

# A balancing transfer pricing adjustment – a “lifebuoy” for your company? 1/3/23

Latvian transfer pricing (TP) rules provide that a company’s transactions with related parties must be arm’s length, whether the parties are Latvian or foreign tax residents. The arm’s length principle dictates that a company making comparable transactions under comparable conditions must receive comparable revenue, whether the transaction is with a related or an unrelated party. Basically companies know and understand this, yet there are various facts and circumstances that make this requirement difficult to enforce in real time. This is because before or during the transaction, companies often lack sufficient information on arm’s length prices that unrelated parties apply in comparable transactions. This is where companies can use a TP adjustment, which is not always so painful as it might originally seem. This article explores what TP adjustment a company can make by adjusting its taxable base for corporate income tax (CIT) purposes.

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