Transfer Pricing Card

Comparison of the main transfer pricing regulations in the Baltics and Belarus

SORAINEN

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	Estonia	Latvia	Lithuania	Belarus
General rules	OECD + EU guidelines, with Estonian tax law requirements	OECD guidelines + Latvian tax law	OECD guidelines + Lithuanian tax law	Belarusian tax law
Related party	Entities with common economic interests or dominant influence	Entities connected through control, shareholding or family ties; any person in a low-tax territory or where the aim is tax reduction	Entities that have influence on each other, e.g. through control, shareholdings, family ties, same managing body members	Entities connected through control, shareholding, family ties, same managing body members
	Exact criteria of relationships and thresholds can be found in legal acts			
Documentation requirement threshold	Annual sales exceed EUR 50 million; total assets exceed EUR 43 million; at least 250 employees Mandatory regardless of threshold for resident credit institutions, insurance companies, and publicly traded companies; also if transaction partner is from a tax non-compliant jurisdiction	Local file from transaction amount of EUR 250,000; master file from EUR 5 million Even if threshold is not met, a company being tax audited must be able to prove transactions as arm's length Documentation is not required for transactions below EUR 20,000	Local file must be prepared if previous tax year's income exceeds EUR 3 million Master file if previous tax year's income exceeds EUR 15 million and the company is part of an international group Form FR0528 must be filed if transactions with related parties exceed EUR 90,000 in a tax year	From BYN 400,000, or 2 million for large taxpayers, of total sales/purchases with a counterparty out of indirect taxes in a calendar year (approx. EUR 139,000 and EUR 697,000 respectively) CIT payers must notify tax authority of each controlled transaction with a related party
		See below for a more detailed table regarding transaction parties		See below for a more detailed table regarding transaction types and parties
	Must be submitted within 60 days of request	Must be prepared within 12 months of the tax year's end in case of foreign related party, submission mandatory or within 1 month of request depending on size Within 90 days of request in case of Latvian related party	Must be prepared for until 15 June of the following tax year; must be submitted within 30 days of request	Must be submitted upon request
Mandatory documentation contents	Master file and local file, these can be presented as one file in practice Financial transactions have additional requirements	Company analysis, functional analysis, transaction analysis (description, method selection, benchmark)	Industry analysis, company analysis, functional analysis, transaction analysis (description, method selection, benchmark) Additional analysis of the group must be included in both master and local files	Information on parties and their interdependence, economic activity description, controlled transaction information (price, aim, payment method, factors influencing price, business area analysis, group structure information, comparison information; method used; other proof of arm's length
	Can be in English but tax authority can request translation	Master file may be in English, otherwise in Latvian	Can be in other languages but tax authority can request translation into Lithuanian	

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Methods	CUP; resale price; cost-plus; TNMM; profit split	CUP; resale price; cost-plus; TNMM; profit split	CUP; resale price; cost-plus; TNMM; profit split	CUP; resale price; cost-plus; TNMM; profit split
	Any other sufficiently substantiated method	Economic valuation techniques together with at least one basic TP method	First three methods are preferred, possible to use methods in combination	A combination of 2+ methods may be used
	A 5% mark-up can be applied to the cost of low value-adding services	A 5% mark-up can be applied to the cost of low value-adding services	A 5% mark-up can be applied to the cost of low value-adding services	
Tax audits and penalties	Failure to file can result in fine of up to EUR 3,200 Unpaid taxes due to incorrect or wrongly presented data may lead to misdemeanour (unpaid taxes up to EUR 40,000) or criminal proceedings (unpaid taxes over EUR 40,000)	Significant violation of document preparation rules, e.g. incomplete documentation, may result in penalty of up to 1% of transaction value, up to EUR 100,000	Fine of 10-50% of the underpaid tax; 20-100% starting from 1 May 2023 Failure to file TP documentation may result in a warning, or a fine of EUR 1,820 to 6,000 on the head of the company	Administrative fine of up to 40% of unpaid CIT according to general administrative liability rules
	Tax adjustments bring about penalty interest at daily rate 0.06%/yearly rate 21.9% (also subject to CIT)	Late payment interest of 0,05%/day (max 2/5 of tax amount due), penalties 30% of tax amount due TP adjustments may lead to VAT adjustments without right to adjust corresponding input VAT	Late payment interest of 0.03%/day	Late payment interest of 0.03%/day (max. penalty cannot exceed the amount of tax).
	Audits can go back 3 years from the tax becoming payable, 5 years in case of intentional non-payment	Audits can go back 5 years	Audits can go back 5 years plus the currently ongoing tax period	Audits normally go back 5 years

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Enforcement	Transactions not at arm's length will be adjusted with corresponding tax obligation and delay interest imposed Misdemeanour or criminal proceedings may be initiated	Transactions not at arm's length will be adjusted, taxed, and late payment interest and penalties imposed	Transactions not at arm's length will be adjusted with fines and late payment interest imposed The company may be publicly listed as an unreliable taxpayer. Among other possible effects, an unreliable taxpayer can't participate in public procurement, longer statutory terms apply and bank financing is harder to get	If tax base of CIT does not follow arm's length principle according to audit, tax authority can adjust CIT due and impose late payment interest
	Not enough practice to generalise	Tax authority may challenge contents and applicability of analysis used in TP documentation	Tax authority mainly targets companies with significant cross-border related party transactions	Tax authority monitors all controlled transactions and may order an audit
APA	Not available	Possible to enter into with tax authority for transactions exceeding EUR 1.43 million annually May be issued for 5 previous years or 5 future tax years Covers transactions with other related party who is resident in Latvia and not resident in Latvia	Possible for complex future transactions Binding for the tax authority for 5 calendar years from adoption year	Possible for large taxpayers and taxpayers who exceed the BYN 2 million TP threshold in a calendar year
	N/A	Fee of EUR 7,114	Free	Fee of 500 basic units (BYN 18,500 – approx. EUR 6,453)

TP – transfer pricing
CUP - comparable uncontrolled price method
TNMM – transactional net margin method
CIT – corporate income tax
VAT – value added tax

LATVIAN TP DOCUMENTATION REQUIREMENTS

Taxpayers must prepare a master file and/or local file in line with content set by OECD Guidelines in the following situations:

Transaction party	When is a Master File required?	When is a Local File required?	Submission deadlines to tax authorities
Foreign related party or company registered in a blacklisted jurisdiction	If the transaction amount is > EUR 15m; or if turnover is > EUR 50m and the transaction amount is > EUR 5m.	If the transaction amount is > EUR 5m	Mandatory submission within 12 months of the end of the tax year.
	If turnover is < EUR 50m and the related party transaction amount is from EUR 5m to EUR 15m.	If the transaction amount is from EUR 250k to EUR 5m.	Prepared within 12 months of the end of the tax year and submitted to the tax authorities within 1 month of a request.
Latvian related party (only if transactions take place within one supply chain with a foreign related party)	N/A	If the transaction amount is > EUR 250k	Should be prepared only if required by tax authorities. Submission within 90 days of the receipt of a request (may be extended by 30 days).

BELARUSIAN GENERAL TP RULES

Transactions subject to local transfer pricing rules are:

Controlled transactions	Threshold – the sum of all sales to a counterparty out of indirect taxes or the sum of all purchases from a counterparty out of indirect taxes in a calendar year or the sum of all taken and given loans (credits)	
	Standard threshold	Threshold for large taxpayers*
Transactions involving the sale or purchase of real estate and housing bonds with related parties or parties enjoying a special tax regime	No threshold	No threshold
Transactions with related parties concluded in the course of foreign trade activity	BYN 400,000 (approx. EUR 139,000)	BYN 2,000,000 (approx. EUR 697,000)
Transactions with offshore residents (even with those that are not related) concluded in the course of foreign trade activity**	BYN 400,000 (approx. EUR 139,000)	
Transactions on sale/purchase of strategic goods determined by the Government (mostly natural resources) in the course of foreign trade activity	BYN 2,000,000 (approx. EUR 697,000)	
Domestic transactions with parties exempted from corporate income tax	BYN 400,000 (approx. EUR 139,000)	BYN 2,000,000 (approx. EUR 697,000)

*Belarusian companies are treated as large taxpayers if their income in the previous calendar year was not less than BYN 207,600,000 (approx. EUR 72,407,000) and if at least one of the following criteria is met:

- total taxes and duties accrued in the previous calendar year exceeded BYN 16,200,000 (approx. EUR 5,650,000);
- the difference between total input VAT for the previous calendar year and total output VAT for the previous calendar year is more than BYN 16,200,000 (approx. EUR 5,650,000).

** Since 2021 transactions of Belarusian companies with operators of the international payment systems VISA, MasterCard and American Express registered in offshore zones are not subject to transfer pricing rules.

Since 2023 credits (loans) granted to the organisations included in the list of agricultural organisations subject to pre-trial rehabilitation or in the list of agricultural organisations in respect of which it is necessary to carry out economic insolvency (bankruptcy) procedures are not subject to transfer pricing rules.

Our Team:

ESTONIA

Kaido Künnapas
Partner

Pärnu mnt 15
10141 Tallinn
phone +372 6 400 900
estonia@sorainen.com

LATVIA

Aija Lasmane
Counsel

Kr. Valdemāra iela 21
LV-1010 Riga
phone +371 29 466 727
latvia@sorainen.com

LITHUANIA

Indrė Ščeponienė
Partner

44A Gedimino Ave
LT-01110 Vilnius
phone +370 52 685 040
lithuania@sorainen.com

BELARUS

Alexey Anischenko
Senior Associate

ul Internatsionalnaya 36-1
220030 Minsk
phone +375 29 621 0801
belarus@sorainen.com

wts global

https://www.sorainen.com/wts-global-tax-experts/