Republic of Latvia

Cabinet

Regulation No. 774

Adopted 30 November 2021

**Procedures for Exempting Individual Tobacco Products, Liquid to be Used in Electronic Smoking Devices, Ingredients for the Preparation of Liquid to be Used in Electronic Smoking Devices, and Tobacco Substitute Products from Excise Duty**

*Issued pursuant to*

*Section 17, Paragraphs one and 1.1, and Section 17.1, Paragraph two of the law On Excise Duties*

**I. General Provisions**

1. The Regulation prescribes:

1.1. the procedures by which denatured tobacco products shall be exempted from excise duty (hereinafter – the duty);

1.2. the conditions as to what tobacco products shall be considered as denatured;

1.3. the procedures by which tobacco products, liquid to be used in electronic smoking devices, ingredients for the preparation of liquid to be used in electronic smoking devices, and tobacco substitute products which are destroyed or used for the determination of quality shall be exempted from the duty.

2. The Regulation shall not apply to confiscated tobacco products, liquid to be used in electronic smoking devices, ingredients for the preparation of liquid to be used in electronic smoking devices, and tobacco substitute products.

**II. Denatured Tobacco Products**

3. Denatured tobacco products shall be considered products that conform to one of the following conditions:

3.1. products are ground in very tiny particles (dust) which irreversibly prevent the possibility to use such products for the manufacturing or consumption of other tobacco products;

3.2. chemical substances which irreversibly prevent the possibility to use such products for the manufacturing or consumption of other tobacco products have been added thereto.

4. In order to apply the duty exemption to denatured tobacco products, an approved tax warehousekeeper (hereinafter – the warehousekeeper) who is allowed to carry out activities with tobacco products shall perform denaturing in the tax warehouse. The warehousekeeper shall, not later than two working days before the denaturing of tobacco products, notify the State Revenue Service in writing of the time and manner of denaturing. The tobacco products shall be denatured, as well as a sample of denatured tobacco products necessary for a conformity assessment shall be taken in the presence of an authorised official of the State Revenue Service.

5. Denatured tobacco products may be brought in from the European Union Member States and countries other than the European Union Member States if they are moved to a tax warehouse wherein it is permitted to denature tobacco products. The warehousekeeper shall be responsible for further operations with the denatured tobacco products.

6. Tobacco products (also such tobacco products which are brought in from the European Union Member States or countries other than the European Union Member States) are considered denatured if they meet the requirements of this Regulation and have been supplied in accordance with the procedures laid down in this Regulation. If the abovementioned tobacco products do not meet the requirements of this Regulation or are not supplied in accordance with the procedures laid down in this Regulation, excise duty shall be applied to them in accordance with the law On Excise Duties. In such case, the warehousekeeper shall be liable for the payment of excise duty.

7. Denatured tobacco products may be supplied only to such merchants, farms, and other undertakings which use denatured tobacco products in the production of soil improvement products, plant protection products, and similar horticultural products and which have received an appropriate certification of the Ministry of Agriculture.

8. The warehousekeeper shall not pay the duty for denatured tobacco products if they are supplied to the persons referred to in Paragraph 7 of this Regulation.

9. Denatured tobacco products shall be exempted from the duty if the warehousekeeper appends the following to the excise duty return:

9.1. information on the amount of denatured tobacco products;

9.2. information on the payer of the duty to which the denatured tobacco products will be supplied (name, address, registration number of the payer of the duty);

9.3. information that the denatured tobacco products will be supplied to the merchants which have received the certification of the Ministry of Agriculture referred to in Paragraph 7 of this Regulation;

9.4. the certification of the Ministry of Agriculture referred to in Paragraph 7 of this Regulation which has been issued to the person to whom denatured tobacco products will be supplied (an approved copy shall be submitted).

**III. Procedures for Exempting Tobacco Products, Liquid to be Used in Electronic Smoking Devices, Ingredients for the Preparation of Liquid to be Used in Electronic Smoking Devices, and Tobacco Substitute Products which are Destroyed or Used for the Determination of Quality from the Duty**

10. A payer of the duty shall not pay the duty for tobacco products, liquid to be used in electronic smoking devices, ingredients for the preparation of liquid to be used in electronic smoking devices, and tobacco substitute products which are used for the determination of the quality of tobacco products, including for the verification of the accuracy of testing results, if, in addition to the duty return, it submits a testing report to the State Revenue Service (if the abovementioned document has been issued in another European Union Member State, a translation thereof in the official language shall be submitted) which has been issued by the testing laboratory accredited with the national accreditation body in accordance with the laws and regulations regarding evaluation, accreditation, and supervision of conformity assessment bodies or by the notified laboratory of another European Union Member State which has determined the quality of the abovementioned goods, or a certification of the relevant testing laboratory (if the abovementioned document has been issued in another European Union Member State, a translation thereof in the official language shall be submitted) that the goods will be used for the verification of the accuracy of testing results.

11. The type and quantity of the abovementioned goods used for the determination of the quality of tobacco products, liquid to be used in electronic smoking devices, ingredients for the preparation of liquid to be used in electronic smoking devices, and tobacco substitute products or intended for the verification of accuracy of testing results, and also information on excise duty stamps (series, interval of numbers, for cigarettes – also the maximum retail price and the number of cigarettes in a pack) shall be indicated in the report or certification referred to in Paragraph 10 of this Regulation if tobacco products, liquid to be used in electronic smoking devices, ingredients for the preparation of liquid to be used in electronic smoking devices, and tobacco substitute products are marked with excise duty stamps in accordance with the law On Excise Duties.

12. In order to exempt the tobacco products, liquid to be used in electronic smoking devices, and ingredients for the preparation of liquid to be used in electronic smoking devices that are intended to be destroyed from the duty in accordance with Section 17, Paragraph one, and Section 17.1, Paragraph one of the law On Excise Duties, the warehousekeeper shall destroy the tobacco products, liquid to be used in electronic smoking devices, and ingredients for the preparation of liquid to be used in electronic smoking devices in facilities for the operation of which a permit for the performance of polluting activity has been issued in accordance with the laws and regulations in the field of pollution.

13. In order to exempt the tobacco substitute products to be destroyed from the duty in accordance with Section 17, Paragraph one, and Section 17.1, Paragraph one of the law On Excise Duties, the warehousekeeper shall destroy the tobacco substitute products in facilities for the operation of which a permit for the performance of polluting activity has been issued in accordance with the laws and regulations in the field of pollution. The primary packaging of tobacco substitute products may be incinerated in specially equipped waste incineration facilities or transferred to waste managers for the operation of which a permit for the performance of a polluting activity has been issued in accordance with the laws and regulations in the field of pollution.

14. In the case referred to in Paragraphs 12 and 13 of this Regulation, the warehousekeeper shall agree upon the place and time of destruction of tobacco products, liquid to be used in electronic smoking devices, ingredients for the preparation of liquid to be used in electronic smoking devices, and tobacco substitute products with the relevant local government.

15. The warehousekeeper shall, at least five working days before the destruction of tobacco products, liquid to be used in electronic smoking devices, ingredients for the preparation of liquid to be used in electronic smoking devices, and tobacco substitute products, inform the State Revenue Service in writing of the time and place of destruction of the abovementioned products, the type, name, quantity of products and shall indicate information on stamps if such have been affixed (series, interval of numbers). The State Revenue Service shall assess the necessity to participate in the destruction of the abovementioned products.

16. A statement on destruction shall be drawn up for the destruction of tobacco products, liquid to be used in electronic smoking devices, ingredients for the preparation of liquid to be used in electronic smoking devices, and tobacco substitute products. The statement on destruction shall be signed by a representative of the warehousekeeper and the authorised official of the State Revenue Service if he or she has participated in the destruction of goods.

17. The type, name, and total quantity of the destroyed tobacco products (except for cigarettes), liquid to be used in electronic smoking devices, ingredients for the preparation of liquid to be used in electronic smoking devices, and tobacco substitute products shall be indicated in the statement. If the destroyed tobacco products are cigarettes, their name, maximum retail price, number of cigarettes in a pack, and the total quantity (in pieces) shall be indicated in the statement. If excise duty stamps have been affixed to tobacco products, liquid to be used in electronic smoking devices, ingredients for the preparation of liquid to be used in electronic smoking devices, and tobacco substitute products, information on excise duty stamps (series, interval of numbers) shall be indicated in the statement.

18. The statement on the destruction of tobacco products, liquid to be used in electronic smoking devices, ingredients for the preparation of liquid to be used in electronic smoking devices, and tobacco substitute products shall certify the right of the warehousekeeper to apply exemption from excise duty.

**IV. Closing Provisions**

19. Cabinet Regulation No. 173 of 25 March 2004, Procedures by which Individual Tobacco Products are Exempted from Excise Duty (*Latvijas Vēstnesis*, 2004, No. 56; 2005, No. 115; 2010, No. 51/52; 2018, No. 236), is repealed.

20. The Regulation shall come into force on 1 January 2022.

**Informative Reference to a European Union Directive**

The Regulation contains legal norms arising from Council Directive 2011/64/EU of 21 June 2011 on the structure and rates of excise duty applied to manufactured tobacco.

Acting for the Prime Minister – Minister for Finance J. Reirs

Acting for the Minister for Finance –

Minister for Environmental Protection and Regional Development A. T. Plešs