

Differences in the transfer pricing legal framework in the Baltic countries 3/3/25



Senior Consultant, Transfer Pricing, PwC
Latvia
Liva Leimane



Senior Manager, Transfer Pricing, PwC
Latvia
Zane Smutova

In the Baltic countries, the format of the transfer pricing (TP) documentation and the scope of the information to be provided therein are largely uniform and in line with the revised TP documentation standard of the Organisation for Economic Co-operation and Development (OECD). However, the thresholds set by Latvia and its neighbouring countries, above which the corporate taxpayer (CTP) is obliged to prepare and submit TP documentation to the tax administration annually or upon request, differ significantly. In addition, different deadlines have been set for the preparation of TP documentation and the liability for non-compliance with the mandatory requirements. The approach to determining the arm's length price (market value) is also different in each of the Baltic countries.

This article looks at the latest developments in the field.

Legal framework for the preparation of TC documentation

The obligation to prepare the TP documentation and include certain information is governed by:

- In Latvia – Section 15.2 of the Law on Taxes and Duties and Cabinet Regulation No. 802;
- In Lithuania - the Tax Administration Law, Corporate Income Tax Law, and the regulations issued by the Ministry of Finance;
- In Estonia, the Tax and Customs Administration Law, Corporate Income Tax Law, and the regulations issued by the Ministry of Finance.

Thresholds for the obligation of preparation and submission of the TP documentation

It is important for the CTP engaging in international transactions with related parties to know the details of the obligation to prepare and submit TP documentation.

It is important to keep a close eye on the TP legal framework, as the requirements for both certain thresholds (turnover, the price of the controlled transaction (CT), number of employees) and the amount above which the CTP has an obligation to prepare and submit the TP documentation differ significantly in the Baltic countries.

In the tables below, we have compiled information on the requirements of each national legal framework for:

- automatic submission of documentation

Thresholds for automatic submission of the documentation (EUR)

Latvia	Lithuania	Estonia
<ul style="list-style-type: none"> • ACT >15 million • ACT > 5 million and turnover > 15 million • ACT > 5 million 	<ul style="list-style-type: none"> • ACT > 90 thous. and turnover > 3 million • Turnover > 3 million 	<ul style="list-style-type: none"> • Number of employees > 250, or • Turnover > 50 million, or • Consolidated total assets > 49 million
<ul style="list-style-type: none"> • deadlines for submission of documentation 		

Submission deadline

Latvia	Lithuania	Estonia
<ul style="list-style-type: none"> • Within 12 month of the end of the relevant reporting year <p>or</p> <ul style="list-style-type: none"> • Within 1 month of the date of the tax administration's request 	<ul style="list-style-type: none"> • Within 6 months and 15 days of the end of the relevant reporting period 	<ul style="list-style-type: none"> • Within 60 days of the date of the tax administration's request
<ul style="list-style-type: none"> • documentation preparation language requirements 		

Language requirements

Latvia	Lithuania	Estonia
<ul style="list-style-type: none"> • Master (global) documentation: English (the tax administration may request a translation into Latvian) • Local: Latvian 	<ul style="list-style-type: none"> • Master and/or Local: English and Lithuanian 	<ul style="list-style-type: none"> • Master and/or Local: English or Estonian

Failure to comply with the requirements for the submission of the TP

documentation

It should be fully accepted that it is important to submit best quality TP documentation in a timely manner so that the tax administration can effectively control the accuracy of tax payments. However, the liability provided for violations of the deadline for submitting TP documentation or the requirements for the preparation thereof is established differently in each of the Baltic countries.

In the table below, we have summarised information on the scope of responsibilities in each country:

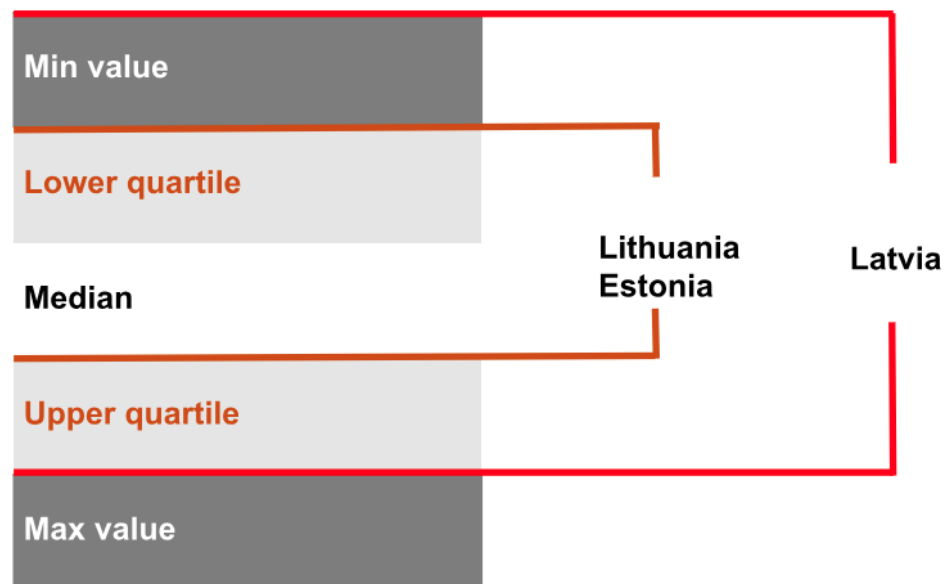
Determining fines		
Latvia	Lithuania	Estonia
<ul style="list-style-type: none">• Up to 1% of the ACT• CAPPED AT: EUR 100,000	<ul style="list-style-type: none">• From EUR 1,820 to EUR 6,000• CAPPTED AT: EUR 6,000	<ul style="list-style-type: none">• Late payment interest of 0.06% p.a.• Additional payment of 21/79 corporate income tax for late payments• CAPPED AT: EUR 32,000

In particular, it is worth noting that in September 2023, the Latvian tax administration published guidelines on the principles for imposing fines if the deadline for the submission of TP documentation or the requirements for the preparation thereof is not met, and the criteria for determining their appropriateness.

Determination of the arm's length profit level indicators

When determining an arm's length profit level indicator range, the financial data of comparable independent companies is used.

Furthermore, there are also significant differences between the Baltic countries in this process of comparability. To determine the arm's length transaction/data range, the Latvian TP legal framework allows the use of any established arm's length price (minimum, maximum, interquartile and decile) appropriate to the chosen comparison profile, in contrast to Lithuania and Estonia, where only the interquartile arm's length range can be used for comparative analysis.



Despite the identified differences, the overall purpose of preparing transfer pricing documentation is to provide both legal certainty to taxpayers and information to the tax administration as to whether the transfer prices applied in controlled transactions between related parties are consistent with the arm's length principle.

Please contact us if you need help/advice on the requirements for the preparation and submission of TP documentation in the Baltic countries.