

Multinational enterprises: country by country reporting (2/32/17)

A taxpayer within a multinational enterprise (MNE) group is required to file a country-by-country report with the State Revenue Service (SRS) ([under section 15\(9\) of the Taxes and Duties Act](#)) by 31 December 2017 or to notify the SRS of the group company filing that report and of its tax residence by 31 August 2017. Conditions that dictate the filing, notification and related matters are determined by the Cabinet of Ministers ([Cabinet Regulation No. 397, Country-by-country reporting](#)). This article takes a look at the main points.

What is a country-by-country (CBC) report?

As we have written earlier in our series of articles on CBC reporting guidelines ([17 June 2015](#), [7 July 2015](#), [15 July 2015](#), [27 August 2015](#)) and requirements ([13 April 2017](#)), the amendments are to improve the transparency of MNE groups by providing the tax authorities of various countries with a sufficient level of information about group operations and profit distributions as well as any taxes paid and accrued. This information allows the tax authorities to analyse, for example, whether the apportionment of profits between group companies is consistent with their functions, risks and assets, and to check that those profits are not artificially shifted from one country to another:

This information can be gathered through a special report containing three tables ([An appendix to Cabinet Regulation No. 397, Country-by-country reporting](#)). ➡

The report should be filed with the tax authority in the member state where the group's ultimate parent sits. ➡

The tax authority receiving the report will forward it to the tax authorities of all the other member states where the group is represented.

Who is required to prepare and file a CBC report?

Under the Cabinet Regulation, the CBC reporting requirement applies to a Latvian taxpayer that is part of an MNE group with total consolidated revenues exceeding €750m for the financial year and meets one of these criteria:

- he is the parent of the group; or
- he is a Latvian tax resident entity within the group that is not its parent if one of these conditions applies:
 - a) the parent is not required to prepare or file a CBC report in its chosen country of tax residence;
 - b) there is an effective international agreement with the country where the parent is tax resident, but there is no effective CBC reporting agreement with the competent authority (i.e. the SRS cannot receive a CBC report because Latvia has not entered into an agreement on the automatic exchange of information with the country where that report has been filed);
 - c) he is the group's surrogate parent¹ (a company to whom the parent has delegated the task of preparing the CBC report); or

d) the country of tax residence chosen by the parent has suffered a system failure (the SRS has not received the CBC report since the other country has not forwarded it because of an IT system error or any other failure) and the SRS has notified the Latvian taxpayer accordingly.

The deadline for filing the CBC report with the SRS

A Latvian taxpayer meeting the filing criteria is required to file the CBC report within 12 months after the last day of the financial year. The first financial year for CBC reporting purposes began on 1 January 2016, and so the Latvian taxpayer's CBC report for the financial year 2016 is due by 31 December 2017.

The Latvian taxpayer is also required to notify the SRS by the last day of the financial year about whether he is the parent, surrogate parent or entity required to prepare a CBC report. A Latvian taxpayer that is not required to file a CBC report should notify the SRS of the identity and tax residence of the entity filing it. This information for the first CBC reporting year under the Cabinet Regulation (i.e. beginning 1 January 2016) should be submitted to the SRS by 31 August 2017.

For filing and notification purposes the SRS is preparing new forms in the Electronic Declaration System (EDS). At the time of writing this article, none of the new forms was available from the EDS, so Latvian taxpayers should be monitoring the EDS and the SRS website.

What needs to be done if a company is part of a group with revenues exceeding €750m but does not meet the other criteria that require it to prepare and file the CBC report?

A Latvian taxpayer that is part of a group with revenues exceeding €750m but is not required to file a CBC report should notify the SRS of the filing entity and its tax residence.

¹ An entity within an MNE group appointed by that group as sole surrogate parent to file the CBC report for the group.