Latvia-2020-07-01

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Invoicing

Invoicing:
No

Invoicing comment:
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). 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.

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

Exemptions

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 specific reference or official guidance in the Latvian VAT legislation regarding the supply of e-learning services or other Relevant Services in the area of e-education. Each transaction has to be analysed on a case by case basis.

**Gambling activities:**
According to Latvian VAT Law, a VAT exemption is applicable to gambling and lottery (include e-gambling) 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.

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

**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.

**Time of supply – chargeability**

**Deferment and Cash Accounting Scheme:**
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.

**Continuous supplies:**
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. Continues 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.

**Registration process**

**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/](https://eds.vid.gov.lv/login/) [2]

**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 ten and seventy units of fine (in addition to other potential penalties for non-compliance with other requirements e.g. obligations to pay VAT). According with Article 16 of Law on Administrative Liability one unit of fine shall be EUR 5. Reference to the above may be found in the Law On Taxes and Duties under Article 136.

**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 Law on Taxes and Duties under Articles 29 and 32.

**Non-submission and late submission of VAT returns:**
For non-submission of a VAT return, a penalty clause is between fifty-seven and one hundred forty units of fine.
For late submissions of a VAT return, a penalty clause is between five and fourteen units of fine (3 - 10 days late) or between fifteen and thirty units of fine (11 - 20 days late) or between thirty-one and fifty-six units of fine (21 - 30 days later) or between fifty-seven and one hundred forty units of fine (more than 30 days late).
According with Article 16 of Law on Administrative Liability one unit of fine shall be EUR 5.
Reference to the above may be found in the Law On Taxes and Duties under Article 141.

**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 and the penalty clause for a natural person or a member of the board is between twenty-eight and four hundred units of fine.
According with Article 16 of Law on Administrative Liability one unit of fine shall be EUR 5.
Reference to the above may be found in the Latvian VAT Law under Article 146 and in the Law On Taxes and Duties under Articles 29 and 32.

**Non-compliance with invoicing and accounting obligations:**
For non-compliance with general accounting provisions, a penalty clause is up to four hundred fine units.
According with Article 16 of Law on Administrative Liability one unit of fine shall be EUR 5.
Reference to the above may be found in the Law On Accounting under Article 19.

**Payments and reimbursements**

**Release from payment of insignificant amounts of VAT:**
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.

**As a Member State of consumption, do you require an additional claim before making a reimbursement?:**
No

**Reimbursement threshold as Member State of consumption:**
No threshold

**Other rules**

**Use and Enjoyment:**
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.

Re-valuation of services at open market value:
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:
In Latvia, bad debt relief is available. A simplified procedure is introduced for debts that do not exceed EUR 430,00 (excl. VAT), i.e., 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 430.00 (excl. VAT), 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.

**Additional obligations deemed necessary for collecting VAT and preventing evasion (anti-avoidance measures):**
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.

**VAT Treatment of vouchers:**
The Latvian VAT Law 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.

The specific rules in the Latvian Legislation with regards to vouchers are in Article 11.1 and 37.1 of the Latvian VAT Law.

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

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