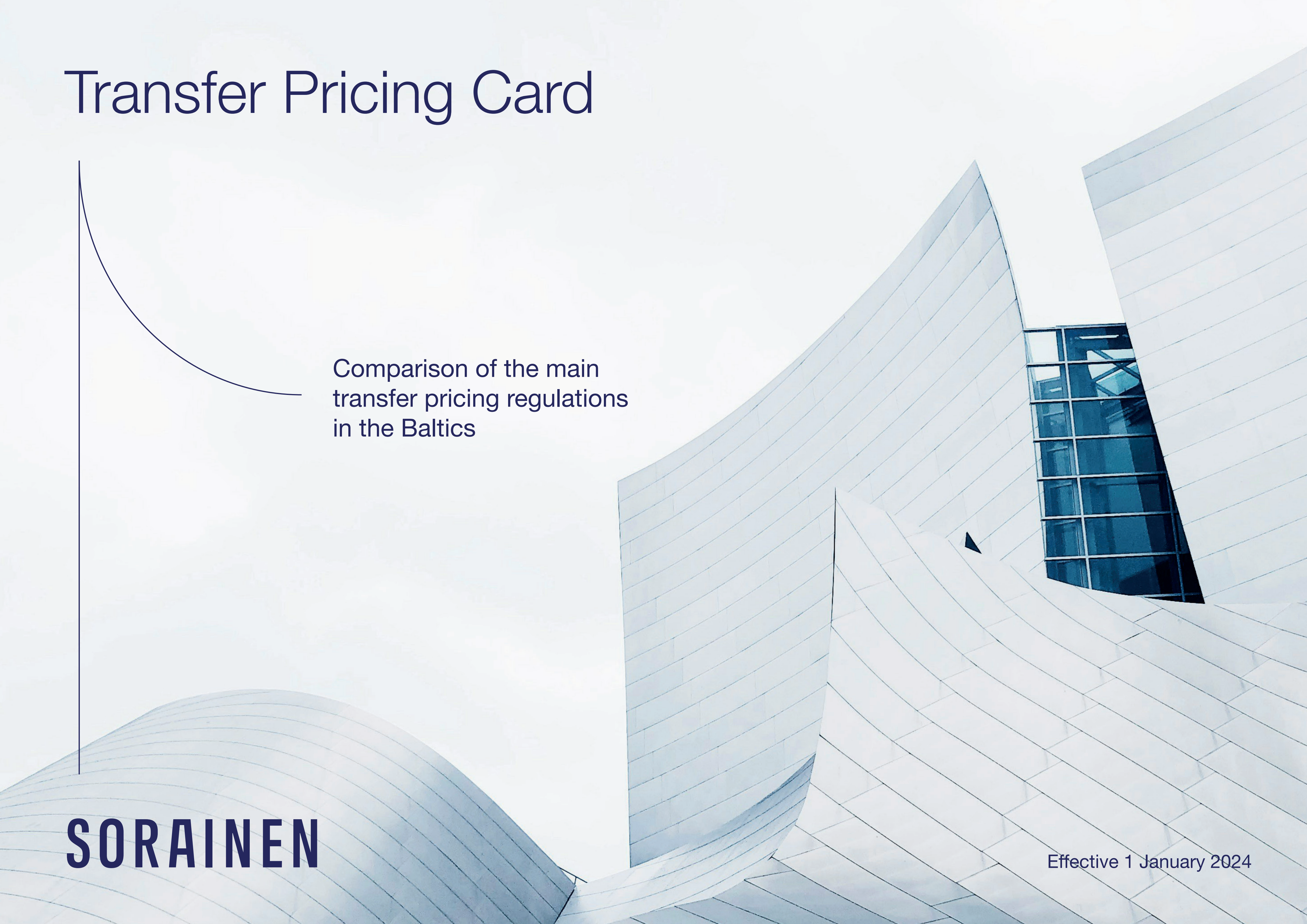


Transfer Pricing Card

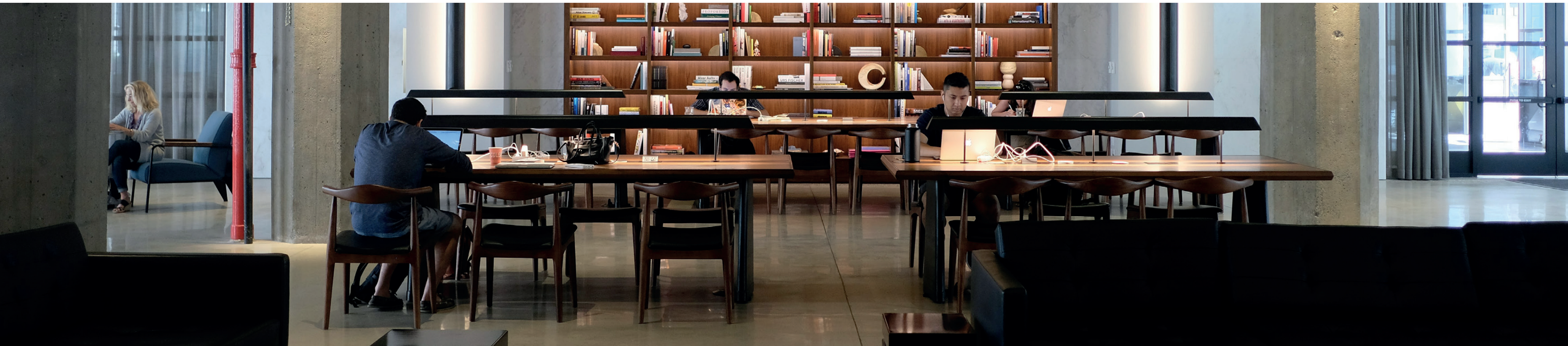
Comparison of the main transfer pricing regulations in the Baltics

SORAINEN

Effective 1 January 2024

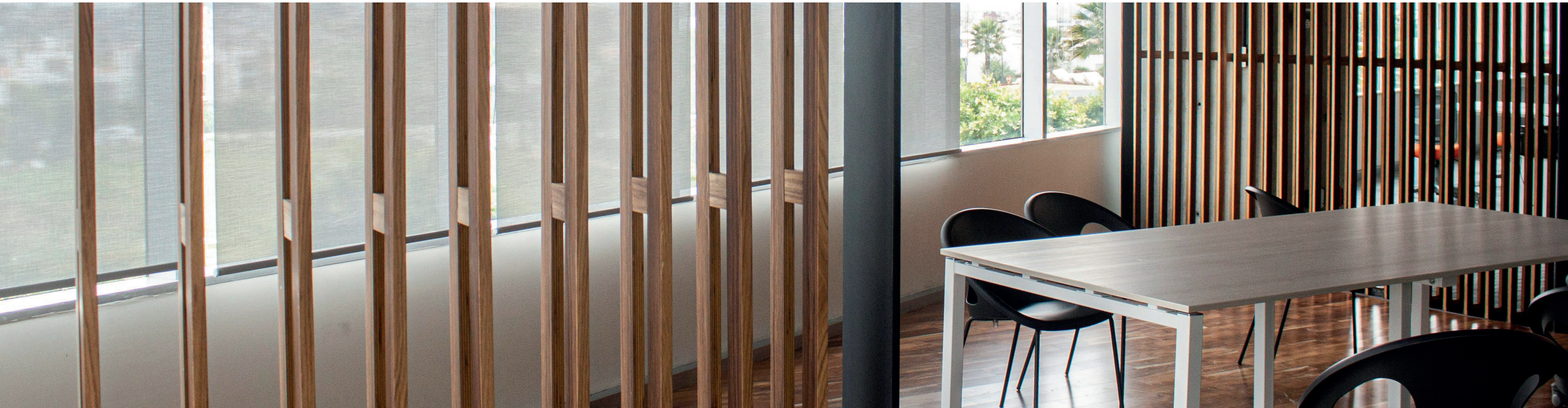
	Estonia	Latvia	Lithuania
General rules	OECD + EU guidelines, with Estonian tax law requirements	OECD guidelines + Latvian tax law	OECD guidelines + Lithuanian tax law
Related party	Entities with common economic interests or dominant influence	Entities connected through control, shareholding or family 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
	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
		See below for a more detailed table regarding transaction 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
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
	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

	Estonia	Latvia	Lithuania
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
	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 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
	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
	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



	Estonia	Latvia	Lithuania
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
	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
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
	N/A	Fee of EUR 7,114	Free

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

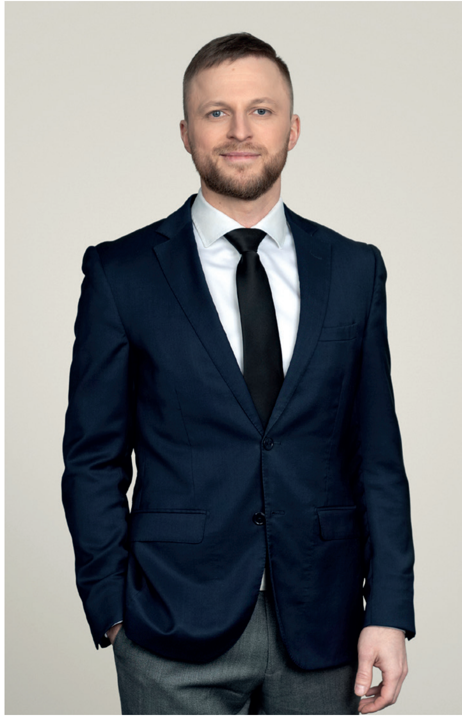


LATVIAN TP DOCUMENTATION REQUIREMENTS

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

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).

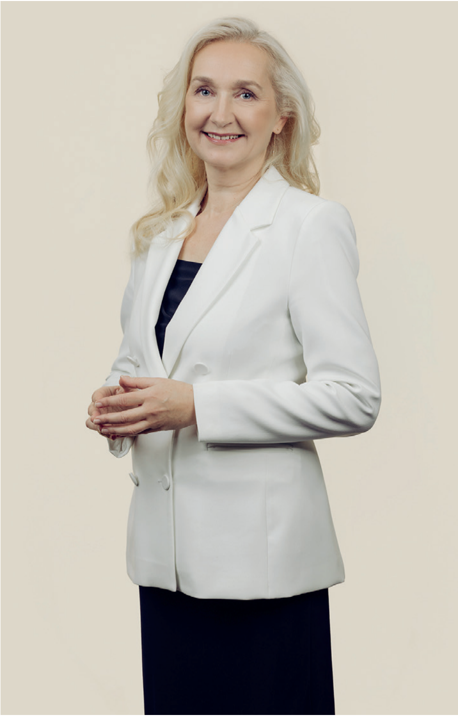
ESTONIA



Kaido Künnapas
Partner

Rotermanni 6
10111 Tallinn
phone +372 6 400 923
estonia@sorainen.com

LATVIA



Aija Lasmane
Partner

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

wts global

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