

How to indicate non-standard fiscal periods in Electronic Declaration System 2/24/22



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We have written before about a taxpayer's duty to file with the State Revenue Service (SRS) a multinational enterprise group's country-by-country (CbC) report under section 15(9) of the Taxes and Duties Act or a statement of the reporting company and its tax residence. This article explores how to correctly disclose information in the statement in the case of a non-standard fiscal period.

An issue

The criteria requiring a Latvian taxpayer to prepare the CbC report are rarely met. This is mainly an obligation of the group's parent or surrogate parent company, which are commonly located abroad. However, a Latvian taxpayer who is not the parent, the surrogate parent, nor a unit within the multinational enterprise group liable to prepare the CbC report, is still required to notify the SRS of the reporting company's identity and tax residence by the last day of the fiscal year.

A statement of the reporting company should be filed in the Electronic Declaration System (EDS) by selecting the document form "Statement of the Company Reporting for the Multinational Enterprise Group" and entering data according to the indicated selection criteria.

According to the Cabinet of Ministers' Rule No. 397, *The Multinational Enterprise Group's Country-by-Country Reporting*, the fiscal year is a 12-month period whose financial and operational results are indicated in the report. However, the EDS document allows the user to select only the relevant calendar year starting 1 January and ending 31 December. The selection of any other 12-month period is technically limited.

Since the multinational enterprise group and the Latvian taxpayer within it will sometimes have a fiscal period that is different from the calendar year and runs, for instance, from 1 April to 31 March, we asked the SRS to explain what steps the taxpayer should take in order to truly indicate the fiscal year when filing the statement in EDS.

The solution suggested by the SRS

In reply to our question, the SRS advised us that where the fiscal period is different from the calendar year, the "Tax Year" field in the EDS document "Statement of the Company Reporting for the Multinational Enterprise Group" should show the year in which the fiscal period ends. For example, if the fiscal period is 01.04.2021–31.03.2022, the fiscal year will be 2022.

To state the reporting period accurately, the SRS suggests giving further details of the taxpayer's fiscal period in the "Notes" field.

In view of this, we recommend that whenever it is not possible to correctly show data in the automatic fields, the taxpayer should always insert full details in the fields designed for notes and comments to

mitigate the risk of filing false information.