

# Convenience when preparing transfer pricing documentation: Choose the language that suits you! 3/22/25



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Good things are worth waiting for. This could be said about the new amendments to Latvian transfer pricing regulations, which this time are especially favourable for taxpayers (hereinafter – “TP”). Changes have come into force that allow local transfer pricing documentation to be prepared in English. This article covers the new changes, the details of their application and possible challenges.

## Impact of the new amendments

Until now, the existing regulation — Section 15.2, Paragraph 13, Clause 3 of the Law on Taxes and Duties (hereinafter “TD Law”) — stipulated that Latvian taxpayers (hereinafter “TP”) required to document transactions with related parties must ensure that local transfer pricing documentation is prepared in Latvian. However, since transfer pricing documentation is often prepared centrally within a group or prepared locally but coordinated with the group, it is usually drafted in English.

Therefore, the requirement under the TD Law to translate documentation imposed not only an administrative burden on taxpayers but also a financial one, due to the complexity and often volume of the documentation content.

On 1 May 2025, amendments to the TD Law came into force, allowing local transfer pricing documentation to be prepared in Latvian or English, with the provision that the tax authority (hereinafter also “SRS”) may request translations of all or parts of the documentation into Latvian. Taxpayers are required to submit the requested translation within one month of receiving the request.

It should be noted that the TD Law does not clarify whether these new amendments apply to local transfer pricing documentation prepared for previous reporting periods. Given this, we have received the following explanation from the tax authority:

### Reporting year for which the local transfer pricing documentation is prepared

- For the reporting year that ended on or before 30 April 2024 (i.e., the deadline for preparation and submission of the documentation is until 30 April 2025<sup>1</sup>)
- For the reporting year that ends from 1 May 2024 (i.e., the deadline for preparation and submission of the documentation is from 1 May 2025<sup>1</sup>)

### Language requirements

- Must be prepared in **Latvian**;
- Must be prepared in **Latvian or English**.

Additional clarification has also been provided regarding cases where taxpayers were required to prepare local transfer pricing documentation for reporting years that ended before 30 April 2024 (i.e., the documentation preparation deadline was until 30 April 2025), but the documentation must be submitted to the SRS **within one month of receiving the request**<sup>2</sup>. In this case, more favourable conditions will apply, and if the SRS request deadline is after 1 May 2025, the local transfer pricing documentation may be submitted in Latvian or English.

## Potential problems

Although the eased requirements for preparing local transfer pricing documentation allow taxpayers to save administrative as well as financial resources related to translation, submitting the documentation to the SRS in a language other than the official state language may also pose certain risks. These risks stem from potential misinterpretation of the information contained in the documentation. Even seemingly minor nuances in understanding the text can have significant consequences, potentially leading to additional inquiries, incorrect calculations, penalties, and tax assessments.

Therefore, to mitigate these risks, especially in cases where a company or group implements complex transaction structures or pricing, it is advisable to evaluate the necessity of translating the documentation into Latvian.

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<sup>1</sup> The amount of controlled transactions exceeds 5 million euros. Section 15.2, Paragraph 3, Clause 2 of the TD Law

<sup>2</sup> The amount of controlled transactions exceeds 250 thousand euros but does not exceed 5 million euros. Section 15.2, Paragraph 4, Clause 2 of the TD Law.