

Cash ban in property deals (3/19/19)

Parliament adopted amendments to the Taxes and Duties Act in their final reading on 3 April 2019 making it illegal to use cash in real estate (RE) transactions from 1 May 2019. This article explores some of the proposals debated as part of the bill.

The current rules

Sections 30(1) and 30(8) of the Taxes and Duties Act prohibit taxpayers, including non-trading individuals, from making a cash transaction that exceeds €7,200 regardless of whether it is completed at one go or in two or more steps.

MoneyVal's 5th round assessment of Latvia's anti-money laundering and counter-terrorist financing system finds that using cash heightens national money laundering and terrorist financing risks.

The proposed measures for restricting the use of cash are expected to reduce the risk of fictitious and fraudulent activities and the risk of money laundering.

The proposed changes

The bill proposed the following changes:

- Lower the threshold for using cash from €7,200 to €3,000;
- Prohibit cash payments in RE disposals;
- Restrict the use of cash in sales of specified motor vehicle categories (M1 including M1G and N1 including N1G) exceeding €1,500 regardless of whether the transaction is completed at one go or in two or more steps.

Out of 13 proposals, a ban on using cash in RE transactions was accepted. The proposal for restricting the use of cash, including motor vehicle sales, was rejected.

Transitional rules provide that any ongoing RE sales that were signed before 1 May 2019 and are to be performed wholly or partly in cash will fall under the cash ban from 1 January 2020.