



State Revenue Service
Republic of Latvia

Regulations Regarding Guaranties of the Excise Duty





Changes in regulation

- On 12th of February, 2019, Cabinet of Ministers adopted and on 27th of February, 2019, entered into force Cabinet of Ministers Regulations No.72 „Regulations Regarding Guaranties of the Excise Duty” (hereafter – Regulations No.72).
- On 27th of February, 2019, Cabinet of Ministers Regulations No.16 (adopted on 30th of March, 2010) „Regulations Regarding Guaranties of the Excise Duty” ceased to be valid



Excise duty guarantee

What is excise duty guarantee?

Excise duty guarantee is a value in monetary terms submitted by excise duty payer for covering a possible excise duty payable (paid guarantee deposit, the insurance policy for the performance of commitments or a guarantee from the credit institution), for conducting activities with excise goods (for instance, to receive excise goods from other EU member country, to produce, reprocess excise goods or conduct other activities in accordance with the law „On Excise Duties”), by applying deferred excise duty payment mode.

As an excise duty guarantee may be used:

- *Guarantee deposit – must be paid to the State Treasury account LV31TREL8135450000000 (SWIFT code: TRELLV22).*
- *Insurance policy for the performance of commitments or guarantee of a credit institution – must be submitted as an electronically signed document and it's validity period may not extend 12 months.*



Used terminology in Regulations Nr.72

- **General guarantee amount** (2.2.sub-paragraph)

Total possible excise duty, which can be calculated for the tax payer in accordance with the law „On Excise Duties” at a particular moment.

- **Submittable general guarantee** (2.3.sub-paragraph)

Financial guarantee by which tax payer undertakes to cover part of possible excise duty debt which in accordance with Regulations No.72, law „On Excise Duties” and EU regulatory framework must be ensured in the amount of 100 percent.

- **Extinguishing of the guarantee** (2.4.sub-paragraph)

Release of submitted guarantee from commitments.



State Revenue Service
Republic of Latvia

Occasions in which State Revenue Service shall not issue or re-register general guarantee certificate (15., 16.article)

If the guarantee submitter:

- has actual excise duty debt, which exceeds 150 EUR;
- general guarantee certificate was revoked for the violation of Regulations No.72 within one year prior to submitting the submission;
- has been imposed by the fine in the amount of at least 1430 EUR for violations of application or usage of guaranties or for violations of excise goods movement;
- is found to be violated excise tax calculation arrangement and is imposed by the fine in the amount of at least 1430 EUR;
- has submitted general guarantee which is less than minimum general guarantee which has to be submitted or a guarantee submitter has not submitted guarantee;
- has received insurance policy or guarantee letter, but the insurance company of credit institution has not acquired the status of a guarantor;
- has been imposed by the penalty for providing tax administration with false information related to usage of guaranties;
- has not valid special permit (license).



State Revenue Service
Republic of Latvia

Occasions in which State Revenue Service shall suspend the activity of a general guarantee certificate for a period of up to 90 days (17., 18.article)

If the following occasions have detected to the guarantee submitter:

- actual duty debt, which exceeds 150 EUR;
- imposed fine for violations of Regulations No.72 isn't paid;
- excise tax declaration, report on the circulation of excise goods or report on the circulation of excise duty stamps isn't submitted;
- requirements of 14th or 39th article in Regulations No.72 are not met;
- general guarantee amount has been exceeded;
- submitted general guarantee amount has been exceeded in occasions when general guarantee reduction is applied;
- partial or total guarantee amount has been used for payment of the unpaid excise duty.



State Revenue Service
Republic of Latvia

Advantages on applying guarantee

Guarantee submitter can receive reduction of submittable general guarantee up to 90 percent from general guarantee amount (30.article) if the guarantee submitter:

- doesn't have actual excise duty debt;
- at least two consecutive years has valid special permit (license) for the activity of an approved tax warehousekeeper;
- within two years prior to submitting the submission has performed for at least nine months in a year activities which are allowed by the special permit (license) for the activity of an approved tax warehousekeeper.

Merchants who have Authorized Economic Operator status or In-depth Cooperation Programme Gold or Silver level status:

- minimum general guarantee amount which has to be submitted shall be 50 percent from minimum general guarantee amount defined in 32nd article of Regulations No.72 (33.article);
- shall be applied general guarantee amount reduction by the amount of 100 percent (except for excise goods movement in deferred excise duty payment mode) (34.article).



State Revenue Service
Republic of Latvia

Advantages on applying guarantee (35.article)

Alcoholic beverages small producers shall be applied general guarantee reduction by the amount of 100 percent (except for excise goods movement in deferred excise duty payment mode, actual excise duty debt and excise goods which are released for consumption during the taxation period), if the merchant:

- doesn't have actual excise duty debt, which exceeds 150 EUR;
- within one year prior to submitting the submission doesn't have a revoked general guarantee certificate for the violation of Regulations No.72;
- has not violated excise tax calculation arrangement and imposed by the fine in the amount of at least 1430 EUR.



State Revenue Service
Republic of Latvia

Guarantee usage

If the excise duty has not been paid and is not paid after a written warning, tax administration shall request that the guarantor pays the excise duty debt of the guarantee submitter (66.article) six months after:

- re-registration of general guarantee certificate, if the relevant guarantee is no longer used or after the general guarantee certificate becomes invalid (67.article);
- a decision on the results of the excise duty audit has entered into effect, if an excise duty audit or excise duty revision (audit) has been initiated during the time period when the tax administration is entitled to request that the guarantor pays the excise duty debt of the guarantee submitter (70.article).



State Revenue Service
Republic of Latvia

Guarantor rights and duties

Rights:

- guarantor may reduce the amount or term of validity of the guarantee, cancel it or take over other guarantee obligations by informing tax administration (62.article);
- acquire from tax administration any information regarding excise tax guarantee (4th point of 6th,7th annex).

Duties:

- pay the excise duty debt of the guarantee submitter according to obligations undertaken after tax administration request (66.article).



State Revenue Service
Republic of Latvia

Examples in the usage of submittable general guarantee and general guarantee amount



General guarantee amount (29., 31.article)

General guarantee amount

1. Unused stamps;
2. Excisable goods stored in a tax warehouse;
3. Excisable transferred for consumption (if the license is valid at least three years);
4. Excisable goods moved under excise duty suspension arrangement;
5. Excise duty debt, including excise duty debt for which the term of payment has been extended;
6. Other occasions (degustations, loss of production etc.).

Submittable general guarantee

1. Excisable goods that are transferred for consumption (if the license is not valid at least three years);
2. Excisable goods that are moved under excise duty suspension arrangement;
3. Excise duty debt, including excise duty debt for which the term of payment has been extended;
4. Other occasions (degustations, loss of production etc.).



Calculation of general guarantee amount (29.article)

Production stored
in warehouse
60 000



Unused stamps
30 000



Production released for
consumption
10 000



Production moved under excise
duty suspension arrangement
10 000



Excise duty debt
(including term
extensions)
5 000



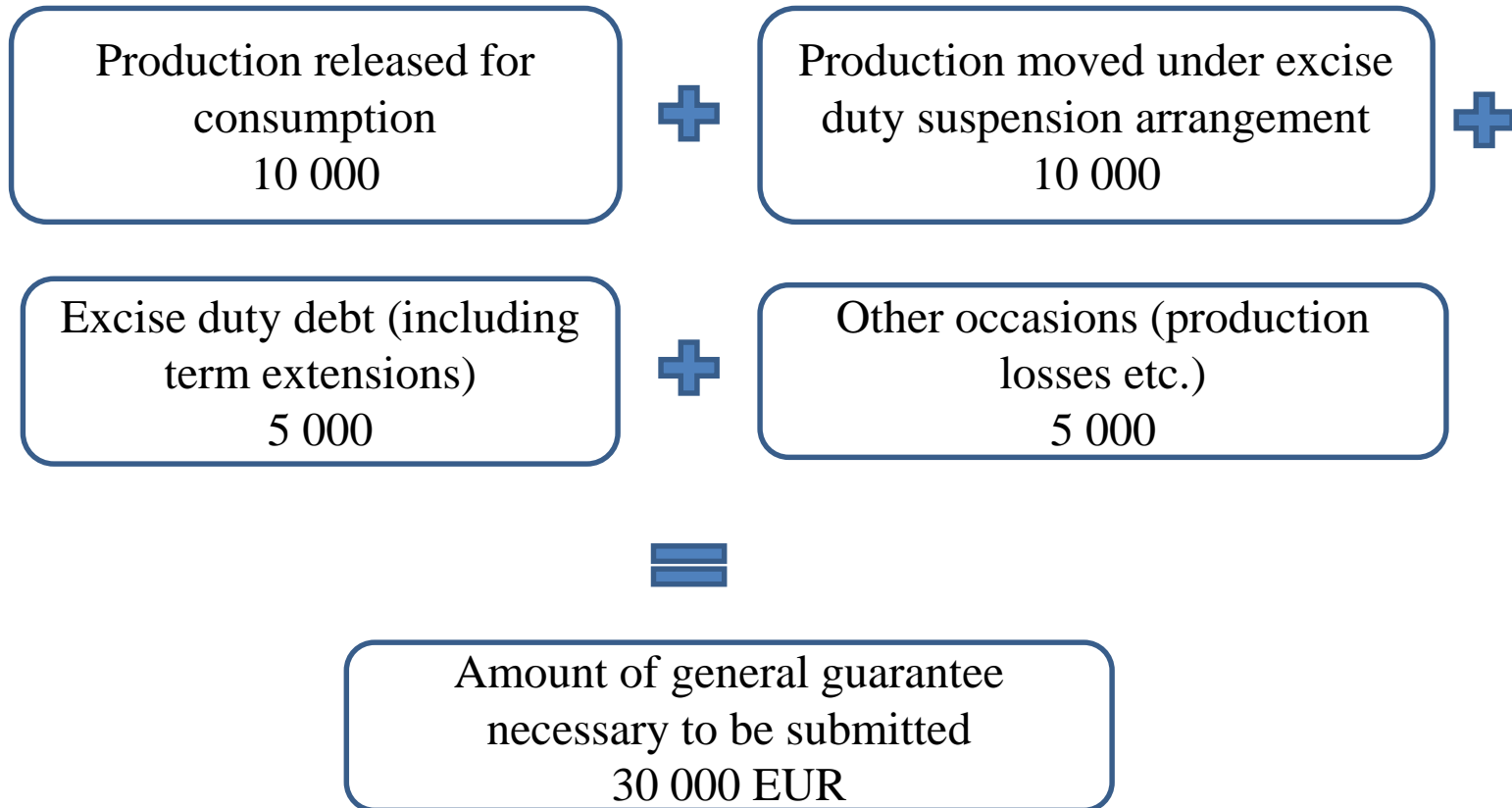
Other occasions
(production losses etc.)
5 000



General guarantee amount
120 000 EUR

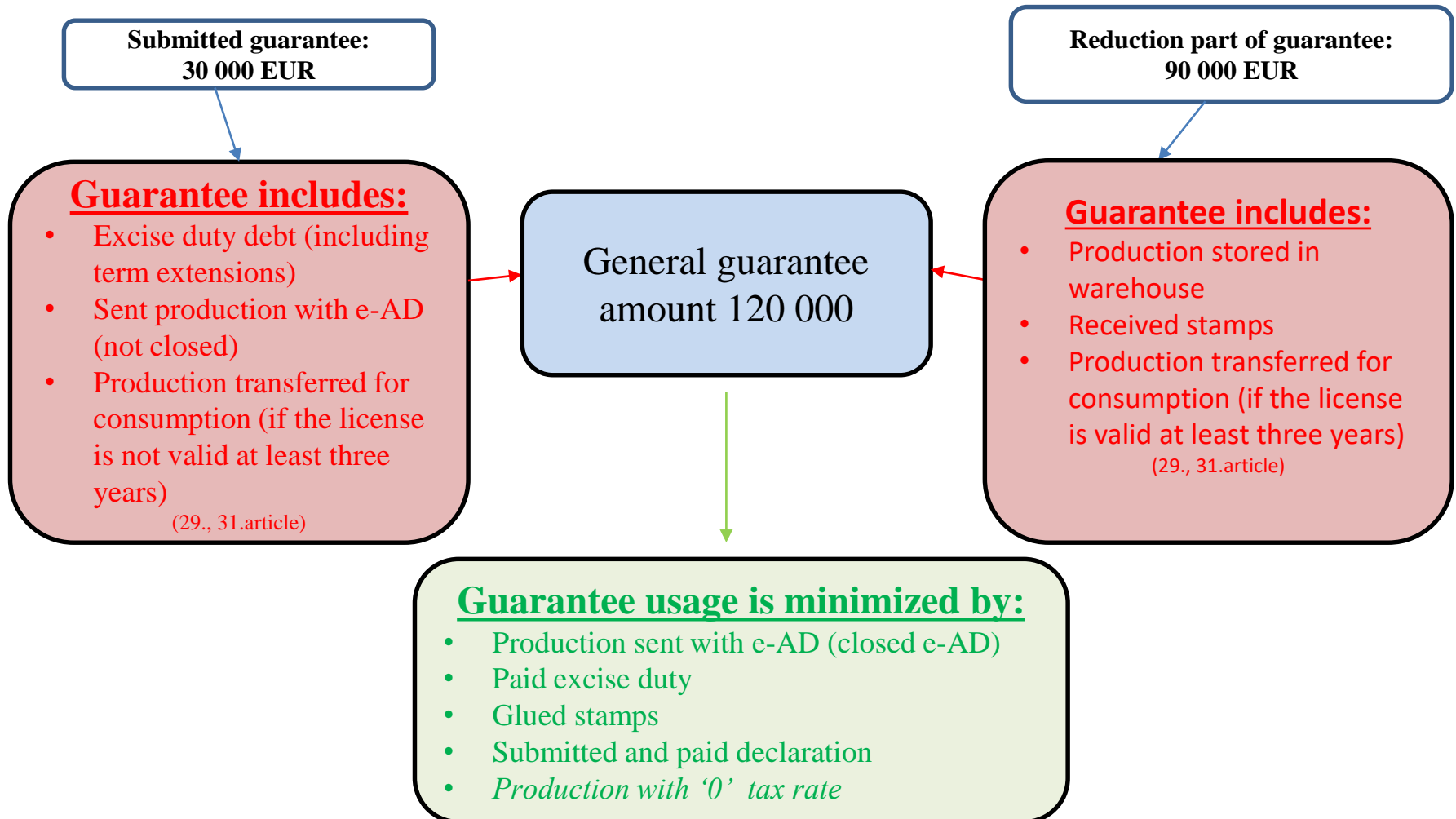


Calculation of submittable general guarantee (31.article)





Determination of general guarantee usage





State Revenue Service
Republic of Latvia

Example of general guarantee usage determination

Submittable guarantee: 120 000 EUR with 75% reduction – submitted 30 000 EUR

Excise duty calculated for production stored in warehouse – **35 550 EUR**

Excise duty calculated for production sent with e-AD – **10 000 EUR**

Excise duty calculated for production transferred for consumption (if declaration is submitted) – **8 000 EUR**

Excise duty calculated for unused stamps – **11 000 EUR**

Calculated excise duty debt – **5 500 EUR**

(30 000)

$5\,500 + 8\,000 + 10\,000 = 23\,500$ EUR

Guarantee usage: $23\,500/30\,000 = 78\%$

(120 000)

$35\,550 + 10\,000 + 8\,000 + 11\,000 + 5\,500 = 70\,000$ EUR

Guarantee usage: $65\,050/120\,000 = 58\%$



State Revenue Service
Republic of Latvia

Submittable general guarantee

For merchants who have Authorized Economic Operator status or In-depth Cooperation Programme Gold or Silver level status is necessary to:

- move production under excise duty suspension arrangement.

For alcoholic beverages small producers is necessary to:

- move production under excise duty suspension arrangement;
- cover calculated excise duty for production released for consumption in taxation period;
- cover excise duty debt.



State Revenue Service
Republic of Latvia

Submittable general guarantee

According to 31st article of Regulations No.72, submittable general guarantee includes:

- excise duty debt (including term extensions);
- production movement under excise duty suspension arrangement (in terms of calculated excise duty);
- production released for consumption in the Republic of Latvia during taxation period (in terms of calculated excise duty) (license valid less than three years);
- other occasions when excise duty is calculated in accordance with law „On Excise Duties”.



State Revenue Service
Republic of Latvia

Transitional Provisions

- General guarantee certificates issued until February 26th, 2019, are valid until their expiration date.
- Guarantor status acquired until February 26th, 2019 is valid after Regulations No.72 enters into effect.
- General guarantee certificates issued to In-depth Cooperation Programme members until February 26th, 2019, shall be re-registered until 1st of April, 2019.
- Guarantee which lost validity until February 26th, 2019, shall be used accordance to VII chapter of Regulations No.72.



State Revenue Service
Republic of Latvia

Contact information

67120103

67120108

67120109

67120127

67120128

67120122