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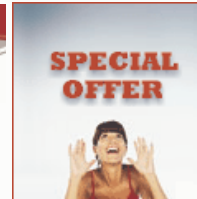
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NEWS

TALKING TAX: 'Hey, where should I put my old fridge?'

Jul 12, 2006
 By Janis Taukacs

As of July 1, 2006 the Natural Resources Tax in Latvia is applicable to a sale of an electric or electronic equipment falling under certain criteria – e.g., refrigerators, TV sets, mobile phones, PCs, toys, sports, medical, trading and other equipment.

If we go back to the basics, the main principles of the NRT are that (1) the polluters have to pay the NRT, and (2) the main responsibility for the pollution has to be borne by the producer. Combining these two principles, the government has decided that the person selling the EEE for the first time in Latvia has to be the NRT payer. The other category of NRT payers consists of companies that use the EEE for their business purposes.

The rates (depending on the weight of the EEE) may be significant, or sometimes prohibitive, because they almost preclude competing in the market if a competitor has received permission not to pay the NRT in the same circumstances. For instance, if a company is selling in Latvia a vending machine or IT equipment of, say, 100 kilograms, the NRT alone could amount to 135 lats (190 euros).

So who gets the relief then? The NRT rates are thus established so that any interested company may receive permission not to pay the tax. In order to enjoy that benefit, companies have to either introduce a waste management system or agree with a company already having such a system. Also, producers of EEE (there is a wide definition for the term including importers and exporters of EEE) should not forget the same requirement arising out of the Waste Management law that already exists. Normally most businesses (especially retailers) will follow the second option since introducing a new system may be difficult (the system should include collection, recycling, informing the public, etc).

Returning to the title of this article, it is worth reminding that as of Aug. 13, 2005 there is an obligation for retailers selling EEE to collect the end-of-life EEE or at least inform consumers where they may deliver their old fridges. Delivery of such waste to "the usual" waste containers is prohibited.

The novelty comes in an extensive package with other new provisions of the NRT law itself and the corresponding new (as of May 16, 2006) government regulations on implementation of the law. The new provisions also refer to NRT of other products unfriendly to the environment.

There are two reasons why this seemingly "unimportant" tax should become important in Latvia: liability for a breach of the NRT law can amount to at least three times the tax (and up to 12 times), and after all we should care about our children, shouldn't we?

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