

Latvia

Transfer Pricing Country Profile¹

July 2025

		SUMMARY	REFERENCE
The Arm's Length Principle			
1	Does your domestic transfer pricing framework² make reference to the arm's length principle?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Corporate income tax law , Section 4, Paragraph 2, Subparagraph 2e)
2	Does your domestic transfer pricing framework give the OECD Transfer Pricing Guidelines any role or status (e.g. legal binding effect, subsidiary application in the absence of domestic legislation, source of interpretation of domestic legislation and/or treaty provisions, other)?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Rules on application of the Corporate income tax law (Cabinet of Ministers Regulation No. 677, adopted 14 November 2017, valid from 1 January 2018), Section 19

¹ Information in transfer pricing country profiles is provided directly by jurisdictions. By publishing the transfer pricing country profiles on the OECD website, the OECD does not certify the accurateness of the information provided therein. Importantly, transfer pricing country profiles published on the OECD website are made available to stakeholders for information purposes only, and are not intended to be used in substitution to a jurisdiction's legal instruments, jurisprudence, or administrative guidance or practice nor relied on as an accurate and complete description of domestic law.

² For purposes of transfer pricing country profiles, the term "domestic transfer pricing framework" refers to a jurisdiction's domestic legislation, regulations, administrative guidance or practice, jurisprudence or governing general principles in the jurisdiction.

3	<p>Does your domestic transfer pricing framework provide for a definition of related parties applicable for transfer pricing purposes? If so, please provide the definition contained under your domestic transfer pricing framework.</p>	<p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p>Related persons - two or more natural or legal persons (except for capital companies the relation of which constitutes capital shares or stocks that are directly owned by the State or a local government) or a group of such persons related under a contract, or representatives of such persons or group, provided that at least one of the following conditions has been met:</p> <ul style="list-style-type: none"> a) they are parent and subsidiary commercial companies or co-operative societies; b) the share of holding of one commercial company or co-operative society in the other company is between 20 to 50 per cent, furthermore, this parent and subsidiary commercial company or co-operative society does not have a majority of votes. This Sub-clause shall not refer to the determination of the conditionally distributed profits in accordance with Section 4, Paragraph two, Clause 2, Sub-clause "e" of the Corporate Income Tax Law, except for the case when a transaction is conducted with a related foreign enterprise; c) more than 50 per cent of the share capital or the value of the shares of the commercial company or co-operative society in each of these two or more commercial companies or co-operative societies is held or a decisive influence is ensured, by contract or otherwise, in these two or more commercial companies or co-operative societies (there is a majority of votes) by one and the same person and the kin of this person to the third degree or the spouse of this person, or the affines of this person to the second degree; d) more than 50 per cent of the share capital or the value of the shares of the commercial company or co-operative society in each of these two or more commercial companies or co-operative societies is held or a decisive influence is ensured, by contract or otherwise, in these two or more commercial companies or co-operative societies (there is a majority of votes) by several, however, not more than 10 one and the same persons; e) more than 50 per cent of the share capital or the value of the shares of the commercial company or co-operative society in each of these two or more commercial companies or co-operative societies is held or by contract or otherwise a decisive influence is in these two or more commercial companies or co-operative societies (there is a majority of votes) by a commercial company or co-operative society in which a natural person (or the kin of this person to the third degree or the spouse of this person, or the affines of this person to the second degree), hold more than 50 per cent of the share capital of these companies or value of shares; 	<p><u>Law "On Tax and Fees"</u> Section 1, Point 18</p> <p><u>Corporate income tax law</u>, Section 4, Paragraph 10</p>
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	<p>f) one and the same person or one and the same persons have a majority of votes on the boards of directors (executive bodies) of these commercial companies or co-operative societies;</p> <p>g) in addition to a contract for a specific transaction in any form, these persons have entered into an agreement (including an agreement which has not been made public) providing for any additional remuneration not laid down in the contract or such commercial companies or co-operative societies engage in other forms of coordinated activities with a view to reducing their taxes;</p> <p>h) a natural person (or his or her relatives to the third degree or spouse, or those in affinity with such natural person to the second degree) directly or indirectly owns more than 50 per cent of the value of the equity capital or shares of a commercial company or of the value of co-operative shares of a co-operative society, or a natural person (or his or her relatives to the third degree or spouse, or those in affinity with such person to the second degree) whose decisive influence has been ensured on a commercial company or co-operative society under a contract or otherwise.</p> <p>Upon calculating the conditionally distributed profits of the taxpayers, a transaction with a person who is located, set up or established in a low-tax or tax-free jurisdiction shall be considered a transaction with a related person.</p>	
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Transfer Pricing Methods

4	<p>Does your domestic transfer pricing framework provide for transfer pricing methods to be used in respect of transactions between related parties?</p>	<p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>If affirmative, please check those provided for in your legislation:</p> <table border="1" data-bbox="685 1079 1538 1230"> <thead> <tr> <th>CUP</th><th>Resale Price</th><th>Cost Plus</th><th>TNMM</th><th>Profit Split</th><th>Other (If so, please describe)</th></tr> </thead> <tbody> <tr> <td><input checked="" type="checkbox"/></td><td><input checked="" type="checkbox"/></td><td><input checked="" type="checkbox"/></td><td><input checked="" type="checkbox"/></td><td><input checked="" type="checkbox"/></td><td><input checked="" type="checkbox"/></td></tr> </tbody> </table> <p>The price of transactions is determined by using economic analyses techniques.</p>	CUP	Resale Price	Cost Plus	TNMM	Profit Split	Other (If so, please describe)	<input checked="" type="checkbox"/>	<p><u>Rules on application of the Corporate Income Tax Law</u> (Cabinet of Ministers Regulation No. 677, adopted 14 November 2017, valid from 1 January 2018), Section 9, 13-17</p>					
CUP	Resale Price	Cost Plus	TNMM	Profit Split	Other (If so, please describe)										
<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>										

5	<p>Which criterion is provided for in your domestic transfer pricing framework for the application of transfer pricing methods?</p>	<p>Please check all that apply:</p> <p><input type="checkbox"/> Hierarchy of methods</p> <p><input checked="" type="checkbox"/> Most appropriate method</p> <p><input type="checkbox"/> Other (<i>if so, please explain</i>)</p>	<p>Rules on application of the Corporate Income Tax Law (Cabinet of Ministers Regulation No. 677, adopted 14 November 2017, valid from 1 January 2018), Section 8</p>
6	<p>Does your domestic transfer pricing framework contain specific guidance on commodity transactions?</p>	<p><input type="checkbox"/> Yes</p> <p><input type="checkbox"/> For controlled transactions involving commodities, the guidance contained in paragraphs 2.18-2.22 of the TPG is followed.</p> <p><input type="checkbox"/> Domestic transfer pricing framework provides for the use of a specific method for controlled transactions involving commodities (<i>if so, please explain</i>)</p> <p><input checked="" type="checkbox"/> No</p>	<p>Rules on application of the Corporate Income Tax Law (Cabinet of Ministers Regulation No. 677, adopted 14 November 2017, valid from 1 January 2018), Section 13 point 13.1.</p>
Comparability Analysis			
7	<p>Does your jurisdiction follow (or largely follow) the guidance on comparability analysis outlined in Chapter III of the TPG?</p>	<p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p>	<p>Rules on application of the Corporate Income Tax Law (Cabinet of Ministers Regulation No. 677, adopted 14 November 2017, valid from 1 January 2018), Section 11,12 and 19</p>
8	<p>Is there a preference in your jurisdiction for domestic comparables over foreign comparables?</p>	<p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p>	<p>Rules on application of the Corporate Income Tax Law (Cabinet of Ministers Regulation No. 677, adopted 14 November 2017, valid from 1 January 2018), Section 11 point 11.1.</p>

		Domestic comparables, if appropriate to the controlled transaction, reflect closer the geographic market comparability factors and are more reliable.	
9	Does your domestic transfer pricing framework permit the use of secret comparables for transfer pricing assessment purposes?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
10	Does your domestic transfer pricing framework allow or require the use of an arm's length range and/or statistical measure (e.g. the interquartile range or other percentiles) for determining arm's length remuneration?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Guidance in paragraph 3.55-3.62 of the TPG is widely used.
11	Are comparability adjustments required under your domestic transfer pricing framework?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Rules on application of the Corporate Income Tax Law (Cabinet of Ministers Regulation No. 677, adopted 14 November 2017, valid from 1 January 2018), Section 8.3. and section 12.3.2.

Intangible Property

12	Does your domestic transfer pricing framework contain guidance specific to the pricing of controlled transactions involving intangibles?	<input type="checkbox"/> Yes. If so, does your domestic transfer pricing framework follow (or largely follow) the guidance in Chapter VI of the TPG? <input type="checkbox"/> Yes <input type="checkbox"/> No (please provide further explanations below) <input checked="" type="checkbox"/> No	Rules on application of the Corporate Income Tax Law (Cabinet of Ministers Regulation No. 677, adopted 14 November 2017, valid from 1 January 2018), Section 19
13	Are there any other rules outside your transfer pricing framework that are	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Rules for the Application of the Law “On Annual Reports and Consolidated Annual Reports” (Cabinet of Ministers Regulation No.

	<p>relevant for the pricing of controlled transactions involving intangibles?</p> <p>Criteria for recognising and measuring of all intangibles, independently to their involvement in controlled transactions, are set out by international accounting standard IAS 38, adopted in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards (IFRS).</p> <p>Accounting and valuation methods of all the assets, including intangibles, and the procedure for indicating the costs and changes in value related to them in the financial statement, are set out by the Rules for the Application of the Law “On Annual Report and Consolidated Annual Reports.”</p>	<p>775, adopted 15 December 2015, valid from 1 January 2016), Chapter 9</p>
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Hard-to-Value Intangibles

14	<p>Does your domestic transfer pricing framework contain guidance specific to hard-to-value intangibles (HTVI)?³</p>	<p><input type="checkbox"/> Yes. If so, does your domestic transfer pricing framework follow the guidance on HTVI in Chapter VI of the TPG?</p> <p><input type="checkbox"/> Yes</p> <p><input type="checkbox"/> No (please provide further explanations below)</p> <p><input checked="" type="checkbox"/> No</p>	<p>Rules on application of the Corporate Income Tax Law (Cabinet of Ministers Regulation No. 677, adopted 14 November 2017, valid from 1 January 2018), Section 19.1.</p>
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Intra-group Services

23	<p>Does your domestic transfer pricing framework provide guidance specific to intra-group services transactions?</p>	<p><input checked="" type="checkbox"/> Yes. If so, does your domestic transfer pricing framework follow (or largely follow) the guidance in Chapter VII of the TPG?</p> <p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No (please provide further explanations below)</p> <p><input type="checkbox"/> No</p>	<p>Rules on application of the Corporate Income Tax Law (Cabinet of Ministers Regulation No. 677, adopted 14 November 2017, valid from 1 January 2018), Section 18¹ to 18⁹</p> <p>Transfer Pricing Documentation and Procedures for Concluding an Advance Agreement Between a Taxpayer and Tax Administration on Determination of the Arm's Length Price (Value) for a Transaction or Type of Transactions (Cabinet of Ministers Regulation No. 802, adopted 18 December 2018, valid from 21 December 2018), Section 4</p>
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³ In the case of jurisdictions that do not apply the HTVI approach (i.e. they responded “no” to question 14), it is not necessary to respond to the remaining questions in the HTVI section and these questions will not be published as part of jurisdiction’s transfer pricing country profile.

24	<p>Does your domestic transfer pricing framework provide for or allow the application of a simplified approach for low value-adding intra-group services?</p>	<p><input checked="" type="checkbox"/> Yes. If so, does it follow (largely follow) the low value-adding services approach in Chapter VII?</p> <p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No (please provide further explanations below)</p> <p><input type="checkbox"/> No</p>	See Legal Reference in question 23.
25	<p>Are there any other rules outside your transfer pricing framework for pricing intragroup services?</p>	<p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p>	<p>Corporate income tax law, Section 5 Paragraph 1 Subparagraph 1</p>
Financial Transactions			
26	<p>Does your domestic transfer pricing framework provide guidance specific to financial transactions?</p>	<p><input checked="" type="checkbox"/> Yes. If so, does your domestic transfer pricing framework follow (or largely follow) the guidance in Chapter X of the TPG?</p> <p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No (please provide further explanations below)</p> <p><input type="checkbox"/> No</p>	<p>Methodological material “Transfer pricing documentation” in Latvian</p>
27	<p>Are there any other rules outside your transfer pricing framework that are relevant for the tax treatment of financial transactions? (e.g. whether your jurisdiction has implemented the measures in BEPS Action 4 to limit</p>	<p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p>	<p>Corporate income tax law, Section 10</p>

	<p>interest deductions and other financial payments or any similar rules)</p>	
Cost Contribution Arrangements		
28	<p>Does your jurisdiction allow cost contribution arrangements?</p>	<p><input type="checkbox"/> Yes. If so, does your domestic transfer pricing framework follow (or largely follow) the guidance in Chapter VIII of the TPG?</p> <p><input type="checkbox"/> Yes</p> <p><input type="checkbox"/> No (please provide further explanations below)</p> <p><input checked="" type="checkbox"/> No</p> <p>Latvian domestic legislation does not contain specific guidance on Cost Contribution Agreements and tends to rely on the OECD TPG.</p>
Transfer Pricing Documentation		
29	<p>Does your domestic transfer pricing framework require the taxpayer to prepare transfer pricing documentation?</p>	<p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p><i>If affirmative, please check all that apply:</i></p> <p><input checked="" type="checkbox"/> Master file consistent with Annex I to Chapter V of the TPG</p> <p><input checked="" type="checkbox"/> Local file consistent with Annex II to Chapter V of the TPG</p> <p><input checked="" type="checkbox"/> Country-by-country report consistent with Annex III to Chapter V of the TPG</p> <p><input type="checkbox"/> Specific transfer pricing returns (separate or annexed to the tax return)</p> <p><input type="checkbox"/> Other (specify):</p>
30	<p>Please briefly explain the relevant requirements related to each transfer pricing documentation requirement</p>	<p>The threshold for submission of the local file is EUR 5 000 000 transaction value with foreign related companies. The threshold for the master file is EUR 15 000 000 transaction value with foreign related companies or EUR 5 000 000 transaction value with foreign related companies and a turnover of EUR 50 000 000. If the company reaches or exceeds these thresholds, they are</p>

	<p>(i.e. timing for preparation or submission, languages, etc.)</p> <p>obliged to submit the local file or local file and master file within 12 months after the end of the relevant reporting year.</p> <p>In addition, the taxpayers shall, in relation to the controlled transactions conducted with foreign related companies within the relevant reporting year, draw up within 12 months after the end of the relevant reporting year and, if required by the tax administration, submit the local file within a month after the request if the transaction is between EUR 250 000 to EUR 5 000 000. The Master file will be submitted if the net turnover of the taxpayer does not exceed EUR 50 000 000 and the amount of the controlled transactions with foreign related companies is between EUR 15 000 000 to EUR 5 000 000.</p> <p>The global documentation, consisting of Master file and CbCR, must be drawn up in Latvian or English. Also, the local file must be drawn up in Latvian or English. If the global documentation or local file is drawn up in English, the tax administration has the right to request a translation of the entire documentation or part thereof in Latvian.</p>	
31	<p>Does your domestic transfer pricing framework provide for specific transfer pricing penalties and/or compliance incentives regarding transfer pricing documentation?</p> <p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p>The tax administration has the right to impose a fine on the taxpayer of up to one percent of the amount corresponding with the controlled transaction (in respect of which there is an obligation to draw up the transfer price documentation) which shall be indicated in the taxpayer's revenue or expenditure of the reporting year in the relevant reporting period, but not more than EUR 100 000 if the taxpayer has failed to comply with the deadline for the submission of the transfer price documentation referred to in this Section, as well as if the taxpayer has seriously violated the requirements for drawing up the transfer price documentation provided for in laws and regulations (the required information has not been indicated), and therefore when examining the transfer price documentation it is impossible to ascertain whether the price (value) of the conducted transaction has been determined according to the market price (value).</p> <p>The tax administration has the right to impose a fine on a taxpayer in the amount of up to one per cent of the annual turnover (revenue) of the taxpayer in the respective reporting period, but of not more than EUR 3200, if the taxpayer has failed to submit the country-by-country report of the multinational enterprise group within the time limit specified in the tax laws and regulations or has not complied with the procedures for the preparation and submission of the aforementioned report provided in the tax laws and regulations.</p>	<p><u>Law “On Tax and Duties”</u>, Section 15², Paragraph 14, Section 32⁵ Paragraph 2</p>

32	<p>Does your domestic transfer pricing framework provide for exemption from transfer pricing documentation obligations?</p>	<p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p>	<p>The exemption of submitting local and master files exists for those taxpayers that do not meet the threshold in the transaction value with foreign related companies and net turnover threshold mentioned in the response to Question 30.</p>
Administrative Approaches to Avoiding and Resolving Disputes			
33	<p>Which mechanisms are available in your jurisdiction to prevent and/or resolve transfer pricing disputes?</p>	<p>Please check those that apply:</p> <p><input checked="" type="checkbox"/> Rulings <input type="checkbox"/> Enhanced engagement or cooperative compliance programmes <input checked="" type="checkbox"/> Advance Pricing Agreements (APA) <input checked="" type="checkbox"/> Unilateral APAs <input checked="" type="checkbox"/> Bilateral APAs <input checked="" type="checkbox"/> Multilateral APAs <input type="checkbox"/> International Compliance Assurance Programme (ICAP) <input checked="" type="checkbox"/> Mutual Agreement Procedures <input type="checkbox"/> Other (<i>please specify</i>):</p>	<p><u>“Transfer Pricing Documentation and Procedures for Concluding an Advance Agreement Between a Taxpayer and Tax Administration on Determination of the Arm’s Length Price (Value) for a Transaction or Type of Transactions”</u> (Cabinet of Ministers Regulation No. 802, adopted 18 December 2018, valid from 21 December 2018)</p> <p><u>Law “On Tax and Fees”</u>, Section 119, 120 and 133</p> <p>Methodological material <u>“On Elimination of Double Taxation to Profits and Capital of Enterprises, and Mutual Agreement Procedures (MAP)”</u></p> <p>Methodological material <u>“On Dispute Resolution under a Mutual Agreement Procedure with Non-EU Countries”</u></p> <p><u>Latvia’s MAP Profile</u></p> <p><u>Administrative Procedure Law</u>, Chapter 9 Statement on One’s Rights;</p>

		MAP is regulated by the Law “On Taxes and Fees”. Also, the Latvian State Revenue Service has created Methodological Material on Elimination of Double Taxation to Profits and Capital of Enterprises, as well as Methodological Material on Dispute Resolution under a Mutual Agreement Procedure with Non-EU Countries. In addition, all of this information is provided in the MAP profile.	
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Simplified and Streamlined Approach for Baseline Marketing and Distribution Activities

34	Does your domestic transfer pricing framework allow the application of the simplified and streamlined approach for baseline marketing and distribution activities in the relevant Annex of Chapter IV of the TPG?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Other (please elaborate)	
37	Does your jurisdiction respect the outcome of the application of the simplified and streamlined approach by a covered jurisdiction in line with the Inclusive Framework political commitment?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <p>As long as there is a signed agreement between the competent authority of Latvia and another country regarding application of Pilar I, Amount B, that has entered into force.</p>	

Safe Harbours and Other Simplification Measures

39	Does your jurisdiction provide for any safe harbours or other simplification measures in respect of certain industries, types of taxpayers, or types	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Rules on application of the Corporate Income Tax Law (Cabinet of Ministers Regulation No. 677, adopted 14 November 2017, valid from 1 January 2018), Section 18. ¹
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	<p>of transactions (not listed in other sections of this questionnaire)?</p> <p>There is a regulation regarding the low value-added intra-group services which regulates the classification of those services and what mark-up should be used for these services.</p> <p>There is one safe harbour regarding the taxpayer that does not have the duty to automatically submit local transfer pricing documentation but who has the duty to prepare local transfer pricing documentation. This taxpayer, if the situation affecting the transfer pricing methodology has not significantly changed, has the right to review local transfer pricing documentation every three years. In any case, the comparable financial data must be reviewed every year.</p>	<p>Law “On Tax and Fees”, Section 15²</p>
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Other Legislative Aspects or Administrative Procedures

40	<p>Does your domestic transfer pricing framework allow downward corresponding adjustments in the absence of a mutual agreement procedure (e.g. unilateral corresponding adjustments)?</p> <p><input type="checkbox"/> Yes</p> <p><input checked="" type="checkbox"/> No</p> <p>In cases of disputes with the competent authorities of European Union member states concerning the interpretation and application of international treaties regarding elimination of double taxation of income and capital, the State Revenue Service shall take a decision on the acceptance of a submission on a dispute issue for consideration in the mutual agreement procedure or a refusal to accept a submission for consideration within six months of receipt of the submission or receipt of the additional information, if requested. The State Revenue Service shall also be entitled, within the mentioned six-month period, to take a decision on the resolution of the dispute issue unilaterally, without involving the other competent authorities of the relevant country if the taxpayer agrees to such a decision. The State Revenue Service shall immediately inform the competent authorities of the relevant country of the decision on the resolution of the dispute issue unilaterally.</p> <p>In the dispute cases with the competent authorities of other countries the State Revenue Service applies the same practice as with European Union member states, insofar it does not contradict the respective tax convention.</p> <p>The State Revenue Service has created Methodological Material on Dispute Resolution under a Mutual Agreement Procedure with Non-EU Countries.</p>	<p>Law “On Tax and Fees”, Section 120, Paragraph 5</p> <p>Methodological material “On Dispute Resolution under a Mutual Agreement Procedure with Non-EU Countries”</p>
41	<p>Does your domestic transfer pricing framework allow or require taxpayers to make year-end adjustments?</p> <p><input checked="" type="checkbox"/> Yes. Year-end adjustments are required.</p> <p><input checked="" type="checkbox"/> Yes. Year-end adjustments are allowed.</p> <p><input type="checkbox"/> No</p>	<p>Corporate income tax law, Section 4, Paragraph 2, Clause 2, sub-paragraph e), Section 17</p>

	<p>Latvia does not have specific regulation on year-end-adjustments but allows them in accordance with the general rules on the arm's length principle.</p> <p>Taxpayer is obliged to perform an upward adjustment of taxable base of the Corporate Income Tax (hereinafter – CIT) and to increase a deemed conditional profit by a difference between an actual value and a market price (value) of controlled transactions, if an appropriate transfer price calculation method identifies, that the actual value of the transactions is below the market price. Applicable transfer price calculation methods are stated by the Rules on application of the Corporate Income Tax Law. Mentioned upward adjustments should be made in the CIT return, what taxpayers fill out on the results of the relevant taxation period (a month or a quarter) and submit to the State Revenue Service. Taxpayers are entitled not to submit the CIT return for the taxation period in which there is no taxable base, except for the tax return for the taxation period which refers to the last month of the reporting year.</p> <p>Upward or downward price adjustments, without being reported in the CIT return, may be made until the approval of the Annual Report. The justification document for adjustment may be a corrective invoice (credit invoice / debit invoice) issued to the transaction partner.</p> <p>After approval of the Annual Report, only upward adjustments of CIT taxable base are allowed.</p> <p>The State Revenue Service has created Methodological Material on Procedure for completing a corporate income tax return.</p>	<p><u>Rules on application of the Corporate Income Tax Law</u> (Cabinet of Ministers Regulation No. 677, adopted 14 November 2017, valid from 1 January 2018), Sections 12 - 17</p> <p><u>Law on Annual Reports and Consolidated Annual Reports</u>, Section 97</p> <p><u>Rules on application of the Annual Reports and Consolidated Annual Reports Law</u> (Cabinet of Ministers Regulation No. 775, adopted 22 December 2015, valid from 1 January 2016), Section 3</p> <p>Methodological material “Transfer pricing documentation” in Latvian <u>“Procedure for completing a corporate income tax return”</u> in Latvian</p>
42	<p>Does your domestic transfer pricing framework provide for secondary adjustments?</p>	<p><input type="checkbox"/> Yes</p> <p><input checked="" type="checkbox"/> No</p>

Attribution of Profits to Permanent Establishments

43	<p>Which version of Article 7 of the OECD Model Tax Convention on Income and on Capital do your tax treaties contain?</p>	<p><input checked="" type="checkbox"/> Article 7 as it read before 2010.</p> <p style="margin-left: 20px;"><input checked="" type="checkbox"/> If so, please indicate in how many treaties: 63</p> <p><input type="checkbox"/> Article 7 as it reads after 2010.</p> <p style="margin-left: 20px;"><input type="checkbox"/> If so, please indicate in how many treaties:</p> <p><input type="checkbox"/> Other (please provide additional details)</p>	<p>Latvian tax treaties</p>
44	<p>For tax treaties containing Article 7 as it read before 2010, does your jurisdiction apply the authorized OECD approach (AOA)?</p>	<p><input type="checkbox"/> Yes</p> <p><input checked="" type="checkbox"/> No (please explain the approach used and which tax treaties are concerned)</p> <p>Latvia has reserved the right to use the previous version of Article 7, i.e. the version that was included in the Model Tax Convention immediately before the 2010 update of the Model Tax Convention, subject to its positions on that version (see the Annex to the Non-OECD Economies' Positions on Article 7).</p>	
45	<p>Does your domestic transfer pricing framework contain specific guidance for the attribution of profits to permanent establishments of non-resident entities? If so, please provide a summary of the main features of this guidance.</p>	<p><input type="checkbox"/> Yes, they follow the AOA as described in the 2008 Report on the Attribution of Profits to Permanent Establishments</p> <p><input type="checkbox"/> Yes, they follow the AOA as described in the 2010 Report on the Attribution of Profits to Permanent Establishments</p> <p><input type="checkbox"/> Yes, they do not follow the AOA (please provide a summary of the main features of these rules)</p> <p><input checked="" type="checkbox"/> No</p> <p>Permanent establishment of a non-resident shall, for the enterprise income tax purposes, account for the revenue and expenditure associated with its activity and assets and liabilities respectively, separately from a non-resident whose permanent establishment it is.</p> <p>In determining the profits of a permanent establishment, there shall be allowed as deductions expenses which are disbursed in transactions between a non-resident, whose permanent establishment it is as well as with other units (permanent establishments) of the principal undertaking outside Latvia, and other persons,</p>	<p>Rules on application of the Corporate Income Tax Law (Cabinet of Ministers Regulation No. 677, adopted 14 November 2017, valid from 1 January 2018), Sections 22, 24 – 26;</p> <p>Methodological material “Application of corporate income tax to a permanent establishment registered in Latvia” in Latvian;</p>

	<p>residents, or non-residents, and which is directly related to the economic activity of the permanent establishment. The profit may only be reduced if the respective expenditure has been confirmed by supporting documents in written (paper or electronic) form and only to the extent the respective expenditure is attributable to the economic activity of the permanent establishment.</p> <p>Income withdrawn from the permanent establishment in the taxation period shall not be deemed an amount which does not exceed 10 % of the expenditure of the previously mentioned non-resident, that are related to the economic activity of the permanent establishment, and the consideration for supplied goods, if the permanent establishment has a written (in paper or electronic form) confirmation at its disposal, issued by the non-resident, that such payments are necessary to cover such general administrative and operational expenses of the non-resident, that are directly related to the economic activity of the permanent establishment, and are not included in the cost price of the goods.</p> <p>If a non-resident supplies (transfers) goods to its permanent establishment for resale in Latvia, the permanent establishment shall indicate in the expenditure item of the profit or loss account the amount, which an independent merchant would pay for the supplied goods to an intermediary (rather than the end trader), operating independently from the non-resident and purchasing the respective goods at market prices. The consideration paid by the permanent establishment to the non-resident, whose permanent establishment it is, for the supplied goods shall be deemed expenditure related to ensuring economic activity and shall not be included in the base taxable with the corporate income tax as profit distribution.</p> <p>The Latvian State Revenue Service has created Methodological Material on application of corporate income tax to a permanent establishment registered in Latvia.</p>	
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Other Relevant Information

46	Other legislative aspects or administrative procedures regarding transfer pricing	N/A	
47	Other relevant information (e.g. whether your jurisdiction is preparing new transfer pricing regulations, or other relevant aspects not addressed in this questionnaire)	N/A	

For more information, please visit: <https://www.oecd.org/en/topics/sub-issues/transfer-pricing/transfer-pricing-country-profiles.html>