

Amendments to the VAT Law regarding the introduction of structured e-invoices 3/18/25

Digital transformation in both the public and private sectors is rapidly advancing, with one of its central elements being the digitisation of document circulation. On 17 April 2025, the Ministry of Finance (“MoF”) submitted proposed amendments to the Value Added Tax (“VAT”) Law for public consultation, aiming to align it with the requirements set out in the Accounting Law regarding the issuance of structured electronic invoices, or e-invoices. These changes represent a significant step toward a fully digital and efficient accounting and tax administration system in Latvia.

What will change?

According to the amendments to the Accounting Law adopted in October 2024, starting from 1 January 2026, all companies and entities subject to the Accounting Law will be required to issue invoices for goods or services in B2B transactions as structured electronic invoices. For B2G (business-to-government) transactions, this requirement has already been in effect since 1 January 2025.

A structured e-invoice refers to an invoice created in a digital format following a specific standard, which in Latvia complies with the PEPPOL BIS Billing 3.0 specification. This ensures the automatic processing of invoices within systems, reduces the risk of human error, and enhances data quality.

How will this affect the issuance of VAT invoices?

Currently, according to the VAT Law, a VAT invoice can be issued in either paper or electronic form, as long as its authenticity, integrity, and readability are ensured. To use an electronic invoice, the recipient’s consent is required, which significantly limits the adoption of structured e-invoices.

A significant change has been introduced in the new VAT legislation: if the invoice is issued as a structured electronic invoice, the VAT payer no longer needs to receive confirmation of this form from the recipient. This approach aligns with the recently adopted EU VAT package, “VAT in the Digital Age”.

The amendments also address situations where a company would have to issue two separate documents for the same transaction – one as an accounting document and the other as a VAT invoice. With the new amendments to the VAT law, it will be clarified that a structured electronic invoice containing all the details required by the VAT law can serve both as an accounting document and as a VAT invoice simultaneously.

E-invoice circulation channels – three options for businesses

To facilitate the implementation of structured e-invoices, three alternative methods for sending e-invoices will be provided:

- Government’s free solution – e-address, which can be used by companies with limited resources or low transaction volumes;
- E-invoice operators – professional service providers offering paid solutions with more extensive features and automation capabilities;
- Direct integration – individually agreed upon between the parties to the transaction, using, for example, email or software interfaces.

This approach allows businesses to choose the most suitable solution based on their technical and financial capabilities.

Alignment with EU requirements

The amendments to the Latvian VAT Law have been developed in accordance with European Union regulations, particularly VAT Directive 2006/112/EC and the new VAT in the Digital Age package. This initiative mandates the mandatory introduction of structured e-invoices for cross-border transactions, with the possibility of extending this to domestic transactions without the need to obtain special authorization from the European Commission.

On 11 March 2025, the EU Council approved the aforementioned package, which will be gradually implemented by 2030. The amendments to the Accounting Law and VAT Law adopted in Latvia align with this package, ensuring timely and coordinated integration into the EU digital VAT system.

Impact on businesses and future outlook

The introduction of structured e-invoices not only ensures compliance with EU requirements in Latvia's regulatory framework but also lays the foundation for the development of the digital economy. For businesses, this will involve initial costs for system adjustments or the implementation of new solutions, but in the long term, it will result in a significant reduction in administrative burden.

Automated invoice exchange will reduce manual data entry, improve cash flow transparency, and offer advantages in financial analysis and reporting. For the State Revenue Service, it will provide the ability to analyse transactions more effectively and combat VAT fraud, ensuring fairer competition.

Closing remarks

The amendments to the VAT Law in the context of e-invoices are a step towards a more digitised, efficient, and transparent business environment in Latvia. Businesses need to start preparing for these changes on time, evaluating current processes, partnering with IT solution providers, and enhancing employees' digital skills. The structured e-invoice is not just a new format - it is a tool that will transform the very foundations of accounting, promoting data integrity, operational efficiency, and timely reporting.

The digital transformation of accounting is no longer a distant future - it is already the present, and it is high time that Latvian businesses adapt to it.