

Procedure for preparation of the country-by country report of a multinational enterprise group

Under Section 15, Paragraph nine of the act On Taxes and Duties and under the Cabinet Regulation No. 397 “Regulation on the reports by multinational enterprise groups by country” of 4 July 2017 (effective from 14 July 2017), a tax resident of the Republic of Latvia – an entity which is part of a multinational enterprise group must submit information on the group's finances and the types of business in the form of a report:

- if it is the group's ultimate parent entity and if the group's consolidated turnover is EUR 750 million;
- or if there are obstacles to submit the report for the group's ultimate parent entity located in another country;
- or a tax resident of the Republic of Latvia has been appointed as a surrogate parent entity by such a multinational enterprise group.

A multinational enterprise group is a group that includes:

- two or more companies resident for tax purposes in different countries or territories;
- a company resident for tax purposes in one country or territory and which is subject to tax on its business activity carried on through a permanent establishment in another country or territory, and which is not an exempt multinational enterprise group.

The procedure for submission a country-by-country report of a multinational enterprise group

Under Paragraph 16 of the said Regulation, any entity forming a part of a multinational enterprise group and resident for tax purposes in the Republic of Latvia, must report to the State Revenue Service (SRS), not later than by the last day of the reporting year, whether it is a ultimate parent entity or a surrogate parent entity, or it is an entity existing within a multinational enterprise group, which, in accordance with Paragraph 10 of the Regulation, has a duty to prepare the report.

Within 12 months of the end of the last day of the reporting year, a ultimate parent entity of a multinational enterprise group, which is **resident** for tax purposes in the Republic of Latvia, is required to prepare the report for the reporting year, using the report form available through the Electronic Declaration System (EDS), and submit it to the SRS.

If a company is Latvian tax resident but not a ultimate parent entity, it has a duty to prepare the report in the following cases:

- its ultimate parent entity has no obligation to prepare and submit the report in its country of tax residence;
- there is no agreement on the exchange of information with the country, in which the ultimate parent entity is tax resident;
- there has been a systemic failure in the country of residence country of the ultimate parent entity and obtaining the report by the tax administration is rendered impossible.

Whereas, in accordance with Paragraph 17 of the said Regulation, any entity which is part of such a multinational enterprise group, which is **resident** for tax purposes in the Republic of Latvia and is **neither a ultimate parent entity nor a surrogate parent entity**, nor such **an entity** which is part of the multinational enterprise group, which in accordance with Paragraph 10 of the Regulation **has a duty to prepare the report**, is required to **notify** the State Revenue Service **on the identity and tax residence of the subject submitting the report** not later than on the last day of the fiscal year.