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LEGISLATIVE ACTS AND OTHER INSTRUMENTS

Subject: COUNCIL IMPLEMENTING DECISION authorising the Republic of Latvia to apply a special measure derogating from Article 287 of Directive 2006/112/EC on the common system of value added tax, and repealing Implementing Decision (EU) 2017/2408

COUNCIL IMPLEMENTING DECISION (EU) 2024/...

of ...

**authorising the Republic of Latvia
to apply a special measure derogating from Article 287 of Directive 2006/112/EC
on the common system of value added tax,
and repealing Implementing Decision (EU) 2017/2408**

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Council Directive 2006/112/EC of 28 November 2006 on the common system of value added tax¹, and in particular Article 395(1), first subparagraph, thereof,

Having regard to the proposal from the European Commission,

¹ OJ L 347, 11.12.2006, p. 1, ELI: <http://data.europa.eu/eli/dir/2006/112/oj>.

Whereas:

- (1) Article 287, point (10), of Directive 2006/112/EC allows Latvia to exempt from value added tax ('VAT') taxable persons whose annual turnover is no higher than the equivalent in national currency of EUR 17 200 at the conversion rate on the day of its accession.
- (2) By Council Implementing Decision (EU) 2017/2408², as amended by Council Implementing Decision (EU) 2020/1261³, Latvia was authorised, until 31 December 2024, to continue to apply a special measure derogating from Article 287, point (10), of Directive 2006/112/EC to exempt from VAT taxable persons whose annual turnover is no higher than EUR 40 000 (the 'initial special measure').
- (3) By letter registered with the Commission on 14 December 2023, Latvia requested an authorisation to increase the threshold of the initial special measure to EUR 50 000 from 1 January 2024 to 31 December 2024 (the 'special measure').
- (4) Pursuant to Article 395(2), second subparagraph, of Directive 2006/112/EC, the Commission transmitted the request made by Latvia to the other Member States by letter dated 16 January 2024. By letter dated 17 January 2024, the Commission notified Latvia that it had all the information necessary for the appraisal of the request.

² Council Implementing Decision (EU) 2017/2408 of 18 December 2017 authorising the Republic of Latvia to apply a special measure derogating from Article 287 of Directive 2006/112/EC on the common system of value added tax (OJ L 342, 21.12.2017, p. 8, ELI: http://data.europa.eu/eli/dec_impl/2017/2408/oj).

³ Council Implementing Decision (EU) 2020/1261 of 4 September 2020 amending Implementing Decision (EU) 2017/2408 authorising the Republic of Latvia to apply a special measure derogating from Article 287 of Directive 2006/112/EC on the common system of value added tax (OJ L 296, 10.9.2020, p. 4, ELI: http://data.europa.eu/eli/dec_impl/2020/1261/oj).

- (5) The special measure requested by Latvia is in line with Council Directive (EU) 2020/285⁴, which seeks to reduce the VAT compliance burden of small enterprises and avoid distortions of competition in the internal market. Member States are to apply Article 1 of that Directive from 1 January 2025.
- (6) In order to ensure that the objectives pursued by the special measure are achieved and to avoid imposing an excessive administrative burden on taxable persons and tax authorities, it is appropriate to authorise Latvia to apply the special measure from 1 January 2024. By providing for the application of the special measure from a date that is prior to the date on which this Decision takes effect, the legitimate expectations of eligible taxable persons are respected, as the special measure does not encroach upon their rights and obligations.
- (7) The special measure will remain optional for taxable persons as they can still opt for the normal VAT arrangements pursuant to Article 290 of Directive 2006/112/EC.
- (8) According to the information provided by Latvia, the special measure will only have a negligible effect on the overall amount of the tax revenue of Latvia collects at the stage of final consumption.

⁴ Council Directive (EU) 2020/285 of 18 February 2020 amending Directive 2006/112/EC on the common system of value added tax as regards the special scheme for small enterprises and Regulation (EU) No 904/2010 as regards the administrative cooperation and exchange of information for the purpose of monitoring the correct application of the special scheme for small enterprises (OJ L 62, 2.3.2020, p. 13, ELI: <http://data.europa.eu/eli/dir/2020/285/oj>)

- (9) Following the entry into force of Council Regulation (EU, Euratom) 2021/769⁵, there is to be no compensation calculation carried out by Latvia with regard to the VAT own resource statement for the financial year 2021 onwards.
- (10) The application of the special measure should be limited in time. The time limit should be sufficient to allow the Commission to evaluate the effectiveness and appropriateness of the threshold. Moreover, pursuant to Article 3(1) of Directive (EU) 2020/285, Member States are to adopt and publish, by 31 December 2024, the laws, regulations and administrative provisions necessary to comply with Article 1 of that Directive, and are to apply those provisions from 1 January 2025. It is therefore appropriate to authorise Latvia to apply the special measure until 31 December 2024.
- (11) Implementing Decision (EU) 2017/2408 should therefore be repealed,

HAS ADOPTED THIS DECISION:

⁵ Council Regulation (EU, Euratom) 2021/769 of 30 April 2021 amending Regulation (EEC, Euratom) No 1553/89 on the definitive uniform arrangements for the collection of own resources accruing from value added tax (OJ L 165, 11.5.2021, p. 9, ELI: <http://data.europa.eu/eli/reg/2021/769/oj>).

Article 1

By way of derogation from Article 287, point (10), of Directive 2006/112/EC, Latvia is authorised to exempt from VAT taxable persons whose annual turnover is no higher than EUR 50 000.

Article 2

Implementing Decision (EU) 2017/2408 is repealed.

Article 3

This Decision shall take effect on the date of its notification.

It shall apply from 1 January 2024 to 31 December 2024.

Article 4

This Decision is addressed to the Republic of Latvia.

Done at ..., ...

For the Council

The President
