

Metal products and household equipment to attract reverse charge VAT (2/48/17)

We have informed our MindLink.lv subscribers about amendments to the VAT Act that extend the reverse-charge procedure to supplies of metal products (and related services) and to supplies of consumer electronics and domestic electrical appliances from 1 January 2018. This article explores the Cabinet of Ministers' Rule defining goods that are considered metal products according to codes of the Combined Nomenclature, and services connected with supplies of metal products, as well as goods that are considered consumer electronics and domestic electrical appliances according to Combined Nomenclature codes.

Amendments to Cabinet Rule No. 17

On 14 November 2017, the Cabinet of Ministers debated and adopted the following amendments to Cabinet Rule No. 17 of 3 January 2013, *Application of Provisions of the Value Added Tax Act and Certain Requirements for Payment and Administration of Value Added Tax*:

- The word "renovation" is replaced with the word "renewal" and the word "reconstruction" with the word "rebuilding" to reflect the new terminology used in the Construction Act;
- Appendices 7 and 8 to the Cabinet Rule, which define goods that will attract a special VAT scheme from 1 January 2018, have been amended. These goods are identified according to the Combined Nomenclature (Annex I to Council Regulation (EEC) No. 2658/87 of 23 July 1987 on the tariff and statistical nomenclature and on the Common Customs Tariff as amended). The appendices to the Cabinet Rule use eight-digit codes and four-digit positions for goods. According to an annotation to the amendments, product groups designated by a four-digit position include all the eight-digit codes mentioned in that position;
- The Cabinet Rule also defines "services connected with supplies of metal products" that will be subject to the reverse-charge procedure under the VAT Act: cutting, bending, machining, welding, rolling, cleaning, surface treatment, and other forms of processing metal products.

It is worth remembering that because of new amendments to the VAT Act, the rules governing VAT returns have also been amended to specify, among other things, new codes R7, R8 and R9 for designating amounts of VAT charged on acquisitions of goods and services that are subject to reverse-charge VAT.