

## VAT Law Clears Final Hurdle

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# COUNTRY DIGEST

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The Latvian parliament recently adopted, in a final reading, a long-awaited new VAT law to replace the 1995 Law On VAT, which had been amended 34 times and no longer met current needs. (For prior coverage, see *Tax Notes Int'l*, Sept. 17, 2012, p. 1109.)

The new VAT law, which entered into force on January 1, establishes an explicit and transparent tax policy and brings the tax system into line with EU regulations by eliminating multiple interpretations of the VAT provisions. The law establishes VAT payers, taxable transactions, taxable value, the place of delivery of goods and the provision of services, tax rates, and tax exemptions. It also establishes rules for tax payments, tax administration, pretax deductions, tax refunds, and penalties for violation of the VAT law.

The existing regulatory provisions have been amended to bring the terminology into line with the EU VAT directive, and several provisions relating to the procedural rules for Cabinet ministers have been incorporated into the new law.

The new VAT law also uses some new terminology, such as the term “taxpayer” instead of the earlier “taxable person”; clarifies the term “auxiliaries service”; and improves the regulations for cross-border sales transactions. Several new sections establish norms for determining the moment of acquisition and delivery of goods.

The term “triangular transaction” from the former regulation has been excluded from the new VAT law, systematized rules for the deduction and correction of pretax payments have been developed, and the wording “with VAT imposable value” has been clarified to refer to remuneration for delivered goods or provided services and not their market value.

The new law also develops new, and consolidates the existing, provisions relating to the amount of VAT payable to the state budget and the entities that are subject to it. A new term — “low-value gift” — is introduced, along with rules for the deduction of pretax payments on the acquisition of those gifts.

To facilitate administrative procedures, the law also includes a number of optional provisions. Also, VAT will be imposed on transactions involving used real property, and pretax payments will not be adjusted in cases of destruction or theft of the property.

In individual cases, the purchaser or recipient of the service will be able to issue a VAT invoice himself, and the new law also simplifies requirements for preparing and sending VAT invoices electronically.

No customs duty will be due on shipments of imported goods valued at €22 or less (as opposed to the former €10 or less). The new law also establishes the opportunity for a VAT payer to register with the tax authority for a specific period. ◆

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