

Tax Agenda Latvia

May 2024






No.	Fact	Action
1	<p>Latvia's Corporate Income Tax (CIT) system</p> <p>Latvia has a distribution-based taxation regime, meaning that resident companies are not subject to ongoing taxation on their income, but are instead levied corporate income tax when the profit is distributed as dividends or notional distributed dividends. CIT rate in Latvia equals to 20% on gross taxable profit calculated by dividing net profit with coefficient 0.8.</p>	<p>Assess current CIT regime in Latvia when considering investments in Latvia.</p>
2	<p>Tax authority's guidelines on penalties application for transfer pricing (TP) documentation breaches</p> <p>Latvian tax authorities have published detailed guidelines on penalty application regarding TP documentation breaches. This shows the tax authorities intention to focus on TP documentation examination. According to the tax authorities TP breach classification, the absence of benchmarking study or benchmarking that does not correspond to Latvian TP laws is considered as significant breach for which the tax authority has the right to apply an administrative penalty in amount of 1% from the total amount of transactions (capped at EUR 100k).</p>	<p>Analyze current TP documentation validity from perspective of tax authorities TP breach classification. Assess whether any improvements are required to comply with the TP documentation rules.</p>



Use text boxes above the timeline to plan your actions for coming months

● Compliance ● Risk management ● Cash-flow and ETR impact

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3	<p>Tax authority's guidelines on penalties application for transfer pricing (TP) documentation breaches</p> <p>Latvian tax authorities have published detailed guidelines on penalty application regarding TP documentation breaches. This shows the tax authorities intention to focus on TP documentation examination. According to the tax authorities TP breach classification, the absence of benchmarking study or benchmarking that does not correspond to Latvian TP laws is considered as significant breach for which the tax authority has the right to apply an administrative penalty in amount of 1% from the total amount of transactions (capped at EUR 100k).</p>	<p>Analyze current TP documentation validity from perspective of tax authorities TP breach classification. Assess whether any improvements are required to comply with the TP documentation rules.</p> 
4	<p>CIT law amendments with respect to financial institutions</p> <p>The amendment of the CIT law introduces new rules, effective as of 1 January 2024, relevant for qualifying financial institutions. Financial institutions will be subject to payment of CIT surcharge in amount of 20%. This surcharge can be used for reduction of payable CIT upon dividend distribution.</p>	<p>For financial institutions: analyze the possible obligation to comply with the requirement of CIT surcharge payment.</p> 
5	<p>Natural resources tax amendments</p> <p>Natural resources tax law amendments envisage that as of mid 2024, natural resources tax will also have to be paid for textile products, and from 2025 also for balloons and napkins. Additionally, from 2024 there will be increase of natural resources tax on the extraction of minerals, as well as on certain types of waste.</p>	<p>Review whether the listed product types are used in business operations and whether tax changes may impact the company.</p> 

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EYG no. 003824-24Gbl

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