

Notice on tackling VAT fraud

On 20 February 2014, for the first time in Latvia, State Revenue Service publicly recognised an existence of VAT fraud issue. The State Revenue Service issued a notice which lists core risk characteristics of VAT fraudulent trader. Additionally, notice informs taxpayers about publicly available information sources that can be used by taxpayer to perform checks of his potential business counterparty.

The following risk factors are mentioned:

- the goods offered are lower than open market price;
- the business counterparty has a minimal trading history, it is a newly registered company with no financial or trading history;
- the business counterparty referred a buyer who is willing to buy goods of the same quantity and specifications being offered by the supplier. Sale involves provides low profit margin;
- the supplier offers deals with no commercial risk for the business;
- the high value deals offered with no formal contractual arrangements;
- the business counterparty require to make 3rd party payments or payments to an offshore bank accounts;
- the supplier offers deals without commercial risk – eg,.no requirement to pay for goods until payment received from customer?

We expect that in the near future this guidance will become widely used by taxpayers, tax administration and courts

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