

Deadline for reclaiming VAT paid in EU is approaching 3/38/22

Latvian taxable persons may recover VAT paid on goods and services acquired in other EU member states. This is done under Council Directive 2008/9/EC, i.e. VAT is refunded to taxable persons that are not doing business in the member state of refund but are doing business in another member state. Latvian taxable persons may apply for a VAT refund from other member states for 2021 by 30 September 2022.

The VAT refund procedure between the member states is prescribed by Council Directive 2008/9/EC laying down detailed rules for the refund of value added tax, provided for in Directive 2006/112/EC, to taxable persons not established in the member state of refund but established in another member state. The provisions of Directive 2008/9/EC have been passed into the Latvian VAT Act (section 114) and the Cabinet of Ministers' Rule No. 1514 "How a registered taxable person files a claim for a VAT refund in another member state and how VAT is refunded to a taxable person registered in another member state".

Latvian taxable persons can recover VAT paid in other member states by filing a VAT refund claim electronically through the State Revenue Service's Electronic Declaration System (EDS). The minimum amount of VAT that can be reclaimed from another member state is:

- EUR 400 (or an equivalent in the currency of the member state of refund) if the refund period is shorter than a year but not shorter than three calendar months; or
- EUR 50 (or an equivalent in the currency of the member state of refund) if the refund period is a year or the last months of a calendar year.

Directive 2008/9/EC requires the member states to refund VAT to taxable persons registered in other member states. A refund will be made if the goods and services have been acquired for making taxable supplies. However, each member state may impose different restrictions when it comes to giving a VAT refund, i.e. items on which a taxable person may recover VAT paid abroad. The national rules of many member states limit a VAT refund on expenses that may be fully or partially treated as private expenses (e.g. hotel accommodation, car rental, fuel, catering, and entertainment). So it's important for Latvian taxable persons to make sure they can get a VAT refund on particular goods and services in a particular member state.

The VAT refund claim procedure has been simplified across the EU since 2010, and Latvian taxable persons can apply by filing a claim electronically through the EDS.

A separate VAT refund claim should be made for each member state. The biggest work here is preparing detailed lists of invoices as well as scanning invoices with the taxable amount exceeding EUR 1,000 (EUR 250 for fuel) and attaching them to your electronic claim.

If a member state's tax authority has questions about your claim, supporting documents, business activities or input VAT deduction rights, then communication between a Latvian taxable person and another member state's tax authority is done electronically – either by email or through the EDS.

In practice, taxable persons are allowed reasonable time limits for providing answers and additional information, and the tax authorities of other member states will accept documents and information in English. A translation of documents and explanations into the local language is rarely requested.

Given the economic conditions in Europe, we encourage Latvian traders to take this opportunity and

recover VAT paid in other member states because VAT recovery is simplified and does not require large business resources even in low-cost cases.