

## More local companies subject to arm's length principle (1/43/17)

As part of Latvia's tax reform a new Corporate Income Tax (CIT) Act was adopted on 28 July 2017 to govern CIT treatment from 1 January 2018. Under powers delegated by the CIT Act, the Cabinet of Ministers' proposed Regulation for the Application of Provisions of the CIT Act was announced for consideration at the meeting of state secretaries on 12 October 2017, laying down a number of conditions and restrictions on CIT treatment. This article explores how the term "related party" used in the CIT Act applies when measuring the tax base of local companies and how the draft regulation clarifies this term.

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