

Administrative liability for tax violations (1/37/20)

Having governed matters of administrative liability, including tax-related, for almost 35 years, the Latvian [Code of Administrative Offences](#) ceased to apply on 1 July 2020 and was replaced by the [Administrative Liability Act \("ALA"\)](#) as part of Latvia's sweeping administrative liability reform. ALA is not merely an improved version of the old Code – the structure and rules of the new Act are substantially different, so the first glance might cause some confusion. This article explains where to look for descriptions of various offences and what administrative liability is prescribed for tax violations, as well as giving an overview of other related matters.

Structural changes

ALA contains general administrative liability rules, including the concept of administrative offence and conditions for holding a person liable, types of administrative penalties and conditions for imposing a penalty, a description of administrative offence proceedings at a government agency and in court, conditions for enforcing a penalty, and rules on international cooperation in administrative offence proceedings. So if you need to know how an administrative offence will be dealt with, ALA will provide the answers. Yet you will no longer find descriptions of particular offences in this Act, a key innovation, as descriptions of administrative offences and penalties can now be found in various statutes, municipal regulations, and instruments of international law binding on Latvia.

Tax violations

Descriptions of administrative offences coming within the competence of the State Revenue Service ("SRS") can be found in a total of 15 different statutes. Below we list the most important tax laws:

- [The Taxes and Duties Act](#) (Chapter XVI of this Act prescribes liability for evading taxes and equivalent charges; for failing to comply with procedures for registering taxpayers; for paying wages unrecorded in the books; for conducting illegal transactions if the taxpayer's business has been suspended; for failing to comply with rules for reporting cash transactions and with restrictions on using cash; for late submission of tax returns; for failing to report a suspicious transaction etc)
- [The Excise Act](#) (Chapter XII of this Act prescribes liability for breaching rules for producing, mixing, packing, processing, buying, selling, storing or moving (transporting) excise goods; for storing, moving (transporting), offering, selling or buying alcoholic drinks or tobacco products without Latvian excise labels; for starting or doing business without registration or without a special permit (licence), reference or permit etc);
- [The Accounting Act](#) (Chapter VI of this Act prescribes liability for failing to comply with procedures for recording cash operations; for failing to comply with accounting rules; for failing to duly submit company accounts and group accounts with the SRS or the Corruption Prevention and Combating Bureau; for failing to comply with procedures for preparing, registering and using supporting documents; for failing to comply with procedures for preparing, registering and using delivery or carriage documents etc);
- [The Customs Act](#) prescribes liability for a carrier's failure to duly file the entry summary declaration under [article 127 of Regulation No. 952/2013](#); for a ship or aircraft operator's failure to report the arrival of a ship or aircraft under [article 133 of Regulation No. 952/2013](#); for filing false information or documentation with a customs authority in cases specified by [articles 15 and 163 of Regulation No. 952/2013](#); for failing to duly retain documents necessary for customs control under [article 51 of](#)

Regulation No. 952/2013 etc;

- **The Administrative Penalties Act** prescribes liability for government offences, public order offences and national language offences (for withholding information, failing to duly provide information, or providing false information to an authority; for failing to comply with an official's legitimate demands or obstructing an official in the course of their duty etc).

Administrative penalties

ALA lays down only two basic types of penalties: a warning and a fine. An additional penalty could be disqualification or prohibition of use. All fines are expressed in fine units, where one unit is EUR 5. This system has been adopted to avoid extensive amendments to the laws and municipal regulations in case Latvia faces substantial currency fluctuations or economic changes. As a result, only one provision of ALA would need amending to provide that one fine unit is EUR 7, for example, and not EUR 5.

The minimum fine under ALA for individuals and organisations is two fine units (i.e. EUR 10). The maximum fine is 400 fine units (EUR 2,000) for individuals and 4,000 fine units (EUR 20,000) for organisations. At the same time, the largest fine can be prescribed by an instrument of international law binding on Latvia.

Another exception to the maximum fine has been set in taxation: a fine can be expressed as a percentage of the value of a financial transaction or of the net revenue for the last financial year or of the revenue from business transactions in the last financial year. However, the fine must not exceed 30% of the value (amount) of the financial transaction or 10% of the net revenue for the last financial year or of the revenue from business transactions in the last financial year.