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The *Saeima*¹ has adopted
and the President has proclaimed the following Law:

Electricity Tax Law

Section 1. Terms Used in this Law

The terms used in this Law correspond to the terms used in the Law On Taxes and Fees, the Electricity Market Law, Energy Law and the Law On Regulators of Public Utilities, unless provided otherwise in this Law.

Section 2. Scope of Application of this Law

- (1) This Law prescribes the procedures, by which electricity is taxed by the electricity tax (hereinafter – the tax) in the Republic of Latvia.
- (2) This Law shall apply to persons who are engaged in the generation, distribution, supply, selling of electricity and other activities involving electricity.
- (3) This Law shall not apply to autonomous producers, who generate and consume electricity for their own needs, complying with the following conditions:
 - 1) the total generation capacity does not exceed two megawatts; and
 - 2) energy products taxable with excise duty, coal taxable with the nature resource tax or electricity taxable with the electricity tax is used for the generation of the electricity.

Section 3. Taxable Object

Electricity supplied to an end user, as well as electricity, which is supplied for home consumption, shall be taxable, except for the cases specified in this Law.

Section 4. Taxpayers

Taxpayers shall be:

- 1) the persons referred to in Section 32, Paragraph one of the Electricity Market Law, who supply electricity to end users and have entered into contracts or otherwise agreed regarding the supply (selling) of electricity; and
- 2) autonomous producers, except such autonomous producers who comply with the criteria specified in Section 2, Paragraph three of this Law.

Section 5. Tax Rate

The tax rate for electricity shall be LVL 0.71 per megawatt hour.

¹ The Parliament of the Republic of Latvia

Section 6. Tax Exemptions and Relief

- (1) Electricity obtained from the following resources shall be exempt from tax:
- 1) from renewable energy resources;
 - 2) in hydroelectric power stations;
 - 3) in cogeneration electric stations complying with the efficiency criteria specified in the regulatory enactments regarding the generation of electricity through the process of cogeneration.
- (2) Electricity used for the following purposes shall be exempt from tax:
- 1) electricity generation;
 - 2) the generation of heat energy and electricity in cogeneration;
 - 3) the carriage of goods and public carriage of passengers, including on rail transport and in public carriage of passengers in towns;
 - 4) household users.
- (3) In compliance with the conditions of Paragraph four of this Section, electricity supplied from representatives or organisations of other European Union Member States (hereinafter – Member State) or other foreign states shall be exempt from tax:
- 1) in connection with diplomatic or consular relations;
 - 2) for international organisations, which have been recognised as such by the institutions of the states where such organisations are located, as well as for the members of such organisations in accordance with the international conventions establishing such organisations or the agreements of the headquarters thereof;
 - 3) for the armed forces of any Member State of the North Atlantic Treaty Organisation other than the Member State, within which the electricity duty is chargeable, as well as the armed forces referred to in Article 1 of Council Decision 90/640/EEC, for the consumption of those armed forces, as well as for the civilian staff accompanying them or for the needs of the messes or canteens of these armed forces; and
 - 4) for consumption under agreements entered into with foreign states other than Member States or international organisations provided that such an agreement is allowed or approved with regard to the exemption from value added tax.
- (4) Representatives or organisations of other Member States or other foreign states referred to in Paragraph three of this Section in the Republic of Latvia are allowed to receive electricity, if they have been issued a document specified in Commission Regulation (EC) No. 31/96 of 10 January 1996 on the excise duty exemption certificate.
- (5) The tax for electricity supplied to persons for the provision of street lighting services shall be calculated according to rate LVL 0 per megawatt hour.
- (6) In the cases referred to in Paragraphs one, two, three and five of this Section electricity shall be exempt from tax in accordance with the procedures specified by the Cabinet.

Section 7. Procedures for the Calculation and Payment of the Tax

- (1) A taxpayer shall perform the accounting of electricity generation, distribution, supply and other activities involving electricity.
- (2) The taxation period of the tax shall be 1 calendar month.
- (3) A taxpayer shall pay the tax for electricity calculated in the taxation period, which has been supplied to end users in such period, into the State budget within a time period of 25 days after the end of the taxation period. In calculating the tax, the taxpayer shall deduct the amount of electricity, which is exempt from tax in accordance with Section 6, Paragraph one of this Law, from the amount of electricity supplied to an end user.

(4) An autonomous producer who does not comply with the criteria referred to in Section 2, Paragraph three of this Law, shall pay the tax calculated for the electricity generated during the taxation period into the State budget within a time period of 25 days after the end of the taxation period.

(5) A taxpayer shall pay the tax for electricity, which during the taxation period has been consumed for his or her personal needs (including for administrative buildings), except electricity, which is directly utilised for the generation, distribution and transmission of electricity, into the State budget within a time period of 25 days after the end of the taxation period.

Section 8. Declaration of the Tax

(1) A taxpayer shall submit a tax declaration for a taxation period to the State Revenue Service within a time period of 25 days after the end of the relevant taxation period.

(2) The Cabinet shall determine the sample form of the tax declaration and the procedures for filling in thereof.

Section 9. Liability for Violations of this Law in the Republic of Latvia

(1) The liability for violations of this Law has been specified in this Law, in Law On Taxes and Fees and in other regulatory enactments.

(2) It is prohibited to supply electricity in the Republic of Latvia without paying the tax, except for the cases specified in this Law.

(3) If such electricity is supplied, which is not indicated in the declaration and for which tax is not paid, the State Revenue Service on an uncontested basis shall recover the amounts of the tax not paid into the State budget and the fines from a taxpayer in accordance with the Law On Taxes and Fees.

(4) In the cases referred to in Paragraph three of this Section the State Revenue Service shall calculate the tax according to the rate, which was in force on the day when the relevant operations were performed. If it may not be determined, the tax shall be calculated according to the rate, which was in force on the day when the operations referred to were determined.

(5) If another control authority (for example, the State Energy Inspectorate, the State Police), not the State Revenue Service, according to the competence thereof determines that a person has performed the operations referred to in Paragraph two or three of this Section, not paying the tax, the relevant authority shall draw up a deed, inform such person about it and submit it to the State Revenue Service. Upon the receipt of such deed, the State Revenue Service shall take a decision regarding the determination of the tax payment. If a taxpayer does not pay the tax within a time period of 25 days from the day of receipt of the decision of the State Revenue Service, the State Revenue Service has the right to recover the indicated sum on an uncontested basis.

(6) In the cases referred to in Paragraph five of this Section the tax and fine shall be recovered from the person who has performed the operations referred to in Paragraph three of this Section.

(7) A taxpayer is prohibited from supplying or selling electricity, to which the tax exemption or relief is applied in accordance with this Law, to a person who does not have the right to receive such exemption or relief.

(8) If the requirements specified in Paragraph seven of this Section are not met, the tax and fine shall be recovered from the relevant taxpayer in accordance with the procedures specified in this Law.

(9) Persons who have received electricity, to which the tax exemption or relief in accordance with this Law is applied, are prohibited from using it for other purposes (than prescribed for the specified tax exemption or relief) or transfer it to another person who does not have the right to receive them.

(10) If the requirements specified in Paragraph nine of this Section are not met, a person who has received electricity, to which the tax exemption or relief is applied, and has violated the purpose of the utilisation of electricity, shall be held liable for the referred to operations in accordance with the regulatory enactments, in which the liability for violations in the field of taxes is specified.

Transitional Provisions

1. The tax rate specified in Section 5 of this Law shall come into force on 1 January 2010.
2. Until the day when the tax rate specified in Section 5 of this Law comes into force, electricity shall be taxed according to the following rates:
 - 1) from 1 January 2007 to 31 December 2007 – LVL 0.35 per megawatt hour;
 - 2) from 1 January 2008 to 31 December 2008 – LVL 0.45 per megawatt hour; and
 - 3) from 1 January 2009 to 31 December 2009 – LVL 0.55 per megawatt hour.
3. The Cabinet shall:
 - 1) issue the regulation referred to in Section 8, Paragraph two of this Law by 15 February 2007;
 - 2) issue the regulation referred to in Section 6, Paragraph six of this Law by 1 April 2007.

Informative Reference to European Union Directives

This Law contains legal norms arising from the following directives:

- 1) Council Directive 2003/96/EC of 27 October 2003 restructuring the Community framework for the taxation of energy products and electricity;
- 2) Council Directive 2004/74/EC of 29 April 2004 amending Directive 2003/96/EC as regards the possibility for certain Member States to apply, in respect of energy products and electricity, temporary exemptions or reductions in the levels of taxation.

This Law shall come into force on 1 January 2007.

This Law was adopted by the *Saeima* on 19 December 2006.

President V. Vīķe-Freiberga

Rīga, 29 December 2006