

Proposed amendments to Taxes and Duties Act (2)

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Last week we wrote about proposals for amending the Taxes and Duties Act and looked at the proposed changes in taxation and administration. This article continues exploring changes expected to tidy up administrative and data sharing processes.

As the Ministry of Finance continues to fight the shadow economy, including in e-commerce and construction, it has revised the taxpayer's reporting obligations and the authorities' monitoring powers and drafted amendments placing more reporting obligations on the taxpayer and broadening the scope for the State Revenue Service (SRS) to run controls. Let's see what changes are in the pipeline.

Rules on reporting suspicious transactions

It's being proposed to draw up guidelines listing the hallmarks of a suspicious transaction for tax purposes. This will help entities governed by the Anti Money Laundering and Counter Terrorism and Proliferation Act understand when information has to be disclosed to the SRS.

E-commerce oversight

In monitoring the online environment, the SRS has detected taxpayers selling goods not only through the domain name '.lv' but also others such as .com, .net and .org. So far, the SRS has not been authorised to block websites using domain names registered outside the '.lv' area. The proposals broaden the scope for the SRS to promptly decide on domain names registered outside the '.lv' area.

Electronic recording of information on a construction site

The SRS's checks on construction sites have discovered cases of foreign companies, which have not registered a permanent establishment in Latvia or are not registered for Latvian VAT, being used for tax optimisation to conceal or legalise unregistered employment (including Latvian-resident employees) and to reduce payroll taxes. The proposals add new clauses relating to procedures for registering employers and employees working on a construction site with the SRS and prescribe data the general building contractor must include in an electronic database that records hours worked by his subcontractors.

A clause requiring the general building contractor and the subcontractor to disclose information on all contracts regardless of the contract amount is in force from 1 July 2024. There is administrative liability for failure to meet this requirement.

It's also proposed to make several technical tweaks, as some clauses of the Taxes and Duties Act do not correspond to the actual and legal situation.