



VAT HANDBOOK 2017 LATVIA



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The European Union (EU) VAT Directive is implemented through the “Value Added Tax Law” (hereafter referred to as the “VAT Law”). In Latvia, the VAT is referred to as “Pievienotās vērtības nodoklis” or “PVN”.

As of 1 January 2013, a completely new VAT Law came into force. The new VAT Law was implemented to make the VAT provisions more compliant with the EU VAT Directive, by following the structure and terminology of the EU VAT Directive.

1. Taxable Persons

Contrary to the previous VAT Law when a person was considered a taxable person if it was registered for VAT purposes with the tax authorities, as of 2013 any person who independently carries out in any place any economic activity, whatever it be the purpose or result of that activity, is considered a taxable person. Taxable persons can be either registered or not registered with the tax authorities.

1.1 Registration threshold for domestic taxable persons

If the total value of taxable supplies of goods and services provided has not exceeded EUR 50,000 during the preceding 12 months, no registration is required. Taxable persons can, however, register before reaching this threshold.

The registration is with the Latvian State Revenue Service (SRS). The following documents must be provided for the registration:

- a registration form;
- if an individual is registering, a copy of his/her passport or some other official identification; and
- if an authorised person performs the registration, a power of attorney.

1.2 Registration threshold for foreign taxable persons

There is no registration threshold for foreign legal entities. In some circumstances registration can be avoided, because of the application of the reverse charge mechanism or the appointment of a fiscal representative.

When registering, the following documents must be submitted:

- a registration form;
- the extract of the Commercial Register; and
- if the authorized person performs the registration, a power of attorney.

The registration form can be submitted via Electronic Declaration System (EDS), sent via email by using a secure electronic signature to vid@vid.gov.lv or by submitting a registration form in any of State Revenue services (SRS) customer service centres (applicant must provide official identification document).

The registration forms can be downloaded at the following link: <https://www.vid.gov.lv/en/registration-vat-payer-another-eu-member-state>

Usually it takes 5 working days to register for VAT as of the submission of all the required documents.

1.3 VAT grouping

The conditions for the registration of a Latvian VAT group are: the participants of the VAT group may only be taxable persons, the maximum number of participants in the VAT group is not limited and a taxable person may not be a participant of another VAT group at the same time.

A VAT group may be established if the total value of the taxable supplies of goods and services provided by at least one participant of the VAT group during the preceding 12 calendar months up to the month when an application for the registration of the VAT group is submitted, is at least EUR 350 000.

The participants of the VAT group can only be companies registered for VAT purposes in Latvia. Also they must be included in one group of companies (in accordance with the Group of Companies Law) or a branch of a foreign merchant (legal person), provided that the foreign merchant, in accordance with the Group of Companies Law, is a member of the same group of companies in which the other participants of the VAT group are included.

Holding companies receiving only dividend income cannot be included in the VAT group. Foreign companies cannot be included in the VAT group, even if they have a fixed establishment in Latvia. However, if the foreign company registers a branch in Latvia, this branch could be included in the VAT group provided that the above conditions stipulated in the Group of Companies Law are met.

The VAT group members must enter into an agreement. This agreement must be entered by all the members with one of them being appointed as the principal entity, the head company of the VAT group.

VAT grouping is optional. A VAT group is regarded as one taxable person for any supply to or by the VAT group. For VAT purposes, supplies of goods or services between members of a VAT group no longer fall within the scope of VAT. Supplies of goods or services made by third parties to an individual member of a VAT group are deemed to have been made to the VAT group.

The VAT group members use their own VAT registration number for transactions with persons, which are not members of the group. The registration number granted to the VAT group shall be used only for filing the VAT return of the VAT group and for the payment of the VAT. Group members are jointly and severally liable for payment for the group's VAT.

1.4 Fiscal representative

Latvia has introduced the concept of fiscal representation as of 2011. A fiscal representative is a taxable person who, based on a written agreement, is liable for paying VAT to the tax authorities and represents a taxable person from another EU Member State or a non-EU country for tax purposes. Both non-EU persons and EU taxable persons may - but are not obliged - to appoint a fiscal representative when registering for VAT. The requirements for a fiscal representative are:

- it should file one of the following:
- bank certification that it has deposited enough funds to cover the potential tax debts - at least 20% of the average VAT taxable transactions value reported in the VAT returns of the previous 3 taxation period tax declarations and no less than EUR 14,200;
- bank or insurance company guarantee of at least EUR 285 000;
- it should be registered as a taxable person in Latvia for at least 2 years and perform business activities in Latvia uninterrupted since the VAT registration;
- it does not have any outstanding tax debts when submitting the VAT registration application or by decision of the SRS the term for the payment of tax debts are divided in instalments;
- It does not have a criminal record for fraud, falsification of documents, tax avoidance or criminal activities that could result in a reduction of the taxable amount;
- it files the tax returns and the information requested by the SRS in due terms;
- it is registered as the user of the Electronic Declaration System; and

- it can be contacted at its legal address.
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2. Simplification measures

2.1 Consignment and call-off stock

There is a simplification for call-off stock in Latvia. Under this simplification, no VAT registration of the foreign supplier is required if goods are delivered to a taxable person in Latvia and in accordance with an agreement between the two parties, ownership passes to the receiver only when the goods are used or further sold by the receiver.

The simplification is optional.

The Latvian recipient must, however, maintain separate accounting records for the goods held under call-off conditions, so they can be identified until ownership transfers occurs.

When the goods are used or sold by the Latvian recipient, the purchase is an intra-Community acquisition. The supply by the foreign taxable person is, therefore, treated as an intra-Community supply and not as a local sale. It is also required that the Latvian recipient of the consignment stock reports the stock received in its VAT return as an intra-Community acquisition at the moment when the goods are taken out of the stock (title of the goods passes to the consignee).

The time limit under which goods can be stored under the simplification is 2 years. This implies that once 2 years have elapsed from the delivery of the goods from another EU Member State, the Latvian recipient is obliged to account for an intra-Community acquisition or the supplier must register for VAT and account for an intra-Community acquisition in Latvia.

The intra-Community acquisition of goods should be reported when the goods are received either by the customer of the goods in Latvia or by the supplier (then VAT registration is mandatory).

2.2 Simplified triangulation rules

All parties to the triangulation must be registered for VAT in the EU. The triangulation can only be applied if the supplier of the goods, the middleman and the final customer of the goods are VAT registered in different EU countries. However, to apply the simplified triangulation scheme the middleman cannot be VAT registered and established in the country of arrival (i.e., Latvia). Also the middleman must not be VAT registered in the country of dispatch. There are no special requirements, apart from those already specified by the VAT Directive.

2.3 Transfer of business

The transfer of business is not considered a supply of goods or services if the following criteria are met:

- the transferee takes over the rights and liabilities from the transferor of the business; and
- the transferee continues its operations and these operations are not connected to the liquidation of the business or sale of the received assets.

The general rules for transfer of business are provided by the Latvian Commercial Law. It should be noted that according to the Latvian Commercial Law, the transferor and transferee are jointly liable for the liabilities incurred prior to the transfer of the business for 5 years.

3. Installation supplies

Installation supplies are treated as supplied where they are constructed or installed. In Latvia, there is no formal definition of the term “supply with installation or assembly”. In determining whether the services are related to immovable property or installation services are provided, the authorities would examine the works actually performed.

The reverse charge applies if a non-established company that is not registered for VAT in Latvia supplies goods with installation in Latvia and the customer is VAT registered in Latvia. (see paragraph 11.2)

If the goods are supplied to a company or individual that is not VAT registered in Latvia, the supplier must register as a taxable person in Latvia.

4. Distance sales threshold

The distance sales threshold for Latvia is EUR 35,000. If the threshold is not exceeded, foreign taxable persons may opt to register for VAT in Latvia and apply Latvian VAT. There are no specific conditions for voluntary VAT registration.

A foreign taxable person has to register for VAT in Latvia:

- within 30 days from the day when the total value of the sales in previous or current calendar year has exceeded the threshold;
- before the transaction, if goods are subject to excise duties in Latvia, irrespective to the value of excise goods.

A foreign taxable person opting to register must file an application. The option is applicable, i.e. Latvian VAT must be applied as from the date the person is registered for Latvian VAT. No special requirements apply. No time limit applies to the optional VAT registration.

5. Acquisition threshold

The acquisition threshold for non-taxable legal persons, taxable persons engaged in exempt activities and flat-rate farmers from suppliers established in another EU Member State is EUR 10,000.

6. Effective use and enjoyment

Latvia has introduced effective use and enjoyment rules based on article 59 sub a and b of the EU VAT directive.

When the place of supply of any or all of services is situated in the EU territory, the actual place of supply is situated outside EU, if the effective use and enjoyment of the services takes place outside the EU.

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These rules applies to following services: the supply of transportation services of the goods, fixed telecommunication services, electronic communications services, lease of movable property and of motor vehicles if such services are provided to a registered taxable person assigned with a taxpayer identification number or equivalent number.

7. Bad debt relief

It is possible to recover the VAT paid to the state on bad debts from unrelated parties, when the debt for one customer is less than EUR 430 without VAT. In order to reclaim the VAT, the following conditions should be met:

- a VAT invoice has been issued for the sale of goods or services;
- the debt has been incurred during the last 3 years;
- the VAT on the transaction has been reported on the VAT return of the corresponding taxation period;
- the sum of bad debts has been written off from the provisions for the bad debts or included directly in the losses;
- the supplier and the customer are not related parties;
- the supply of goods and/or services to this customer has been interrupted for at least 6 months and has not been resumed;
- the taxable person has not sold the debt;
- the taxable person can prove that actions to recover the debt have been taken; and
- the supplier of the goods or services has sent a notification on the VAT recovery from the state to the debtor by the 1st of March of the next year.

Amounts exceeding EUR 430 may also qualify for VAT recovery, if all the previous and one of the following conditions are met:

- if all the above mentioned criteria are met and a confirmation is received from a court bailiff, that the debt collection is impossible;
- for a debtor that is an individual, the bankruptcy procedure has been started (50% recovery allowed) or finished (100% recovery allowed); or

- for a debtor that is a legal person, the insolvency procedure has been completed.

Following the usual procedure, it is possible to claim the VAT once a year - in the March declaration of the following year. If the debtor goes bankrupt or insolvent - the VAT can be claimed in the same month. The VAT relief applies to the debts incurred (invoice payment deadline) within the last 3 years.

VAT relief can be claimed through submitting the VAT return and stating the detailed list of unpaid invoices on the return appendices (information: customer's name, VAT number, invoice date and number, value of the goods/services, VAT value). No additional proof is required.

8. Cash discounts

Assume that the supplier sends the following invoice:

"Supply of goods	EUR 1,000
21% VAT	<u>EUR 210</u>
Total to be paid	EUR 1,210

If payment is received by us within the next 14 days, you can subtract 2% of the invoice as a cash discount."

Payment is indeed received within 14 days.

If the invoice states the transaction and VAT amount with the discount, namely, the amounts taking into account the 2% cash discount, no separate credit invoice is necessary.

If however, the amounts are not shown on the invoice, the supplier must send a credit invoice for the 2% discount. Thus the overpaid VAT can be recovered and input VAT adjusted accordingly.

9. Importation

9.1 Importation followed by an intra-Community supply

It is possible to apply an exemption on the importation of goods into Latvia if it is followed, within 30 days by an intra-Community supply.

Conditions have to be met in order to apply the exemption, such as a person to whom goods will further be delivered in the EU and its VAT registration number is shown on the delivery/import documents.

9.2 Postponed accounting on importation

There is a special importation regime for the importation of goods in Latvia. In order to apply the postponed accounting for imported goods, a taxable person must submit an application to the tax authorities. With this licence, importers avoid payment of VAT at the time of importation. Instead, the importer will have to pay the VAT due in its Latvian VAT return. If the importer is entitled to deduct VAT, the VAT paid can be reclaimed at the same VAT return.

A licence to apply a special VAT regime for imported goods will be issued to a taxable person:

- who is registered for business activities in Latvia;
- who is registered for Electronic Declaration System (EDS) with the tax authorities;
- who has no tax arrears for previous tax periods on the date on which the application is submitted or who pays any such tax arrears within 5 business days from the date on which the application is submitted;
- whose officers with signatory rights have no convictions for economic crimes; and
- who in the previous 12 calendar months filed the informative returns or additional information necessary for determining the amounts of VAT payable to the state or the amounts of overpaid VAT.

10. Warehousing

10.1 VAT warehouse

There is no concept of VAT warehouses introduced in the Latvian VAT law.

10.2 Bonded (customs) warehouse

It is possible to put the goods in a bonded warehouse regime if the goods are not yet imported in Latvia or if the goods would be further exported or for cargo consolidation (e.g. when the goods are stored while the ship, railways or other vehicle is being loaded fully before actual export out of EU).

The supplies of following goods are subject to 0% VAT if performed in customs warehouses:

- received from non-EU countries and not released for free circulation inland; and
- received from other EU countries and for which the export procedure is started in other EU countries.

The parties responsible for payment of the goods are:

- the holder of the customs warehouse;
- the owner of the goods; and
- the party providing guarantee for the tax authorities.

In case of tax debt, the authorities would approach all of these parties. Generally, the order of approaching them depends on the type of customs warehouse and the agreements between the owner of the goods and the warehouse.

11. Reverse charges

11.1 Reverse charge mechanism - B2B services (article 44 EU VAT Directive)

Cross-border services supplied to a person that is engaged in an economic activity will be, as a general rule, subject to a reverse charge (Article 44 and 196 of the EU VAT Directive). In addition, services supplied to legal entities (non-taxable persons) are subject to a reverse charge if they are registered for VAT in Latvia.

11.2 Reverse charge mechanism - non-resident suppliers

Reverse charge applies for services in respect of admission to cultural, artistic, sporting, scientific, educational, entertainment and similar events (Article 53 of the VAT Directive) and services connected with immovable property (Article 47 of the VAT Directive) the place of supply of which is Latvia. To apply the reverse charge rules, it is required that the supplier is a taxable person not established in Latvia, whereas the receiver is a taxable person registered for VAT purposes in Latvia. The reverse charge does not apply if the service provider is VAT registered in Latvia.

Latvia did not introduce a reverse charge on the local sale of goods by a non-established supplier to a taxable person established/registered in Latvia other than installation supplies and the ones mentioned below.

11.3 Reverse charge mechanism - supply of natural gas and electricity

The supply from another EU supplier of natural gas, electricity, heating and cooling supplied to a “taxable distributor” in Latvia will be subject to a reverse charge. The place of supply will be the place where their economic activities are performed, their fixed establishment or their place of permanent residence if they have no place of economic activities or fixed establishment.

If the above circumstances do not apply, the place of supply will be the place where the goods are actually consumed.

11.4 Reverse charge mechanism – specific domestic rules

Latvia has introduced a local reverse charge to:

- the supply of certain types of timber products, woods and related services;
- construction services;
- supply of scrap and services related thereto;
- as of 1 April 2016 to sale of mobile telephones, computers, tablets, microprocessors and central processing units,
- as of 1 July 2016 to the supply of certain types of grains and industrial crops; and
- as of 1 January 2017 to the supply of unwrought precious metals, alloy of precious metal and metal clad with precious metal.

The customer must always apply the reverse charge and must register for VAT if not yet registered in Latvia.

12. VAT rates and exemptions

12.1 Standard rate

The standard rate in Latvia is 21%.

12.2 Reduced rate

The reduced rate in Latvia is 12% and applies for instance to:

- certain medications;
- certain medical equipment;
- hotel accommodation;
- specialised products for infants;
- regular transportation services of passengers and their luggage provided in the domestic territory;
- educational literature and original literature;
- newspapers, magazines and other periodicals;
- supplies of heating wood to people for consumption in households;
- supplies of thermal energy to people for consumption in households.

12.3 Exemption with a right to deduction (zero rate)

Latvia has introduced zero rates for the following supplies:

- exports and intra-Community supplies of goods;
- services related to export or import or transit through free zones or customs warehouses;
- goods supplied to travellers resident outside the EU under retail export schemes or through tax-free shops;
- services in the framework of inward processing on behalf of principals resident outside the EU;
- seagoing vessels and aircrafts;
- supplies to diplomatic and consular offices, international organisations, EU institutions and NATO;
- monetary gold to central banks;
- goods under customs control or VAT warehousing arrangements;
- international passenger transport by seagoing vessels and airplane;
- provisioning of seagoing vessels, with the exception of vessels for inshore fishing;
- services to goods under customs control;
- passenger transport operations on international routes, also to passenger transport operations to other EU Member States, if a passenger crosses the State border of Latvia, as well as to the luggage transport operations which the passenger carries with him and to his vehicle transport operations with which he is travelling; and
- intermediary services which are supplied by the intermediary by selling tickets for the passenger transport operations on international routes.

In order to prove zero rating in case of intra-Community supplies, the supplier must have transport documents which provide irrefutable evidence that the goods in question were transported to another EU Member State. The invoice must include a reference that the supply is exempt and a reference to the legal basis of exemption (e.g. "VAT exempt intra-Community supply, Article 138 of EU VAT Directive 2006/112") and the VAT identification number of both the supplier and the customer.

An export supply must be accompanied by evidence confirming that the goods left Latvia. Suitable evidence includes the stamped customs exportation documentation. In case the export declaration cannot be provided, combination of 2 of the documents listed below is accepted:

- proof of the transportation of the goods (e.g. CMR);
- agreements concluded with the receivers of the goods; or
- documents proving the payment for the goods.

12.4 Exemptions without right to deduction

The following supplies are exempt without right to deduction:

- insurance and re-insurance services;
- financial services;
- sale of real estate, except unused real estate and building land – option to tax applies if the supplier and customer are both taxable persons;
- rent of premises to private individuals¹;
- investment funds' management;
- gambling and lotteries;
- services between the members of cost sharing associations;
- medical services supplied to a patient (a list of the exempt services is defined);
- services related to medical services (transportation of the patient with specialized vehicles, accommodation and catering in medical institutions during treatment, diagnostic services occurring in other medical institutions);
- postal services;
- supply of human organs, milk and blood;
- dental services and services of dental technicians;
- social services;
- educational services supplied by state approved educational institutions and kindergartens;
- supplies of goods and services by public benefit organizations (special registration is required) for the purpose of defending children's and young persons' rights;
- cultural services supplied by theatres and circuses, museums, libraries, also concerts, events for children; and
- supply of gold and cash to the Bank of Latvia.

¹ Lease of premises to legal persons is subject to 21% Latvian VAT

13. Recovery of input VAT

13.1 Non-recoverable input VAT

The following is not deductible:

- VAT incurred in regard to an exempt transaction;
- VAT incurred for non-business expenses;
- 60% of the input VAT incurred in regard to representation expenses;
- 50% of the input VAT that a taxable person has paid on the purchase of a car used for his business purposes, its repairs, maintenance and fuel; and
- VAT on the purchase, lease, repair, maintenance and fuel for a car if the value exceeds EUR 50,000.

13.2 Excess input VAT

The VAT is refunded automatically within 30 days after submission of the VAT return if the following criteria are met:

- supplies subject to the reduced or zero rate or transactions with a place of supply outside Latvia are at least 90% of the total transactions;
- the overpaid VAT is at least EUR 1,500 and transactions subject to the reduced or zero rate or transactions with a place of supply outside Latvia are at least 20% of the total transactions;
- the VAT overpayment is incurred for the purchase of fixed assets and exceeds EUR 150;
- the VAT overpayment exceeds EUR 1,500 and has incurred for goods and services for ensuing transactions subject to a local reverse charge; or
- the VAT overpayment exceeds EUR 5,000

Please note that the refund period will be longer if the tax authorities start a tax audit or other control procedures. If none of the above conditions are met, at the end of the taxation year, the VAT overpayment is refunded within 10 days after acceptance of the last VAT return for the year.

13.3 Capital goods - adjustment periods

- Immovable property - 10 years.
- Movable property - 5 years (if the value without VAT exceeds EUR 70,000).

Latvia does not have an adjustment period for services.

13.4 VAT refund for foreigners

13.4.1 VAT refund to EU taxable persons

The claim should be filed electronically with the tax authorities of the country where the taxable person is established.

The minimum limit for claims that are made for a calendar year or the remainder of a calendar year is EUR 50. The minimum interim limit for claims that are made for less than a calendar year but at least 3 months is EUR 400.

The minimum period for claiming a refund is 3 months, except the last months of the calendar year – then claims for a shorter time period are accepted. Maximum period is one calendar year.

The claim should be filed by 30 September of the next year. Claims filed after the deadline are not accepted. When considering the refund claims, Latvian tax authorities often request invoice copies for the expenses and additional explanations. Sometimes the authorities request originals. The time limit for a decision of a refund is 4 months. If additional information is requested, the refund decision is issued within 6 months after filing the claim. If additional information is requested for the second time, the time limit for the decision is 8 months.

The refunded amounts are transferred within 10 working days but no later than 6 or 8 months from filing the claim (depending on the number of additional information explanation requests). If the tax authorities' decision is negative, the appeal should be filed within one month after the receipt of the decision. The date of sending the decision via electronic systems is considered the date of receipt.

The VAT incurred for the following expenses is not refunded:

- for tax amounts included in the invoice issued by the taxable person that does not conform with the requirements set out by the VAT law;
- for transaction that has not happened;
- expenses related to real estate including the acquisition of unused real estate;
- expenses for goods and services received for personal use – catering and use of cars; and
- expenses incurred by a tour operator acting under the tour operators margin scheme for its services included in a tour package.

Detailed information can be found on the official Latvian tax authorities' website:
<https://www.vid.gov.lv/en/vat-refund-persons-european-union>

13.4.2 VAT refund to non-EU taxable persons

VAT is only refunded to non-EU taxable persons in case a reciprocity agreement exists. Currently, Latvia has concluded reciprocity agreements with Switzerland, Iceland, Monaco and Norway.

Electronic filing for these applications is not possible, as original supporting documents must be filed to the Latvian tax authorities.

The claim should be filed in a paper format, using Latvian or English. The applicant should either send the application by post or file it personally at the following address:

*Non-resident Tax Data Credibility Assessment Division Tax Board
State Revenue Service
1 Talejas Street, Riga, LV-1978
Latvia*

The claim can be signed by the authorized signatories of the company or authorized persons (original power of attorney is required).

The application form can be downloaded at:

https://www.vid.gov.lv/sites/default/files/iesniegums_2014.docx.

The minimum limit for claims made for a calendar year or the remainder of a calendar year is EUR 50.

The interim minimum limit for claims made for less than a calendar year but at least 3 months is EUR 400. Maximum period for making a claim is one calendar year.

Minimum period for making a claim is 3 months, except if the claim is made for the last months of the calendar year – then claims for a shorter time period are accepted.

The deadline for making the claim is 30 September of the next year. Claims filed after the deadline are not accepted.

The following supporting documents are required:

- original invoices for which the VAT refund is claimed;
- original importation documents if the refund is claimed for the import of goods;
- payment documents (bank orders of payment, cash receipts);
- original VAT registration certificate, valid for 12 months from the date of issue; and
- original power of attorney if the claim is filed by an authorized person.

The tax authorities will decide on the refund within 4 months. If the tax authorities request additional information, then the deadline for the decision can be extended for up to 8 months. The refund is processed within 10 working days after the decision is taken but no later than within 4 months from receipt of the claim (or 8 months if additional information has been requested).

The appeal of the tax authorities' decision should be filed within one month after the receipt of the decision.

VAT is not refunded for the following expenses:

- for tax amount indicated in tax invoice which does not satisfy the requirements of VAT law;
- for transactions which did not take place;
- for the goods or services related to real estate located in Latvia;
- for goods or services received for personal use (car expenses, catering, entertainment); and
- for goods or services supplied to a tour operator applying the tour operators margin scheme.

14. Invoicing

14.1. Invoice content

A VAT invoice must contain the following information:

- date when the invoice was issued;
- sequential numbering of the invoice, which provides a unique identification of the invoice;
- name (natural person - given name, surname, personal identity number) and legal address (natural person declared place of residence) of the supplier of the goods or the services;
- VAT registration number of the supplier of the goods or provider of the services;
- name (natural person - given name, surname, personal identity number) and legal address (natural person declared place of residence) of the customer;
- VAT registration number of the customer if the customer is liable for the VAT;
- date of the supply of the goods or date of the provision of the service if such differs from the date of issue of the invoice, or the date when a payment has been received in advance if such date is known and it differs from the issue date of the invoice;
- description, amount (volume) and unit of measurement of the goods supplied or services provided;
- price (value of one unit without VAT) of the goods supplied or services provided;
- discounts applied if they are not deducted from the value of one unit;
- VAT rate applied;
- calculated amount of VAT payable;
- the total of the transaction without VAT;
- in case of self-billing a corresponding reference “pašaprēķins” is required;
- the information necessary to determine whether there is a new means of transport; and
- special wording or reference to the VAT law or the directive, if 0% VAT, reverse charge, or another special regime applies, for instance:
 - recipient of goods or services – nodokļa apgrieztā maksāšana;
 - special procedure of paying the tax and deduction of input tax is applied – naudas līdzekļu uzskaitē;
- intra-Community supply – preču piegāde Eiropas Savienībā;
- export supply - eksports;

- margin scheme - second-hand goods - peļņas daļas režīms lietotām precēm;
- margin scheme - works of art - peļņas daļas režīms mākslas darbiem;
- margin scheme - collector's items and antiques - peļņas daļas režīms kolekciju priekšmetiem un senlietām;
- tour operator margin scheme - peļņas daļas režīms ceļojumu aģentūrām.
- if the authorised representative is responsible for making the tax payment – the registration number of the representative in the SRS VAT payer register, a name of legal person (name and family name of a natural person) and legal address (declared residence for a natural person);
- if the fiscal agent is responsible for making of the tax payment - the registration number of the representative in the SRS VAT Payer Register or in a taxpayer register of another Member State, a name of legal person (name and family name of a natural person) and legal address (declared residence for a natural person).

14.2 Time limits

For local supplies, an invoice should be issued within 15 days after the supply or receipt of the advance payment. For continuous local services, an invoice should be issued at least every 6 months. For EU supplies of goods and services taxable according to Article 44 of Directive 2006/112/EC, the invoices should be issued by the 15th day of the month following the supply. For continuous services taxed according to Article 44 of Directive 2006/112/EC, the invoice should be issued at least at the end of each calendar year.

14.3 Currency

As of 1 January 2014, the national currency in Latvia is the Euro. It is allowed to issue invoices in any currency. However, it is required that the VAT amount is stated in euros.

14.4 Conversion and exchange rate

Foreign currencies should be converted to Euros using the official exchange rate by the European Central Bank on the date of the issue of the invoice.

14.5 Simplified invoice

A registered taxable person is allowed to issue a simplified invoice in the following cases:

- for an inland transaction the value of which excluding tax is less than 150 euro;
- in case of amendments made in the initial invoice. In this case in simplified invoice needs to be reference indicating the date of issue of the initial tax invoice and identification number, as well as the particular data to be amended, in the additional simplified tax invoice.
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- Simplified invoice consists of the following information:
 - date of the invoice issuance;
 - the name of the legal person (for natural person – name and surname), address of the supplier of goods or services, as well as the registration number with the State Revenue Service Value Added Tax Taxable Persons Register;
 - the name of the legal person (for a natural person – given name, surname), legal address of the recipient of goods or services, as well as the registration number with the State Revenue Service Value Added Tax Taxable Persons Register or register of taxable persons of another Member State;
 - the name of the goods or the type of the services as well as quantity;
 - the price of goods or services (including tax or excluding tax) and the total amount of the transaction (including tax or excluding tax);
 - the tax rate and calculated tax amount.
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14.6 Self-billing

Self-billing is introduced in the Latvian VAT law as of 1 January 2013. In order to apply the self-billing option, the parties should have a written agreement on the invoicing procedures (it may be enclosed also as a separate paragraph in the agreement on the supply of goods and services).

14.7 Storage of invoices

Original invoices need to be stored for 5 years. Invoices relating to immovable property and the accounting records for these properties need to be kept for a period of 10 years. The invoices must be stored in their original form (i.e. paper invoices in paper form and electronic invoices in electronic form).

14.8 Electronic invoicing

Invoices can be issued electronically and must contain the same information which is required in case of a paper invoice. Both parties involved in the transaction must agree in writing as to the form of an acceptable electronic signature that will be used to authenticate the invoice (it may be included in the agreement on the supply of goods and services).

15. VAT compliance

15.1 VAT return period

The VAT return period is quarterly. If the taxable person performs EU supplies of goods or supplies services taxable in other EU Member States according to Article 44 of the Directive 2006/112/EC or if the total value of the transactions exceeded EUR 50,000 within the last 12 months, monthly VAT returns should be filed. Taxation period is one calendar month for six calendar months if taxpayer is registered during taxation year in the SRS VAT register. Where the transactions of the previous year did not exceed EUR 14,228.72 and the person does not supply goods or services within the EU, the return period is bi-annual.

If a taxable person performs EU supplies and has to submit European sales listings, a monthly filing is always required.

VAT returns should be submitted electronically via Electronic Declaration System (EDS).

15.2 Filing of a VAT return and payment

The VAT due is payable by the 20th day of the month following the VAT return period (e.g. the VAT for the second quarter of 2017 has to be paid to the VAT authorities by 20 July 2017). The VAT returns are due on the same date.

To submit VAT refund application addressed to another Member State, the Latvian taxpayer must be registered as EDS user. In order to fill in the refund application form, the EDS user in the document group "Outgoing documents for VAT refund in European Union" chooses the document "VAT refund application" and enters data in accordance with the criteria

indicated by the EDS. After filling in the document must be signed in accordance with the general requirements of the EDS.

Please note that the tax authorities only accept the returns filed via Electronic Declaration System (EDS).

15.3 European sales listing

The European sales listing must be submitted together with the monthly VAT return as an attachment to the return (Attachment 3 “PVN 2”) and contains the total amount of intra-Community supplies of services or goods to each customer located in another EU Member State. No transaction threshold applies to the filing of the European sales listing.

15.4 National recapitulative statement

There is a form of national recapitulative statement in Latvia. With the taxable person’s monthly or quarterly VAT-declaration, an attachment to the declaration (Attachment 2 “PVN 1”) must be filed. It must detail each transaction over EUR 1,430 that is the supply or receipt of goods or services to or from an entity located in Latvia.

15.5 Tax assessment period

The tax assessment period in Latvia is 3 years after the tax becomes payable.

16. Penalties

16.1 Default penalties for late registration

If a natural or legal person, who has registered as a performer of economic activity, performs economic activity without registering as a payer of VAT or within 30 days after the term determined by the tax administration, does not submit the tax declarations provided for by tax laws, and also business and accounting records requested by the tax administration, then the tax administration shall, on the basis of a tax review (audit), assess and enforce from the taxpayer the tax which has been assessed for the taxation period from the date on

which the person had an obligation to register as a taxpayer, late payment penalty and also a penalty at 100% of the underpaid tax.

In case VAT registration is not made on time, the administrative fine of EUR 210 – EUR 350 applies.

16.2 Default penalties for not filing a VAT return or a European sales listing on time

For failing to file a VAT return or a European sales listing within the required time or with incomplete documents, a fine of up to EUR 700 can be imposed on individuals and legal persons, depending on the period of delay. For not filing the required documents at all, a fine of EUR 700 can be imposed.

16.3 Default penalties for not paying VAT on time to the tax authorities

If the VAT is not paid on time, penalties in the amount of 10%, 30%, 50% or 100% of the VAT payable depending on the VAT amount not paid, can be applied. Late payment penalties of 18.25% per year on the VAT amount due also apply for each day of the delay.

16.4 Default penalties on VAT assessments when VAT is not reported correctly

If the VAT is not paid up to the correct amount, the VAT authorities can also impose a penalty of 10%, 30% or 50% of the VAT payable depending on the VAT amount not paid.

17. Intrastat

In Latvia, separate monthly Intrastat returns must be submitted to the Central Statistical Bureau of Latvia.

17.1 Intrastat threshold

The Intrastat threshold for arrivals is EUR 180,000 and for dispatches the threshold is EUR 100,000. Detailed returns are required if the special thresholds are exceeded: EUR 2,500,000 for the arrivals and EUR 4,000,000 for dispatches.

17.2 Intrastat data to be reported

The information which needs to be reported for both the arrival and the dispatches statistics is:

- EU Member State of origin/destination;
- country of origin;
- nature of the transaction;
- mode of transport;
- 8-digit commodity code of the goods;
- net weight of the goods;
- invoice value of the goods in EUR;
- statistical value;
- delivery terms; and
- supplementary units.