

# Cryptocurrency Taxes in Latvia (updated on 10.01.2025)

Digital currency wave sweeps across the world and those involved in the Latvian cryptocurrency market are traversing a rather intricate labyrinth of tax implications and legal requirements that significantly influence their dealings in digital assets. Understanding these nuances is essential for ensuring compliance and optimizing tax liabilities.

The Latvian State Revenue Service (SRS) has issued comprehensive guidelines on the taxation of digital currency transactions. These guidelines cover a wide range of aspects, from the legal standing of digital currencies to accounting standards and the application of Value Added Tax (VAT) to digital currency transactions and services. It's crucial for traders to be familiar with these guidelines to navigate the tax implications of their crypto transactions effectively.

## **Personal Income Tax on Crypto Transactions**

In Latvia, capital gains from cryptocurrency trading are subject to a 25.5% personal income tax. This tax from cryptocurrency applies when crypto is sold and fiat currency is received in return. The income is considered received on the day the fiat currency is received on the account. If the income from transactions with capital assets (cryptocurrency) in a quarter exceeds 1000 euros, the declaration on income from capital for the income earned during the quarter is submitted to the SRS once a quarter by the 15th of the following month and the calculated tax is paid by the 23rd of the relevant declaration. If the total income from transactions with capital assets in a quarter does not exceed 1000 euros, the declaration on income from capital for the income earned in the taxation year is submitted to SRS by January 15 of the following year and the calculated tax is paid by January 23.

## **Reporting and Documentation**

Taxpayers are required to report their crypto transactions and are responsible for maintaining documentation that can support the transactions reported. This includes screenshots, payment confirmations, and any other relevant documentation that can prove the volumes and prices of transactions. Importantly, this documentation must be kept for at least five years to be available for inspection by the State Revenue Service upon request.

## **Calculating Cryptocurrency Taxes and Deducting Losses**

When cryptocurrency calculating taxes, losses incurred can be used to offset profits within the same taxation year, which can significantly impact the amount of tax payable. It's important to accurately calculate both profits and losses to ensure the correct amount of tax is paid. The basis for tax from cryptocurrency calculations should always be backed by proper documentation to justify the purchase values and sales amounts.

## Special Considerations

Several special scenarios can affect how crypto transactions are taxed. For example, the act of donating cryptocurrency, swapping crypto for another cryptocurrency, and using Bitcoin as a pledge for receiving credit have specific tax implications. Each scenario requires careful consideration to determine the applicable taxes.

For Latvian crypto traders and investors, staying informed about the latest tax from cryptocurrency regulations and ensuring proper reporting and documentation of their crypto transactions is essential. This not only helps in avoiding potential penalties but also in maximizing the efficiency of their tax liabilities. Engaging with reputable exchanges that comply with Latvian regulations and seeking advice from tax professionals can further aid in navigating the complex landscape of cryptocurrency taxation in Latvia.



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