



State Revenue Service
Republic of Latvia

Methodological Material

ELECTRICITY TAX



12.01.2023.

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Scope

[The Electricity Tax Law](#) prescribes the procedures, pursuant to which **electricity** is taxed by the electricity tax (hereinafter — the 'tax') in the Republic of Latvia.

The Electricity Tax Law **applies to**:

- persons who are engaged in the generation, distribution, supply, selling of electricity and other activities involving electricity (inter alia, consume electricity for ensuring the production process and personal needs (including administration buildings));
- autonomous producers, except for the cases determined in the Electricity Tax Law;
- persons who use, supply and purchase electricity on the stock exchange.

The Electricity Tax Law **does not apply to autonomous producers** who generate and consume electricity for their own needs, complying with the following conditions:

- the total generation capacity does not exceed two megawatts;
- 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.



The installed **total generation capacity** is formed, for example, by both electricity generation capacity and thermal energy generation capacity (if such is used in business activities).

1. example

SIA ZET certifies that its installed electricity generation capacity does not exceed 1 megawatt (MW).

In turn, information provided in the Electricity Trader Register publicly available on the website of the Public Utilities Commission ('PUC') certifies that the thermal energy generation capacity of SIA ZET amounts to 1,09 MW and the electricity generation capacity amounts to 0,98 MW.

Hence, the total installed generation capacity of SIA ZET is 2,07 MW and it exceeds the exception criterion determined in the Electricity Tax Law with regard to 2 MW, where no taxable object is formed.

Taxable Object

The following **is taxable**:

- electricity supplied to a final customer (including electricity generated from renewable energy resources, by cogeneration power stations);
- electricity used for the generation of thermal energy;
- electricity supplied for own needs during the taxation period (including for administration buildings).

2. example

If an electricity trader offers electricity to its partner – a legal person that resells the purchased electricity and does not use it for self-consumption, such person shall not be deemed a final customer of electricity.

*In such a case, the electricity supplied by the electricity trader **is not taxable**.*

3. example

*If electricity generated from renewable energy resources or by cogeneration power stations is supplied to final customers and/or used for own needs of the electricity producer (including for administration buildings), except for the cases determined in the Electricity Tax Law, it **is taxable**.*



Electricity that is directly used for the following purposes **is not taxable**:

- ensuring the electricity generation process;
- the distribution and transmission of electricity (e.g., electricity losses).

Taxpayer

Taxpayers are:

- persons (engaged in electricity trading)¹ who **supply electricity to final customers** and have entered into contracts or otherwise agreed on the supply (selling) of electricity;
- **autonomous producers**, except such autonomous producers that generate electricity and consume it for their own needs, observing the provisions of [Section 2, Paragraph three](#) of the Electricity Tax Law;
- final customers of electricity, if a contract or another agreement has been entered into **on the purchase of electricity on the stock exchange**.

Final customer — an energy user that purchases energy to be used for **own needs** (final consumption).²

¹ Persons referred to in [Section 32, Paragraph one of the Electricity Market Law](#).

² Section 1, Paragraph one, Clause 18 of the [Energy Law](#).

Autonomous producer — a merchant, an energy supply merchant, or a natural person which produces electricity, thermal energy, or energy required for cooling for the purpose of consuming it for personal needs or local heating or cooling supply needs.³

4. example

An electricity trader – Trader 1 – supplies electricity to another electricity trader – Trader 2 – as **a final customer**.

In such a case, Trader 1 is a taxpayer.

5. example

An electricity trader – Trader 1 – supplies electricity to another electricity trader – Trader 2, which in turn **sells** this electricity **further** to other final customers.

In such a case, Trader 1 is not a taxpayer, as Trader 2 is not considered to be a final customer. The taxpayer is Trader 2.



A person that offers the electricity generated by its company for self-consumption (administration buildings), except for the electricity directly used for ensuring the electricity generation process and the distribution and transmission of electricity, according to the essence of the Electricity Tax Law is considered to be **the final customer of own generated electricity** and corresponds to the taxpayer category determined in Section 4, Clause 1 of the said Law.

6. example

SIA ET transfers the generated electricity to the general network as well as uses the electricity generated by its company for both ensuring the production process and **SIA ET own needs**, e.g., for heating administration buildings, lighting, etc. In such a case, SIA ET is a taxpayer and is considered to be the final customer of its own generated electricity.

Self-generation of Electricity Using Solar Panels



Electricity generated by a **household** by using solar panels installed on its property is not a taxable object, as electricity used by household users is exempted from the tax (see Section “Tax Exemptions” of this Methodological Material, Paragraph 2 “Household Users”).

Respectively, a person who has installed solar panels on his owned, rented or possessed property and uses the electricity generated thereby for personal needs (i.e., **generates and consumes for personal needs** or final consumption) and transfers the remaining electricity volume, i.e., reserves, to the general network

³ Section 1, Paragraph one, Clause 2 of the [Energy Law](#).

(uses the net accounting system) **is not considered to be a taxpayer.**

A person engaged in the self-generation of electricity using solar panels can become a **taxpayer** if⁴:

- the total generation capacity of the installed solar panels **exceeds two megawatts**;
- the electricity producer is also engaged in the selling of excessive electricity (supply to a final customer) or registered trade and if the generated electricity is used for **own consumption** (e.g., lighting of administration buildings).

⁴ Please note that each particular situation, where to the general explanation of tax application does not apply, shall be assessed individually.

Tax Exemptions and Relief

Electricity used for the following purposes **is exempt** from the tax:

- the carriage of goods and public carriage of passengers, including by rail transport and in public carriage of passengers in towns;
- household users;
- electricity generation in order to ensure the electricity generation process directly (in force as from 1 January 2023).

Electricity supplied from representatives or organisations of other European Union Member States or other foreign states **is exempt** from the tax in accordance with the provisions of Section 6, Paragraph three of the [Electricity Tax Law](#).

Tax **relief** is determined for the electricity supplied to persons for the provision of street lighting services.

Tax Exemptions

1. Carriage of goods and public carriage of passengers, including by rail transport and in public carriage of passengers in towns.



Electricity **directly** ensuring the carriage of goods (by rail) and the operation of public transport vehicles is exempt from the tax.

7. example

*A final customer of electricity, whose economic activities are related to cargo carriage, purchases electricity from an electricity trader and uses it for the provision of cargo carriage services and the needs of administration buildings. Tax relief shall be applied to the electricity trader **only for** the amount of electricity **used** by the final customer of electricity **for ensuring the operation of rail transport**. In turn, the tax shall be paid into the budget for the amount of electricity used for the needs of administration buildings.*

2. Household Users.

A household user is a final customer who buys and uses energy in their household for their own needs (final consumption), except for the needs of commercial activities or other professional needs.⁵



The supply of electricity to natural persons who **do not carry out economic activities** and use electricity in their **household for personal needs** is exempt from the tax.



The supply of electricity to persons that carry out **economic activities** (i.e., performers of economic activities, legal persons and other subjects of the Accounting Law) and are the final customers of electricity **is not exempt** from the tax.

⁵ Section 1, Paragraph one, Clause 29 of the [Energy Law](#).

8. example

An electricity supply agreement entered into with a house manager (final customer) specifies several accounting objects — apartments of a residential apartment building and premises of common use for the administration building needs of the house manager.

To enable an electricity trader to apply the electricity tax relief to the accounting of electricity correctly, the trader shall account the supplied electricity **for each object individually** and the tax shall be applied depending on the type of use of the object. The electricity trader shall apply tax relief for the amount of electricity that applies to apartments (household users) for the house manager (final customer). In turn, the tax shall be paid into the budget for the amount of electricity used for the needs of administration buildings of the final customer (house manager).

9. example

An electricity supply agreement entered into with a house manager (final customer) specifies several accounting objects — apartments of a residential apartment building and premises of common use.

In this example, the premises of common use are considered to be the stairway of the apartment building. The electricity consumed in the stairway is jointly and severally divided between all building apartments, which is certified by an electricity supply invoice. In such a case, the **entire supplied** electricity applies to apartments (household users), wherewith the electricity trader applies tax relief for the amount of electricity that has been supplied (sold) to the house manager (final customer).

10. example

If a natural person uses an immovable property owned or possessed by them for own needs of their household and for carrying out economic activities, the electricity used **for the purposes of economic activities shall be separated** from the electricity used in the household for the person's own needs. In such a case, the consumed amount of electricity used in the household for the person's own needs and the amount of electricity used for the needs of economic activities **shall be accounted separately**.

The electricity trader (supplier) cannot apply tax relief for the amount of electricity used by the natural person for the needs of economic activities, and the trader shall calculate and pay the tax into the State budget for the said supplied amount of electricity.

11. example

An electricity supply agreement entered into with a natural person specifies several accounting objects — an apartment in a residential apartment building, a garage, a sauna and cafe. In such a case, electricity used in the household for the person's own needs and electricity used for the needs of economic activities **shall be accounted separately**; e.g., the supplied electricity is accounted for each object individually.

3. Electricity generation in order to ensure the electricity generation process directly (in force as from 1 January 2023).



Electricity **directly** used **for ensuring** the electricity **generation process**, e.g., electricity used for powering the generation equipment (pumps, turbines, etc.) is exempt from the tax.

Tax relief is applied to power stations that generate electricity and cogeneration power stations that generate both electricity and thermal energy, etc.

12. example

A cogeneration power station simultaneously generates thermal energy and electricity and transfers the generated electricity to the general network. To ensure the generation process, a merchant uses natural gas and electricity. In such a case, the amount of electricity used in the electricity generation process is exempt from the tax.

13. example

The electricity generation process is suspended to perform maintenance of the generation equipment or other necessary activities. Tax relief is applied for the generated amount of electricity used directly for launching (i.e., ensuring) the electricity generation process.



Tax relief **is not applied** to the electricity that is the end product of the generation process and/or electricity consumed for other own needs (including administration buildings) and not used directly for ensuring the electricity generation process.

14. example

Electricity is used in the generation process resulting in the production of the end product — thermal energy. The company uses the generated thermal energy for heating water at its company, heating the premises, cooling air and other own needs. Tax relief is not applied as electricity is not used directly for ensuring the electricity generation process.

Tax Relief

Electricity supplied to persons for the provision of street lighting services.

The tax is calculated at the rate of EUR 0 per megawatt hour.



Tax relief is applied to the electricity used also for the services of lighting **public parks, squares, bicycle tracks, yards and other public territories.**

Procedures Pursuant to Which Electricity Is Exempt from the Tax



Electricity is exempt from the tax pursuant to the procedures laid down in [Cabinet Regulation No 52 of 24 January 2017 "Procedures for Application of Electricity Tax Exemptions"](#).

Producer of electricity and other energy.



To apply tax relief for the electricity directly used for ensuring the electricity generation process, an electricity producer shall ensure **the separate accounting** of electricity used in the generation process, determining the amount of the particular used electricity.

Final customers of electricity, if a contract or another agreement has been entered into **on the purchase of electricity on the stock exchange**, shall carry out the **accounting** of purchased electricity.

Electricity supplier (trader).

To apply tax exemptions and relief, an electricity supplier shall:

- **enter into a mutual agreement** with the person providing goods carriage and public passenger carriage services (including by rail transport and in public carriage of passengers in towns), the final customer or the person providing street lighting services prior to commencing the supply transaction;
- carry out **the separate accounting of electricity by types of use**, namely, based on the information provided by the system operator regarding electricity consumption and/or electricity meter readings taken and declared by the final customer (which it submits to the system operator or trader in accordance with laws and regulations on the trade and use of electricity);
- **draw up an accounting source document** (invoice) certifying the supply of electricity for the supplied amount of electricity to the participant of an economic transaction in accordance with statutory requirements for source documents.

Source document

A source document (invoice) certifying the supply of electricity shall be drawn up:

- observing the requirements set forth in [Section 11 of the Accounting Law](#);
- additionally specifying the amount of supplied electricity in the mandatory field "description of economic transaction" of the source document.

Calculation, Declaration and Payment of the Tax

Calculation



The amount of the calculated tax depends on the amount of consumed and accounted electricity, and it is fixed in relation to one megawatt hour.

The tax rate for electricity is **EUR 1,01**.

For electricity supplied to persons for the provision of street lighting services, the tax is calculated at the rate of **EUR 0** per megawatt hour.

Taxation period



The taxation period is **one calendar month**.

Declaration



The sample tax declaration form and its completion procedures are determined by [Cabinet Regulation No 820 of 20 December 2016 "Regulations on the Electricity Tax Declaration Template and Its Completion Procedures"](#).

The Methodological Material "Procedures for the Completion of Electricity Tax Declaration" published by the State Revenue Service is available [here](#).



The taxpayer shall submit the tax declaration for the taxation period to the State Revenue Service **within 20 days** following the end of the calendar month.

The tax declaration shall be submitted also for the taxation period, during which the calculated tax, i.e., **the tax amount** to be paid into the State budget, **is EUR 0,00**.

Payment



The calculated tax amount shall be paid into the State budget **by the 23rd date of the next month** following the end of the calendar month.

The tax shall be transferred to **the single tax account**.

Beneficiary:	State budget (SRS)
Beneficiary's institution	The Treasury
Registration No:	90000010008
Account number:	LV33TREL1060000300000
BIC code:	TRELLV22

State Revenue Service

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We will be glad to receive reviews on the quality of the material or proposals on its improvements via the [Electronic Declaration System](#) in the section "Communication with the SRS".