

INFORMATION - Latvia

Use and Enjoyment - VAT Directive 2006/112/EC - Article 59a

In Latvia, there is a use and enjoyment rule applicable to telecommunications, broadcasting and electronic services. The use and enjoyment rule applies to non-VAT taxable persons as well. Accordingly:

- where the place of supply of telecommunications, broadcasting and electronic services provided to non-VAT taxable persons is Latvia but the effective use and enjoyment of the service takes place outside the EU, the service is outside the scope of Latvian VAT; and

- where the place of supply of telecommunications, broadcasting and electronic services provided to non-VAT taxable persons is outside the EU but the service is used and enjoyed in Latvia, the service is subject to Latvian VAT.

Reference to the above may be found in the Latvian VAT Law in Article 30.

Time of supply / chargeability - Deferment and Cash Accounting Scheme - VAT Directive 2006/112/EC - Article 66

Latvia has not implemented provisions provided for in Article 66 of the VAT Directive for telecommunications, broadcasting and electronic services provided under the MOSS. The general rules should therefore apply.

Reference to the above may be found in the Latvian VAT Law in Article 137.

Time of supply / chargeability - Continuous supplies - VAT Directive 2006/112/EC - Article 64(2)

In Latvia, continuous supplies of services subject to Latvian VAT that do not give rise to successive payments are deemed to be completed at intervals of at least 6 months. Continuous supplies of services for which VAT is payable by the customer (pursuant to Article 196 of VAT Directive) that do not give rise to successive payments are deemed to be completed at intervals of at least 12 months.

Reference to the above may be found in the Latvian VAT Law in Article 32.

Re-valuation of services at open market value - VAT Directive 2006/112/EC - Article 80

According to Latvian VAT Law, supply of services between related parties within the meaning of the Law on Taxes and Duties the taxable value shall be the market value of the supply of goods and services, if the transaction value is:

(1) lower than open market value and the recipient of the goods/services does not have a right to fully deduct input VAT;

(2) lower than open market value and the supplier of the goods/services does not have a right to fully deduct input VAT and the transaction is VAT exempt;

(3) higher than open market value and the supplier of the goods/services does not have a right to fully deduct input VAT;

Reference to the above may be found in the Latvian VAT Law in Article 34.

Bad Debt relief - VAT Directive 2006/112/EC - Article 90

In Latvia, bad debt relief is available. A simplified procedure is introduced for debts that do not exceed EUR 430,00 (excl. VAT) if the bad debt has arisen starting 1 January, 2017, or do not exceed EUR 426.86 (excl. VAT) for bad debts arising before 1 January, 2017. VAT on bad debt is recoverable if the following criteria are met:

1) An invoice has been issued for the supplied goods or services;

2) The bad debt has occurred within the last three taxation years;

3) VAT was calculated for the relevant transaction and filed in the relevant periods' VAT return;

4) The amount is written off according to certain accounting provisions;

5) The supplier and the recipient are not related parties;

6) The supply was terminated at least six months before the relief is claimed and has not been renewed;

7) The taxpayer has not assigned the debt to a third party;

8) The taxpayer can prove that they made an effort to recover the bad debt;

9) If the recipient is a registered VAT payer in Latvia, the supplier has informed (within a term prescribed by the VAT Law) the recipient that the respective transaction has been considered as a bad debt.

In case the value for one bad debt goods or services recipient has exceeded EUR 426.86 (excl. VAT), for bad debts arising before 1 January, 2017 or EUR 430 (excl. VAT) for bad debts arising after 1 January, 2017, the taxpayer has the right to deduct such input VAT in the VAT return if the previously mentioned criteria are met and a Court decision on a debt levy has been made and a statement from a bailiff that the debt recovery is not possible has been issued.

Where insolvency procedures have been initiated against the customer, the VAT payable may be reduced by VAT on bad debt (subject also to above mentioned conditions, 1 – 5; 7 and 8) after the insolvency procedure is complete.

Reference to the above may be found in the Latvian VAT Law in Article 105.

Application of reduced VAT rates - VAT Directive 2006/112/EC - Article 98

In Latvia, no reduced VAT rates apply with respect to telecommunications, broadcasting and electronic services provided to non-VAT taxable persons.

Standard VAT Rate - VAT Directive 2006/112/EC - Article 96-97

In Latvia the standard VAT rate is 21% according to Latvian VAT Law (Article 41).

Release from payment of insignificant amounts of VAT - VAT Directive 2006/112/EC - Article 212

Latvia has not implemented a rule under its domestic legislation whereby taxable persons are released from the payment of VAT where the amount due is insignificant.

Invoicing Obligations - Obligation to issue an invoice - VAT Directive 2006/112/EC - Articles 217-249

In Latvia, there is no obligation to issue an invoice for telecommunications, broadcasting and electronic services provided to non-VAT taxable persons unless requested by the customer.

Reference to the above may be found in the Latvian VAT Law under Article 127 (3).

Invoicing Obligations - Content of an invoice - VAT Directive 2006/112/EC - Articles 217-249

In cases where an invoice is requested by the customer, the invoice should be issued in accordance with Directive 2006/112/EC.

Reference to the above answer may be found in the local legislation under Latvian VAT Law Article 125.

Invoicing Obligations - Time limit for issuing an invoice - VAT Directive 2006/112/EC - Articles 217-249

Generally invoices shall be issued within 15 days from the date of supply or receipt of an advance payment.

Reference to the above may be found in the Latvian VAT Law under Article 131.

Invoicing Obligations - Summary Invoices - VAT Directive 2006/112/EC - Articles 217-249

The general invoicing obligations provided under Directive 2006/112/EC apply.

Reference to the above may be found in the Latvian VAT Law under Article 129.

Invoicing Obligations - Electronic invoices - VAT Directive 2006/112/EC - Articles 217-249

The general invoicing obligations provided under Directive 2006/112/EC apply.

Reference to the above may be found in the Latvian VAT Law under Articles 125 and 132.

Invoicing Obligations - Batch of electronic invoices - VAT Directive 2006/112/EC - Articles 217-249

There are no specific provisions in the Latvian legislation regarding the issue of batch of electronic invoices.

Additional obligations deemed necessary for collecting VAT and preventing evasion (anti-avoidance measures) - VAT Directive 2006/112/EC - Article 273

Latvia has not implemented any rules or anti-avoidance measures that may directly impact telecommunications, broadcasting and electronic services provided to non-VAT taxable persons.

Stand-still scheme - Derogations for States which were members of the Community on 1 January 1978 - VAT Directive 2006/112/EC - Articles 370-391

N/A

Stand-still scheme - Derogations for States which acceded to the Community after 1 January 1978 - VAT Directive 2006/112/EC - Articles 370-391

There are no provisions which are applicable under a Stand-still Scheme in the Latvian VAT legislation or subject to common practice in Latvia that may be relevant for telecommunications, broadcasting and electronic services provided to non-VAT taxable persons.

VAT Treatment of vouchers

The Latvian VAT Law only provides rules regarding the time of supply of pre-paid telecommunications credits. The time of supply for such transactions is when the pre-paid telecommunication credit is purchased by the consumer.

There are no specific rules in the Latvian Legislation with regards to vouchers.

Reference to the above may be found in Article 124 of the Latvian VAT Law.

Exemptions - VAT Directive 2006/112/EC - Articles 132 & 135 (E-learning activities)

According to Latvian VAT Law, a VAT exemption applicable to educational activities is applicable to:

- (1) pre-school educational institutions which provide children supervision and pre-school educational services;
- (2) state eligible educational institution services of general, professional, higher and interest education fields as well as for services which are closely connected with the provision of those educational services;
- (3) educational services which are supplied to institutions mentioned in (2) by foreign educational institutions;
- (4) educational services which are rendered by teachers, such as rendering private lessons within the framework of general, professional and higher education programs; and
- (5) professional training or re-qualifying services for unemployed persons which are organized by State Employment Agency.

Reference to the above may be found in Article 52 of the Latvian VAT Law. However, there is no certainty whether this is applicable to e-learning.

Exemptions - VAT Directive 2006/112/EC - Articles 132 & 135 (Gambling activities)

According to Latvian VAT Law, a VAT exemption is applicable to gambling and lottery related activities for taxpayers who have rights to create casinos' and gambling halls and to organize lotteries.

However, such exemption does not extend to gambling activity related services, such as goods and services supplies or catering entities and slot machine (adult or children) purchases and maintenance services.

There is however no clear guidance in the Latvian legislation regarding the VAT treatment of e-gambling activities.

Reference to the above may be found in Article 52 of the Latvian VAT Law and Cabinet Regulations No.17 Articles 49; 50; 51.

Exemptions - VAT Directive 2006/112/EC - Articles 132 & 135 (General)

There are no further exemptions in the Latvian VAT legislation under which the supply of telecommunications, broadcasting and electronic services provided to non-VAT taxable persons may fall.

VAT Registration Process

In Latvia, taxpayers may apply for MOSS registration via the State Revenue Service (SRS) Electronic Declaration System (EDS) at <https://eds.vid.gov.lv/login/>

Access to web-portal and contact details of the local VAT Authorities

EDS is the platform created by the State Revenue Service to ensure electronic means of communication and TAX compliance. EDS can be accessed by the following link: <https://eds.vid.gov.lv/login/>

After the registration in EDS, EDS can be accessed in the following ways:

- (1) logging in with access details (login and password) provided by State Revenue Service;
- (2) e-signature;
- (3) logging via e-banking systems of the biggest banking institutions in Latvia.

No distinction between EU and non-EU suppliers of Relevant Services has been done regarding EDS. Please note that EDS at this moment is available only in Latvian.

General contact information of Latvian State Revenue Service Taxes department is as follows:

Address: Talejas iela 1, Rīga, LV-1978

e-mail: MOSS.LV@vid.gov.lv

tel: 00371 67121794

Appointment of a VAT Agent

The appointment of a VAT representative for VAT registration under the MOSS is not required in Latvia.

Penalties for non-compliance (Failure to register and late registration)

The non-registration penalty clause is between EUR 220 and EUR 350 (in addition to other potential penalties for non-compliance with other requirements e.g. obligations to pay VAT).

Reference to the above may be found in the Latvian Administrative Violations Code under Article 165.2.

Penalties for non-compliance (Non-payment and late payment of VAT)

For non-payment of VAT, a penalty of up to 30% of the unpaid amount may be imposed as well as late-payment interest at 0.05% of the unpaid VAT per day.

For late-payment of VAT, a late penalty of 0.05% of the unpaid VAT amount per day may be imposed.

Reference to the above may be found in the Latvian Law on Taxes and Duties under Articles 29 and 32.

Penalties for non-compliance (Non-submission and late submission of VAT returns)

For non-submission of a VAT return, a penalty of EUR 70 - 700 may be imposed.

For late submissions of a VAT return, penalties up to EUR 70 (1 - 15 days late) or EUR 71 - 280 (16 - 30 days late) or EUR 281 - 700 (more than 30 days late) may be imposed.

Reference to the above may be found in the Latvian Administrative Violations Code under Article 159.8.

Penalties for non-compliance (Incomplete and incorrect VAT returns)

Penalties may be imposed for non-declared VAT. In such case, the undeclared VAT must be paid, together with a penalty of up to 30% of the unpaid VAT amount along with a late payment fee of 0.05% of the unpaid amount per day.

Reference to the above may be found in the Latvian VAT Law under Article 146 and in the Latvian Administrative Violations Code under Article 159.8.

Penalties for non-compliance (Non-compliance with invoicing and accounting obligations)

For non-compliance with general accounting provisions, administrative penalties of EUR 70 - 430 may be imposed and a member of the board of the company can be restricted to hold certain positions in commercial companies in Latvia. In addition, in case of incorrect VAT invoices or incorrect/missing supplementary documents, the respective input VAT deduction rights might be challenged by tax authorities.

Reference to the above may be found in the Latvian VAT Law under Article 146 and in the Latvian Administrative Violations Code under Article 166.6.