

Natural Resource Tax Act to be amended 2/45/23



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Today a lot of attention is being paid to protecting wildlife and improving the environment. Natural resource tax (NRT) is one of the instruments that helps protect the environment. The Cabinet of Ministers has approved and passed to Parliament for review a set of proposals for amending the NRT Act aimed at promoting economical and efficient use of natural resources and limiting environmental pollution. According to available information, some of the amendments are to come into force on 1 January and the rest on 1 July 2024. We informed our MindLink.lv subscribers about some of the proposals on 5 May 2023. This article explores how the NRT Act is to change.

The effects and benefits

The purpose of the proposals is linked with Latvia's action plan for reducing air pollution for 2020–2030.

The goal is to minimise the adverse environmental and health effects of air pollution and reduce the costs and loss of working hours due to health problems. This would help Latvia achieve targets for reducing total air pollutant emissions in 2020–2030.

An additional goal is to achieve air quality that is suitable for the protection of human health in towns and cities where air quality is being measured.

Having assessed the efficiency of NRT treatment, the Ministry for Environmental Protection and Regional Development found that certain parts of the NRT treatment and exemption scheme need to be revised and updated, and new NRT items created.

Compared to the current rules, the proposals:

1. Define new NRT items – hydrocarbon extraction, textiles and fishing gear containing plastic covered by an extended producer responsibility (EPR) scheme
2. Amend the NRT conditions for packaging in general, plastic and composite packaging in particular, and set increased rates on packaging
3. Increase the rates (vehicles, landfills for household and hazardous waste, and natural resource extraction)
4. Lay down rules for setting up an EPR scheme and applying it to textiles
5. Redefine the NRT treatment for emissions of air pollutants PM10 into the air and prescribe the NRT treatment for total dust (PM) emissions (batteries and accumulators in view of the new types and formulations)
6. State when an exemption comes into force after an agreement is made with a deposit system operator for participation in the deposit system
7. Amend the requirements for a foreign entity's participation in an EPR scheme
8. Amend the NRT treatment of a provision for paying NRT and how this is calculated for waste that is landfilled after being placed in a bioreactor
9. Revising the current NRT split between core budgets of the central and local government for the extraction or use of natural resources or environmental pollution, including landfills, as

- well as creating municipal liability for failing to achieve municipal waste management targets
10. Amending and defining goals towards which municipalities may use their core budget funds raised by NRT payments

The proposals create a new NRT item – single-use products containing plastic and fishing gear containing plastic that are not subject to an EPR scheme under section 10 of the Reduction of Consumption of Products Containing Plastic Act.

The Ministry for Environmental Protection and Regional Development has evaluated the NRT rate on the landfilling of household waste and of industrial waste that does not qualify as hazardous waste under the legislation on the waste classifier and characteristics that make waste hazardous. The proposals have the NRT rate gradually increase from EUR 95 to 130 per tonne (EUR 110, 120 and 130 in 2024, 2025 and 2026 respectively) on the landfilling of household waste and of industrial waste that does not qualify as hazardous waste under the legislation on the waste classifier and characteristics that make waste hazardous.

The same applies to the NRT rate on the landfilling of hazardous waste and of industrial waste that qualifies as hazardous waste under the legislation on the waste classifier and characteristics that make waste hazardous. The proposals have the NRT rate gradually increase from EUR 100 to 135 per tonne (EUR 115, 125 and 135 in 2024, 2025 and 2026 respectively) on the landfilling of hazardous waste and of industrial waste that qualifies as hazardous waste under the legislation on the waste classifier and characteristics that make waste hazardous.

Compliance costs arise from NRT becoming payable on recyclable and non-recyclable packaging that completely or partially consists of plastic (polymer) materials and has not been recycled or regenerated during a reporting period. This will help Latvia carry out its waste recycling and regeneration commitments.

The proposals increase the cost of using packaging made from plastic (polymer) mass materials, except for bioplastic and polystyrene mass, and composite cardboard packaging. The increase is a mere 3 cents (from EUR 1.22 to 1.25) per kg, and it's possible to join an EPR scheme and claim an exemption.

The proposals increase the costs of a vehicle being permanently registered in Latvia for the first time. It will still be possible to join an EPR scheme that provides for an exemption. At the same time, costs incurred in regenerating and recycling end-of-life vehicles (including batteries, tyres and other parts of end-of-life vehicles) will be covered, and entities will be encouraged to join an EPR scheme.

The proposals increase NRT charges on PM10 emissions into the air because the amount of taxable emissions will rise by an average of 30%, with NRT to be charged on total PM emissions. This will help Latvia achieve its targets for reducing total air pollutant emissions by 2030 and will motivate the operators to adopt more efficient technologies for cutting emissions.

The proposals increase the household and hazardous waste landfilling tariffs, while promoting separate collection and sorting. This will drive the shift away from the landfilling of household and hazardous waste, which is recognised as the worst method of waste management, towards the recycling, reuse and prevention of waste. Developing the scheme for separate collection of household waste will give people the chance to sort their waste and reduce the amount of unsorted household waste being landfilled. With adequate fees, reducing the amount of waste collected from people in unsorted form means they will be paying less for household waste management.

Charging a higher NRT rate on the landfilling of household and hazardous waste will boost municipal revenues, allowing municipalities to find money for improving various types of household waste management schemes, including projects and events that educate and inform people about how various types of waste affect the environment and human health and about efficient waste management.