

Changes in movement of excise goods in 2019 (4/51/18)

This article explores key proposals for amending the Excise Act and the Cabinet of Ministers' Regulation No. 662, *Movement of Excise Goods*, which the Finance Ministry and the State Revenue Service (SRS) are drafting as part of the government plan for curbing the shadow economy in 2016–2020.

The purpose and key changes

The amendments aim to minimise excise fraud and are based on irregularities detected by SRS control measures and on proposals presented by the Latvian Association of Fuel Traders, the Union of Fuel Traders and Producers, and the Association of Hotels and Restaurants. The amendments are comprehensive and expected to take effect in January, March and June 2019. Here is a list of what we see as key changes:

1. To help the SRS establish whether an alcohol producer's quantities of raw materials for alcohol production match accounting records, the producer will have to provide an inventory of raw materials at the SRS's request;
2. To minimise fraud in the distribution of coffee, soft drinks and e-liquids and ensure that only duty-paid goods are sold in Latvia, traders will be allowed to buy coffee, soft drinks and e-liquids only from an authorised warehouse keeper licensed to handle these goods. A trader selling goods that have arrived from another member state or been imported should be able to prove payment of excise.
3. To tighten the licensing conditions for traders whose officers have breached excise rules, before issuing a licence, the SRS will scrutinise previous excise dealings carried out by members of the trader's council and board. This will apply to board members entered on the Commercial Register and to any persons who acted in this capacity but were registered as proxies, for example.
4. Several new conditions for cancelling a special permit (licence) are proposed. The most important condition is that if during the operation of the licence, the trader appoints to the board a person who has evaded taxes or equivalent charges in the last three years or been on the board of a trader who evaded taxes or equivalent charges in the last three years.
5. A licence will no longer be required for selling alkylate petrol to run lawnmowers, forestry saws etc from 2019. This green fuel can then be sold at gardening shops, supermarkets etc.
6. Traders retailing alcoholic beverages will be allowed to buy them at points of retail as well as wholesale.
7. To minimise the scope for moving fuel of illegal origin, fuel users will have to report their fuel containers to the SRS, stating their location, quantity and volume.
8. To eliminate the risk of non-payment of excise on coffee, soft drinks and e-liquids, an authorised warehouse keeper will be prevented from moving duty-suspended goods he does not own.

9. Authorised warehouse keepers handling alcoholic beverages, tobacco products or petroleum products will have to install additional video surveillance cameras where raw materials for alcoholic beverages and tobacco products are received, where petroleum products are received and released, and for taking alcohol producers' meter readings.

Important amendments are also proposed for preparing supporting documents, information to be given in reports, updating details given on a licence etc. Taxpayers dealing in harmonised and non-harmonised excise goods are encouraged to monitor how the amendments are debated and enacted.