



Transfer Pricing

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Estonia, Latvia, Lithuania

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The main criteria for mandatory TP documentation

- › Transactions with:
 - › an affiliated foreign company;
 - › group companies;
 - › companies exempt from CIT or utilizing tax benefits;
 - › companies in low-tax and tax-free countries,

Provided that:

- › the company's net turnover exceeds LVL 1 000 000 (~EUR 1 422 900)/year; and
- › the value of a single transaction exceeds LVL 10 000 (~EUR 14 200)

- › Lithuanian companies, if their income from sales in the taxable period of the transaction has exceeded LTL 10 000 000 (~EUR 2 896 200) (including permanent establishments of foreign companies);
- › credit and insurance institutions;

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- › business association registered in a securities market;
- › one party to the transaction is situated in a low tax rate territory.
- › Resident business association (or non-resident through a permanent establishment in Estonia) with:
 - › 250 or more employees (incl. associated persons); or
 - › turnover exceeding EUR 50 000 000 (incl. associated persons) in the financial year preceding the transaction; or
 - › consolidated balance sheet exceeding EUR 43 000 000 (incl. associated persons) in the financial year preceding the transaction;

Submission deadline

- › Within one month from the request of the tax administration
- › Within 30 days from the request of the tax administration
- › Within 60 days from the request of the tax administration

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The main types of relationships that constitute affiliation	> Types of relationships defined by law	> Relationships where one party has influence over the other, resulting in transaction or economic operation conditions other than such where maximum economic benefit is sought, or types of relationships defined by law	> Relationships where the parties have common economic interests or where one party has dominant influence over the other, or types of relationships defined by law
	<ul style="list-style-type: none"> > Companies within the same corporate group > Companies and members of their management bodies > Companies and their shareholders, whose share of control is more than 20% > Companies at least partially owned or controlled by the same or related persons, whose share of control is more than 50% > Transactions with the company's permanent establishment 	<p style="text-align: center;"><i>Specific examples:</i></p> <ul style="list-style-type: none"> > Companies within the same corporate group > Companies and members of their management bodies > Companies and their shareholders, whose share of control is more than 25% > Companies at least partially owned or controlled by the same or related persons, whose share of control is more than 25% > Transactions with the company's permanent establishment 	<ul style="list-style-type: none"> > Companies within the same corporate group > Companies and members of their management bodies > Companies and their shareholders, whose share of control is more than 10% > Companies at least partially owned or controlled by the same or related persons, whose share of control is more than 50% > Transactions with the company's permanent establishment

Information that should be included in TP documentation

- > OECD guidelines are recommended, insofar they do not contradict national laws and regulations

Permitted methods in order of priority

- > Comparable Uncontrolled Price, Resale Price Method, Cost Plus Method, Transactional Net margin Method, Profit Split Method

Preferable database for financial analysis

- > AMADEUS
- > No preference
- > No preference

Obligation to provide TP documentation in effect since

- > 2013 (previously such obligation existed without any specific statutory regulation)
- > 2004
- > 2007

Period of risk of tax audit

- > 5 preceding years
- > The current year and 5 preceding years

Fines for failure to submit TP documentation

- > Up to LVL 500 (~EUR 710), possible prohibition for Management Board members to hold the office
- > LTL 50 – 2 000 (~EUR 15 - 580)
- > EUR 1 200 – 3 200

Possibility to conclude an Advance Pricing Agreement (APA)

- > Yes, if transaction value exceeds LVL 1 000 000 (~EUR 1 422 900)
- > Yes
- > No

Price of APA

- > LVL 5 000 (~EUR 7 100)
- > None
- > N/A