

Latvia

1. Latvia was first reviewed during the 2017/2018 peer review. This report is supplementary to Latvia's 2017/2018 peer review report (OECD, 2018^[1]). The first filing obligation for a CbC report in Latvia commences in respect of reporting fiscal years starting on or after 1 January 2016.

Summary of key findings

2. Latvia's implementation of the Action 13 minimum standard meets all applicable terms of reference (OECD, 2017^[2]), except for the following, which remain unchanged since the 2017/2018 review:

- the annual consolidated revenue threshold calculation rule which may deviate from the guidance issued by the OECD (although such deviation may be unintended, a technical reading of the provision could lead to local filing requirements inconsistent with the Action 13 minimum standard), and
- the absence of a provision whereby a single Constituent Entity of the same MNE Group may be designated to file the CbC report which would satisfy the local filing requirement of all the Constituent Entities.

3. Latvia's 2017/2018 peer review included a recommendation that Latvia take steps to ensure that the appropriate use condition is met ahead of the first exchanges of information. Latvia now has measures in place to ensure the appropriate use of information in all six areas identified in the OECD *Guidance on the Appropriate Use of Information contained in CbC Reports* (OECD, 2017^[4]). The recommendation with respect to appropriate use issued in the 2017/2018 peer review is removed.

Part A: The domestic legal and administrative framework

4. Latvia has rules (primary law) in place to implement the BEPS Action 13 minimum standard, establishing the necessary requirements including the filing and reporting obligations.¹

(a) Parent entity filing obligation

5. Latvia's 2017/2018 peer review included a recommendation that Latvia amend or otherwise clarify its rule for the calculation of the annual consolidated group revenue threshold calculation so that it applies in a manner consistent with the OECD guidance on currency fluctuations in respect of an MNE Group whose Ultimate Parent Entity is located in a jurisdiction other than Latvia, when local filing requirements are applicable. This recommendation remains in place.

(b) Scope and timing of parent entity filing

6. No changes were identified with respect to the scope and timing of parent entity filing.²

(c) Limitation on local filing obligation

7. Latvia's 2017/2018 peer review included a recommendation on the absence of a provision whereby a single Constituent Entity of the same MNE Group may be designated to file the CbC report which would satisfy the local filing requirement of all the Constituent Entities. This recommendation remains in place.

(d) Limitation on local filing in case of surrogate filing

8. No changes were identified with respect to the limitation on local filing in case of surrogate filing.

(e) Effective implementation

9. Latvia's 2017/2018 peer review included a general monitoring point concerning the fact that there was no specific process that would allow it to take appropriate measures in case Latvia is notified by another jurisdiction that such other jurisdiction has reason to believe that an error may have led to incorrect or incomplete information reporting by a Reporting Entity or that there is non-compliance of a Reporting Entity with respect to its obligation to file a CbC report. Since the 2017/2018 peer review, Latvia has provided updated information, explaining that, in such a situation: the Latvian tax administration informs the taxpayer about the established discrepancies and requires the taxpayer to submit a CbC report or to correct it. Several structural departments of the tax administration may be involved in analysing particular non-compliance (Large Taxpayers Division of the Tax Department and if necessary also Tax Control Department). In case the taxpayer refuses to submit a CbC report or to correct it, the Latvian tax administration initiates the process of administrative offence. In view of this update and specific process, the monitoring point is removed.

10. No other changes were identified with respect to the effective implementation.

Conclusion

11. There is no change to the conclusion in relation to the domestic legal and administration framework for Latvia since the previous peer review. Latvia meets all the terms of reference relating to the domestic legal and administrative framework, with the exception of (i) the annual consolidated group revenue threshold (paragraphs 8(a) ii. of the terms of reference) and (ii) the provision whereby a single Constituent Entity may be designated to file the CbC report which would satisfy the local filing requirement of all Constituent Entities (paragraph 8(c) v. of the terms of reference).

Part B: The exchange of information framework***(a) Exchange of information framework***

12. As of 31 May 2019, Latvia has 67 bilateral relationships in place, including those activated under the CbC MCAA, under bilateral CAAs and under the EU Council Directive (2016/881/EU). Within the context of its international exchange of information agreements that allow automatic exchange of information, Latvia has taken steps to have qualifying competent authority agreements in effect with jurisdictions of the Inclusive Framework that meet the confidentiality, consistency and appropriate use conditions.³ Regarding Latvia's

exchange of information framework, no inconsistencies with the terms of reference were identified.

(b) Content of information exchanged

13. Latvia has written procedures in place that are intended to ensure that each of the mandatory fields of information as required in the CbC template are present in the information exchanged. It has provided details in relation to these procedures.

(c) Completeness of exchanges

14. Latvia has an automated process in place that is intended to ensure that CbC reports are exchanged with all tax jurisdictions listed in Table 1 of a CbC reporting template with which it should exchange information as per the relevant QCAAs. It has provided details in relation to these procedures.

(d) Timeliness of exchanges

15. Latvia has an automated process in place that are intended to ensure that the information to be exchanged is transmitted to the relevant jurisdictions in accordance with the timelines provided for in the relevant QCAAs and terms of reference. It has provided details in relation to these procedures.

16. Despite these procedures, Latvia indicates that a number of CbC reports were exchanged late. This lateness was because of a technical issue which is now fixed so no recommendation is required.

(e) Temporary suspension of exchange or termination of QCAA

17. Latvia has processes in place that are intended to ensure that a temporary suspension of the exchange of information or termination of a relevant QCAA be carried out only as per the conditions set out in the QCAA. It has provided details in relation to those processes.

(f) Consultation with other Competent Authority before determining systemic failure or significant non-compliance

18. Latvia has processes in place that are intended to ensure that the Competent Authority consults with the other Competent Authority prior to making a determination that there is or has been significant non-compliance with the terms of the relevant QCAA or that the other Competent Authority has caused a systemic failure. It has provided details in relation to those processes.

(g) Format for information exchange

19. Latvia confirms that it uses the OECD XML Schema and User Guide (OECD, 2017^[3]) has not confirmed the format that will be used for the international exchange of CbC reports for the international exchange of CbC reports.

(h) Method for transmission

20. Latvia indicates that it uses the Common Transmission System to exchange CbC reports.⁴

Conclusion

21. Latvia has in place the necessary processes to ensure that the exchange of information is conducted in a manner consistent with the terms of reference relating to the

exchange of information framework. Latvia meets all the terms of reference regarding the exchange of information.

Part C: Appropriate use

22. The 2017/2018 peer review included a recommendation that Latvia take steps to ensure that the appropriate use condition is met ahead of the first exchanges of information. Latvia now has measures in place to ensure the appropriate use of information in all six areas identified in the OECD *Guidance on the Appropriate use of Information contained in CbC Reports* (OECD, 2017^[4]). Latvia has provided details in relation to these measures, enabling it to answer “yes” to the additional questions on appropriate use. The recommendation on appropriate use is therefore removed.

Conclusion

23. Latvia meets all the terms of reference relating to the appropriate use of CbC reports.

Summary of recommendations on the implementation of country-by-country reporting

Aspect of the implementation that should be improved		Recommendation for improvement
Part A	Domestic legal and administrative framework - Parent entity filing obligation annual consolidated group revenue threshold	It is recommended that Latvia amend or otherwise clarify that the annual consolidated group revenue threshold calculation rule applies without prejudice of the OECD guidance on currency fluctuations in respect of an MNE Group whose Ultimate Parent Entity is located in a jurisdiction other than Latvia.
Part A	Domestic legal and administrative framework - Limitation on local filing	It is recommended that Latvia amend its legislation or otherwise take steps to ensure that local filing is only required in the circumstances contained in the terms of reference.
Part B	Exchange of information framework	-
Part C	Appropriate use	-

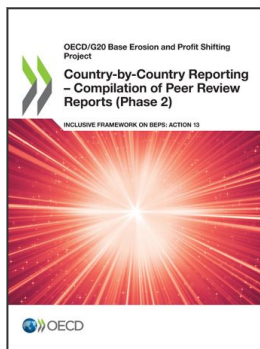
Notes

¹ Primary law consists of the “Regulations regarding Country-by-Country report of multinational enterprise group” (Regulation No. 397 adopted on 4 July 2017, issued pursuant to Section 7, paragraph four, Section 15, paragraph nine, and Section 18, paragraph three of the Law on taxes and duties).

² Latvia’s 2017/2018 peer review included a monitoring point relating to the interpretation of the definitions of “Revenues – Related Party”. This monitoring point remains in place.

³ No inconsistency with the terms of reference will be identified where a QCAA is not in effect with one or more jurisdictions of the Inclusive Framework that meet the confidentiality, consistency and appropriate use conditions, but this is due to circumstances that are not under the control of the reviewed jurisdiction. This may include, for example, where the other jurisdiction intends to exchange CbC reports using the MCAA but it does not have the Convention in effect for the relevant fiscal period, or where the other jurisdiction has declined to have a QCAA in effect with the reviewed jurisdiction.

⁴ Countries exchanging under the EU Council Directive (2016/881/EU) use the Common Communication Network (CCN).



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