

Flow-through dividends: practical questions

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A Latvian company in a vertically structured group often receives dividends from subsidiaries and pays them on to its owners. Such flow-through dividends qualify for a special relief under the Corporate Income Tax (CIT) Act: if certain conditions are met those dividends are taxed only once even if tax has been paid abroad. In practice various situations may arise, for instance, a dividend is received and paid in different periods, the profit may not have been taxed in the payer's country, the Latvian company receives the dividend net, i.e. after tax has been withheld in the payer's country. This article explores some relevant examples.

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