



The arm's length difference arising on related-party transactions to be reported in the corporate income tax return

Pursuant to the guidance developed by the SRS “The Procedure for Completing the Corporate Income Tax Return”, **on the line 6.5 of the return, the taxpayer is required to report the arm's length price difference** on related-party transactions (Section 4, Paragraph two, Clause 2, sub-clause e) of the CIT act).

Pursuant to Section 4, Paragraph two, Clause 2, sub-clause e) of the Corporate Income Tax Act taxpayers are required to **include in the taxable income subject to corporate income tax the deemed distributed profit “revenue** that the taxpayer would have received, or expenses that he would not have incurred had the commercial and financial relations between taxpayers been created or established under the arm's length principles and if the price (value) applied in the related-party transaction (one of which is the taxpayer) were consistent with the arm's length price (value), the calculation methods of which are laid down by the Cabinet”.

This means that revenue in related-party transactions must not fall below the arm's length revenue, whereas the costs must not be above the arm's length costs (value). The respective shortfall or surplus (difference) is considered to be the deemed distributed profit and should be included in the taxable income.

The definition of a related party is provided for in Section 1, Cause 18 of the act On Taxes and Duties under Paragraph 3 of the Cabinet Regulation No. 677 “Regulation on the Application of the Provisions of the Corporate Income Tax Act”.

Exemptions

! The provision applicable to related parties under Section 1, Clause 18, sub-clause b) of the act On Taxes and Duties regarding the direct shareholding in one company or cooperative society from 20 to 50 per cent applies to the deemed distribution of profit only in the case if the transaction is carried out with a related foreign company;

! Pursuant to Section 4, Paragraph 10 of the same when calculating the deemed distributed profit, a transaction with a person located, established or founded in a low-tax or tax-free country or territory (“an offshore”) is deemed a related-party transaction. The list of the said countries or territories is laid down in the Cabinet Regulation No. 655 “Regulation on Low-Tax or Tax-Free Countries or territories” of 7 November 2017.

The line 6.5 of the return must be completed for the last month of the Reporting year.

In preparing the annual report and upon identifying new facts, the return for the last month of the Reporting year can be adjusted by the time of submission of the annual report, in which case the late payment charges provided for in the act On Taxes and Duties will not apply.

Nodokļa maksātāja nosaukums	Uzņēmumu ienākuma nodokļa deklarācija
Nodokļu maksātāja reģistrācijas kods	Taksācijas periods
<input type="text"/>	Gads xxxx
	Mēnesis xx
	vai Pārskata gada pēdējā mēneša deklarācija

Deklarācijā lietotas atsauces uz Uzņēmumu ienākuma nodokļa likuma pantiem.

Deklarācijā summas norāda *euro*.

6. Nosacīti sadalītā peļņa taksācijas periodā (4.panta 2.d.2.p.), tai skaitā:				06	
6.1. ar saimniecisko darbību nesaistīti izdevumi (8.pants; 4.panta 2.d.2.p.a)ap.)				06.1	
6.2. nedroši debitoru parādi (9.panta 1.d.; 4.panta 2.d.2.p.b)ap.) ⁵				06.2	
Nr. p.k.	Taksācijas periods, kurā izveidoti uzkrājumi debitoru parādiem	Uzkrājumu debitoru parādiem turēšanas periods (mēnešos)	Nodokļa bāzē iekļautā debitoru parādu summa pārskatā gadā		
1	2	3	4		
	Kopā:				
6.3. procentu maksājumi (10.pants; 4.panta 2.d.2.p.c)ap.) ⁶				06.3	
6.4. aizdevumi saistītām personām (11.pants; 4.panta 2.d.2.p.d)ap.) ⁷				06.4	
6.5. darījumu vērtības starpība, kas radusies darījumos ar saistītām personām (4.panta 2.d.2.p.e)ap.) ⁸				06.5	
6.5.1. Darījumu, kas pārskata gadā veikti ar saistītām personām, kopējā vērtības summa ⁹				06.5 .1	
6.6. piešķirtie labumi nerezidenta darbiniekiem, kuri attiecināti uz patstāvīgo pārstāvniecību (4.panta 2.d.2.p.f)ap.) ¹⁰				06.6	
6.7. likvidācijas kvota (4.panta 2.d.2.p.g)ap.)				06.7	
6.8.				06.8	
6.9.				06.9	