 December 2021.

[*26 November 2020*]

32. An already registered micro-enterprise taxpayer shall apply the following micro-enterprise tax rates, starting from 1 January 2021:

1) to the turnover of up to EUR 25 000 per year – 25 per cent;

2) for the share of the turnover exceeding EUR 25 000 per year – 40 per cent.

[*26 November 2020*]

33. The State Revenue Service shall allocate (each working day) the micro-enterprise tax revenues paid into the State budget for 2021 by an already registered micro-enterprise taxpayer according to the allocation specified in Sub-clauses 1, 2, and 3 of this Clause as follows:

1) the micro-enterprise tax revenues paid into the State budget by the micro-enterprise taxpayer – a limited liability company, an individual undertaking or a farm or fishing enterprise which has paid the enterprise income tax from the income earned as a result of economic activity in the previous taxation period – shall be allocated as follows:

a) 0.1 per cent – the State entrepreneurial risk fee;

b) 80 per cent – the mandatory State social insurance contributions;

c) 18.8 per cent – the personal income tax;

d) 1.1 per cent – the enterprise income tax;

2) the micro-enterprise tax revenues paid into the State budget by the micro-enterprise taxpayer – a natural person registered with the State Revenue Service as a performer of economic activity – shall be allocated as follows:

a) 80 per cent – the mandatory State social insurance contributions;

b) 20 per cent – the personal income tax;

3) the micro-enterprise tax revenues paid into the State budget by the micro-enterprise taxpayer – a sole proprietorship, an individual undertaking or a farm or fishing enterprise the owner of which has paid the personal income tax from the income earned by the individual undertaking or farm or fishing enterprise in the previous taxation period – shall be allocated as follows:

a) 0.1 per cent – the State entrepreneurial risk fee;

b) 80 per cent – the mandatory State social insurance contributions;

c) 19.9 per cent – the personal income tax.

[*26 November 2020*]

34. An already registered micro-enterprise taxpayer is prohibited from hiring a micro-enterprise employee within the meaning of Section 1, Clause 3 of this Law (in the wording which was in force on 31 December 2020). Starting from 1 January 2021, when hiring an employee, the personal income tax (salary tax) shall be paid for him or her according to the general procedures in accordance with the law On Personal Income Tax, and the employee shall be insured as an employee in accordance with the law On State Social Insurance.

[*26 November 2020*]

35. Starting from 1 July 2021:

1) the income earned by an employee of an already registered micro-enterprise taxpayer within the meaning of Section 1, Clause 3 of this Law (except for a micro-enterprise owner within the meaning of Section 1, Clause 2 of this Law) (in the wording which was in force on 31 December 2020) who has been hired by 31 December 2020 shall be taxable with the personal income tax (salary tax) in accordance with the law On Personal Income Tax, and the employee shall be insured as an employee in accordance with the law On State Social Insurance;

2) a micro-enterprise owner of an already registered micro-enterprise taxpayer within the meaning of Section 1, Clause 2 of this Law (in the wording which was in force on 31 December 2020) shall pay the micro-enterprise tax in accordance with the rates specified in Paragraph 32 of these Transitional Provisions.

[*26 November 2020*]

36. An already registered micro-enterprise taxpayer – a limited liability company – shall lose the status of a micro-enterprise taxpayer, starting from 1 January 2022, and shall become a payer of the enterprise income tax.

[*26 November 2020*]

37. A micro-enterprise taxpayer has the right to change the status of a micro-enterprise taxpayer in 2021 and become a payer of the enterprise income tax or a payer of the personal income tax respectively as of the first day of the next quarter by submitting an application to the State Revenue Service by the fifteenth date of the last month of the current quarter.

[*26 November 2020*]

38. The limitation of the income earned by the micro-enterprise employee amounting to EUR 720 per month and specified in Section 2, Paragraph four of this Law (in the wording which was in force on 31 December 2020), and also Section 5, Paragraph four of this Law (in the wording which was in force on 31 December 2020) prescribing the application of an increased micro-enterprise tax rate from the part of the income earned by the micro-enterprise employee which exceeds EUR 720 per month shall not be applicable in 2021 to an employee of an already registered micro-enterprise taxpayer who has been hired until 31 December 2020.

[*26 November 2020*]

39. The limitation of the turnover of the calendar year of a micro-enterprise amounting to EUR 40 000 and specified in Section 1, Clause 1, Sub-clause “b” of this Law (in the wording which was in force on 31 December 2020), and also Section 6, Paragraphs two, 2.1, three, 3.1, 3.2, four, and seven of this Law (in the wording which was in force on 31 December 2020) shall not be applicable in 2021 to an already registered micro-enterprise taxpayer.

[*26 November 2020*]

40. An already registered micro-enterprise taxpayer shall, together with the information specified in Section 7, Paragraph two of this Law on the first and second quarters of 2021, provide information on micro-enterprise employees and income of each micro-enterprise employee in each month of the quarter. This information shall not be provided if a micro-enterprise only has a micro-enterprise owner and does not have other micro-enterprise employees within the meaning of Section 1, Clause 3 of this Law (in the wording which was in force on 31 December 2020). An already registered micro-enterprise taxpayer – a limited liability company – if the owners thereof constitute more than one person, shall, together with the information specified in Section 7, Paragraph two of this Law on all quarters of 2021, provide information on micro-enterprise employees and income of each micro-enterprise employee in each month of the quarter.

[*26 November 2020*]

41. If as a result of the change of micro-enterprise owners within the meaning of Section 1, Clause 2 of this Law (in the wording which was in force on 31 December 2020) the number of micro-enterprise owners increases in 2021 for an already registered micro-enterprise taxpayer – a limited liability company –, the micro-enterprise shall lose the status of a micro-enterprise taxpayer, starting from the day of an increase in the number of micro-enterprise owners of the micro-enterprise taxpayer – a limited liability company.

[*26 November 2020*]

42. A micro-enterprise shall submit to the State Revenue Service a micro-enterprise tax return for the fourth quarter of 2020 in accordance with the procedures laid down in the Cabinet Regulation No. 190 of 8 April 2014, Regulations Regarding the Micro-enterprise Tax Declaration and the Procedures for Filling in Thereof.

[*26 November 2020*]

43. The State Revenue Service shall, each working day, allocate the micro-enterprise tax revenues paid into the State budget for the fourth quarter of 2020 by a micro-enterprise taxpayer in accordance with the allocation specified in Section 8, Paragraphs one, two, and three of this Law (in the wording which was in force on 31 December 2020).

[*26 November 2020*]

44. Section 7.1 of this Law shall not be applicable to a limited liability company which, until 31 December 2021, retains the status of a micro-enterprise taxpayer in accordance with Paragraph 36 of the Transitional Provisions of this Law and to the micro-enterprise taxpayer who is registered as a value added taxpayer and, until 31 December 2021, retains the status of the micro-enterprise taxpayer in accordance with Paragraph 31 of the Transitional Provisions of this Law.

[*16 June 2021*]

The Law shall come into force on 1 September 2010.

The Law has been adopted by the *Saeima* on 9 August 2010.

President V. Zatlers

Rīga, 19 August 2010