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SIGNIFICANT AMENDMENTS TO TAX LAWS ADOPTED

On 11 December 2008, the Latvian Saeima during an emergency session adopted amendments to the laws "On Value Added Tax", "On Personal Income Tax" and "On Excise Tax".

VAT rates increased

Commencing 1 January 2009, the standard 18% VAT rate will be increased to 21%, and the rate of 5% presently applicable to several goods and services will be increased to 10%. Furthermore, the rate of 21% will be applicable to the following goods and services as of 1 January 2009 instead of the current 5%:

1. supplies of veterinary medicines;
2. supplies of books and cartographic publications;
3. services of guest housing at guest accommodation places;
4. water supply within centralised water supply system;
5. sewerage services;
6. services of household waste collection, transportation and disposal;
7. burial services;
8. entrance fee to sport events;
9. entrance fee to film shows;
10. hairdresser services;
11. services (works) of simple renovation provided to individuals and repair services in the field of construction;
12. supply of firewood and pulp fuel to inhabitants.

A rate of 10% will be applicable to mass information means or their subscription fee up to 31 December 2009 and thereafter – 21%. Supplies of goods and services that will take place prior to 31 December 2008 and for which a tax invoice has not yet been issued in 2009, will have a VAT rate applied according to the law effective in 2008 (5% or 18%). The same also applies to transactions whose payment to an intermediary has been made prior to 31 December 2008.

Cigarettes whose excise tax marking stamps have been ordered up to 31 December 2008 and the maximum retail price has been determined by taking into account a VAT rate of 18 per cent, and which have entered into free circulation with the respective excise tax stamps until 31 January 2009, will have the applicable rate effective until 31 December 2008, but not later than until 31 March 2009.

Personal income tax rates decreased

On 1 January 2009, the personal income tax rate will be decreased from 25% to 23%.

Excise tax rates increased

Starting from 1 February 2009, the excise tax rates will be increased for alcoholic, non-alcoholic beverages (including coffee) and oil products.

More specific information regarding amendments to these tax laws and the ones approved by Saeima on 2 December and effective as of 1 January 2009, is available if you will contact Sorainen tax lawyers: **Janis Taukacs** (janis.taukacs@sorainen.lv), **Uve Zosars** (uve.zosars@sorainen.lv), **Edgars Koskins** (edgars.koskins@sorainen.lv) and **Alisa Surko** (alisa.surko@sorainen.lv).