

## COUNCIL DECISION

of 24 January 2006

**authorising Latvia to extend the application of a measure derogating from Article 21 of the Sixth Council Directive 77/388/EEC on the harmonisation of the laws of the Member States relating to turnover taxes**

**(Only the Latvian version is authentic)**

(2006/42/EC)

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community,

Having regard to the Sixth Council Directive 77/388/EEC of 17 May 1977 on the harmonisation of the laws of the Member States relating to turnover taxes — Common system of value added tax: uniform basis of assessment<sup>(1)</sup>, and in particular Article 27 thereof,

Having regard to the proposal from the Commission,

Whereas:

- (1) Under Article 27(1) of Directive 77/388/EEC, the Council, acting unanimously on a proposal from the Commission, may authorise any Member State to introduce special measures for derogation from that Directive in order to simplify the procedure for charging the tax or to prevent certain types of tax evasion or avoidance.
- (2) By letter registered with the Secretariat-General of the Commission on 16 March 2005, Latvia requested authorisation to extend the application of a derogation measure on timber transactions.
- (3) In accordance with Article 27(2) of Directive 77/388/EEC, the Commission informed the other Member States by letter dated 10 May 2005 of the request made by Latvia. By letter dated 31 May 2005, the Commission notified Latvia that it had all the information it considered necessary for appraisal of the request.
- (4) The timber market in Latvia is dominated by small local companies and individual suppliers. The nature of the market and businesses involved have generated tax fraud which the tax authorities have found difficult to control. In order to combat this abuse, a special provision was included in Latvia's law on VAT, laying

down that the person liable to pay tax is, under certain circumstances, the taxable person for whom the taxable supply of goods or services is carried out.

- (5) Article 21(1) of Directive 77/388/EEC, in the version set out in Article 28g of the said Directive, stipulates that under the internal system the taxable person supplying goods or services is normally liable for payment of the tax. However, the 2003 Act of Accession, and in particular Chapter 7, point 1(b) of Annex VIII thereto, authorised Latvia for a limited period to continue to apply its procedure for charging VAT on timber transactions.
- (6) The Commission understands that this arrangement has effectively enabled Latvia to reduce the risk of VAT evasion and to simplify the procedure for charging the tax in the timber market.
- (7) The derogation has no adverse impact on the Communities' own resources accruing from VAT,

HAS ADOPTED THIS DECISION:

*Sole Article*

By way of derogation from Article 21(1)(a) of Directive 77/388/EEC, in the version set out in Article 28g thereof, Latvia is hereby authorised to continue to designate the recipient as the person liable to pay VAT in the case of timber transactions from 1 May 2005 to 31 December 2009.

This Decision is addressed to the Republic of Latvia.

Done at Brussels, 24 January 2006.

*For the Council*  
*The President*  
K.-H. GRASSER

<sup>(1)</sup> OJ L 145, 13.6.1977, p. 1. Directive as last amended by Directive 2005/92/EC (OJ L 345, 28.12.2005, p. 19).