

# Application of VAT to transactions on online platforms (1) 3/10/25



Manager, Tax, PwC Latvia  
Matiss Auzins

As you may know, Etsy is one of the largest international internet trading platforms offering handmade items of various categories. Sales of their products, products, artworks through various trading platforms are currently popular.

What should be taken into account by sellers who have chosen to make use of the opportunities offered by the platforms in the application of VAT in the course of their economic activities? 20.02.2025. The national Revenue Service published a briefing material: *"Information material application of VAT to transactions on online platforms."* This Article casts some light on it.

## *Taxpayer and his obligations arising from operating on online platforms*

Any person who systematically produces (creates) goods or services in order to sell them for consideration is regarded as an economic operator and, accordingly, as a taxable person within the meaning of the VAT Law. It should be borne in mind that, for VAT purposes, taxable persons may be both registered and unregistered.

An internet store is an online platform or site, a digital sales channel that allows users to view, purchase and pay for goods or services remotely via the Internet. A person intending to commence economic activity and use a platform must make sure that he or she does not incur an obligation to pay VAT in Latvia or any other country or register for VAT purposes. Moreover, any platform (website) used by a person for the sale of goods or the provision of services in the course of a business activity, irrespective of who owns the platform used, must be registered by that person with the SRS as a unit.

Taxpayers who intend to use the platform to trade their goods (services) should be thoroughly familiar with the terms of use of the platform (or contract terms if a written or distance contract is entered into). It is important to understand how the platform itself engages in buying and selling transactions – only as an intermediary, or yet it buys and resells goods itself. The SRS methodological material emphasizes the importance of identifying his or her counterparty not only for the purposes of applying VAT, but also in order, for example, to comply with the International and national Sanctions Law of the Republic of Latvia.

## *Determination of the place of transaction*

The counterparty (another registered taxable person or non-taxable person) and the type of transaction determine the place of the transaction, the country to be applied to the VAT transaction. Chapter III of the VAT Law is devoted to determining the place of the transaction. Where the service in question cannot be found in any of Section 20 to 30 of the VAT Law, the place of supply shall be determined in accordance with Section 19. It is important to draw attention to the fact that the place of supply of the service may vary according to whether the recipient of the service is a taxable person or not.

Transport is the decisive factor for determining the place of delivery of the goods. For example, if the goods are transported, the place of delivery is where the transport begins. By contrast, where goods are

not transported, the place of delivery is the place where the goods are located at the time of delivery. In addition, if the goods are assembled or installed, the place of delivery is where the goods are assembled or installed.

*(the sequel will follow)*