

# Key VAT changes in 2018 (1/2/18)

As part of the tax reform programme, 2017 saw the adoption of several new laws making substantial changes to the Latvian tax system and significant amendments to the existing legal framework. This article explores what we see as key amendments to the VAT Act in 2018.

## The registration threshold

A domestic taxpayer will be liable to register for VAT if his total taxable supplies of goods and services in the last 12 months have exceeded €40,000 (down from €50,000).

## Reverse charge

In addition to the existing special schemes, reverse-charge VAT is applicable to the following supplies:

- games consoles;
- all kinds of construction services (not restricted to renovation, reconstruction or restoration works);
- construction products;
- metal products and related services; and
- consumer electronics and domestic electrical appliances.

## 5% VAT (from 01.01.18 to 31.12.20)

A reduced rate of 5% is available on supplies of fresh fruits, berries and vegetables that have been washed, peeled, shelled, cut and prepacked, but not treated thermally or otherwise (e.g. frozen, salted or dried).

The reduced rate also applies to imports and intra-Community acquisitions of fresh fruits, berries and vegetables.

An appendix to the VAT Act lists the fruits, berries and vegetables qualifying for 5% VAT.

## Direct application of zero-rating

Zero-rating applies directly to domestic supplies of goods and services to staff members of an Allied Headquarters recognised in Latvia and to their dependants, and to domestic fuel supplies to the US Embassy in Latvia, its diplomatic and consular agents and back-office staff.

## Changes in preparing VAT returns

The €1,430 threshold for breaking down tax invoices has been lowered to €150.

New codes are in place for breaking down reverse-charge supplies:

- R7 for metal products and related services;
- R8 for consumer electronics and domestic electrical appliances; and
- R9 for construction products and structures.

Following the amendments to the VAT Act, new lines have been added to the VAT return:

- 42.1 for supplies attracting 5% VAT;
- 45.1 for goods supplied to member states and listed in section 42(16) of the VAT Act;
- 51.1 for goods acquired from member states attracting 5% VAT;
- 53.1 for VAT charged at 5%; and
- 56.1 for VAT charged at 5% on goods acquired from member states.