

AGREEMENT ON MUTUAL ADMINISTRATIVE ASSISTANCE

In order to implement the provisions of the Convention between the Republic of Latvia and the Kingdom of Denmark for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income and on capital of 10 December 1993 (hereinafter referred to as "the Convention"), and having regard to the desire of both authorities to increase mutual assistance,

The competent authorities of Latvia and Denmark have hereby agreed as follows:

General

Article 1.

According to Articles 27 and 28 of the Convention the competent authorities shall exchange information necessary for carrying out the provisions of the Convention or of the national laws of the Contracting States concerning taxes covered by this Convention insofar as taxation thereunder is not contrary to the Convention and the competent authorities shall lend assistance to each other with regard to collection of taxes.

Exchange of Information

Article 2.

As soon as possible after the end of each calendar year, the competent authority of each Contracting State shall, to the extent possible on the basis of control information and similar information available, supply automatically to the competent authority of the other Contracting State, without any special request being necessary, information concerning individuals and legal entities, in respect of:

- Dividends, as referred to in Article 10 of the Convention;
- Interest on accounts in banks and similar institutions, as referred to in Article 11 of the Convention;
- Royalties, as referred to in Article 12 of the Convention;
- Capital gains, as referred to in Article 13 of the Convention;

- Salaries, wages, fees, pensions, annuities and other income, as referred to in Articles 14-23 of the Convention:

Article 3

It is agreed that information which is obtained in the ordinary course of administration, and which is assumed to be of interest to the other competent authority shall be exchanged spontaneously without delay.

Article 4

Information shall be supplied on request according to the provisions of the Convention or of the national laws of the Contracting States concerning taxes covered by the Convention.

The Presence of Tax Officials of one State in the Territory of the Other State

Article 5

At the request of the competent authority of one of the Contracting States, the competent authority in the other Contracting State may allow representatives of the first-mentioned competent authority to be present at the appropriate part of a tax examination in the requested State. All decisions with respect to the conduct of the tax examination shall be made by the requested State. The competent authority in the requested State shall notify the other competent authority regarding the particulars of each examination.

The competent authorities of the Contracting States may by mutual agreement lay down the procedures governing the presence of foreign tax officials.

Simultaneous Tax Examinations

Article 6

To achieve more efficiency in the exchange of information and deal more effectively with cases of tax avoidance or tax evasion, the competent authorities have decided to establish a working agreement under which to conduct simultaneous tax examinations of selected taxpayers, or groups of taxpayers, carrying on activities in both Latvia and Denmark.

“Simultaneous tax examination” means an arrangement between competent authorities of the Contracting States to examine simultaneously and independently, each on its own territory, the tax affairs of (a) taxpayer(s) in which they have a common or related interest with a view to exchanging any relevant information which they so obtain.

The procedures for case selection and examination procedures that the competent authorities have agreed upon are further described in Appendix A.

Assistance in Collection

Article 7

At the request of the competent authorities of one of the Contracting States the other Contracting State shall, subject to the provisions of Article 28, take all the necessary steps to assist in the collection of tax claims of the first-mentioned State.

Both competent authorities have agreed that the minimum amount for rendering assistance in collection of tax claims should be equivalent to USD 1000, -. They may agree on any adjustment to such minimum amount.

Costs

Article 8

Unless otherwise agreed by the Contracting States, ordinary costs incurred in providing assistance shall be borne by the requested State. Extraordinary costs shall be borne by the applicant State.

Consultations

Article 9

The competent authorities shall consult each other whenever necessary for facilitating the carrying out of the obligations under this Agreement.

Terms and Conditions

Article 10

The provisions of the Convention shall apply with respect to secrecy and the limits to the exchange of information.

Article 11

The information referred to in Article 2 of the Agreement shall be provided electronically in the OECD Standard Magnetic Format (latest version), where possible, or in paper format.

The information to be exchanged shall also include TIN numbers (Tax Identification Number), VAT numbers and/or personal identity number, if available. This applies to numbers originating from both States.

Article 12

Requests for assistance and the information to be exchanged shall be forwarded to:

In Latvia:

Latvian State Revenue Service
1 Smilšu street
Riga, LV-1978

In Denmark:

The Ministry of Taxation
The Central Customs and Tax Administration

PO Box 2760
Østbanegade 123
DK-2100 Copenhagen Ø

Entry into force and modifications:

Article 13

This Agreement shall enter into force on the date of its signature by the competent authorities of Latvia and Denmark.

This Agreement may be modified at any time by agreement between the competent authorities.

This Agreement is concluded for an indefinite period of time. It may be terminated by written notification by either competent authority and shall cease to be operative six months after such notice has been received.

Done in duplicate, in the English language.

On behalf of
The Competent Authority
for Latvia

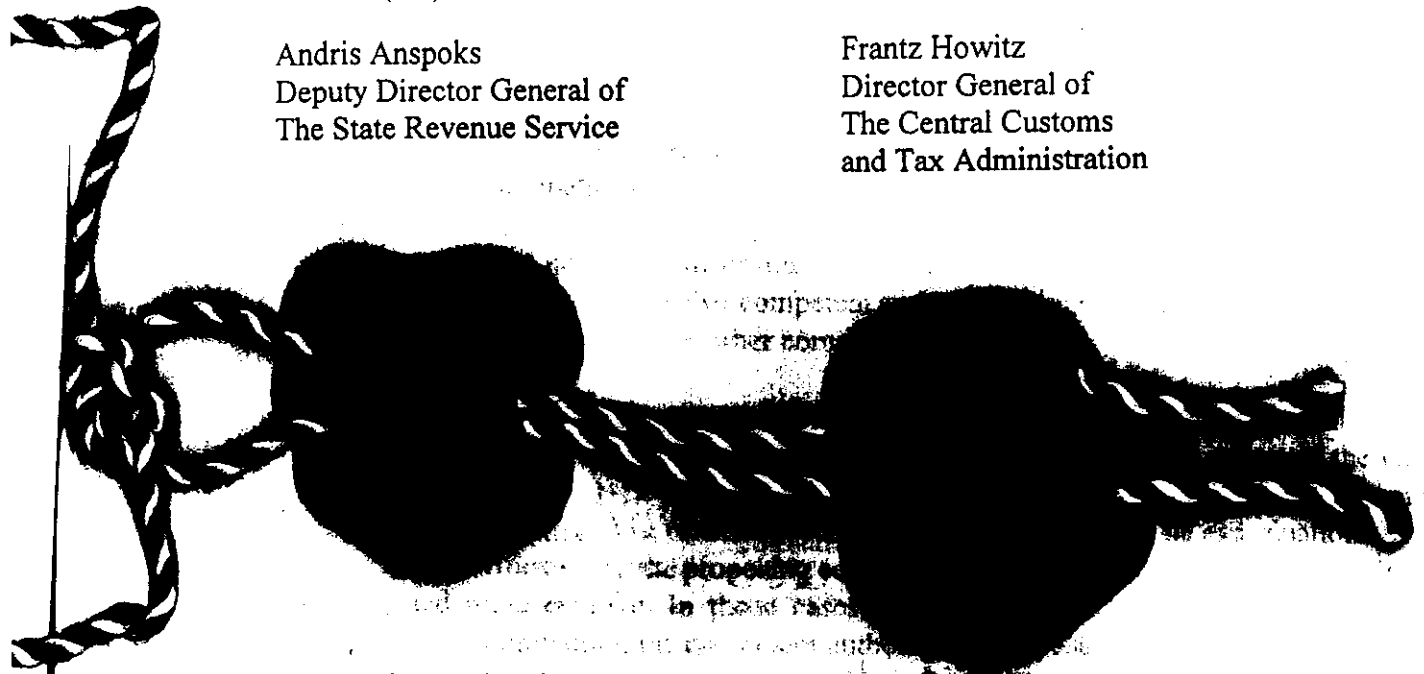
On behalf of
The Competent Authority
for Denmark

A. Anspoks
05.04.2000
(date)

Frantz Howitz
5 april 2000
(date)

Andris Anspoks
Deputy Director General of
The State Revenue Service

Frantz Howitz
Director General of
The Central Customs
and Tax Administration



Appendix A

SIMULTANEOUS TAX EXAMINATIONS

Subject to the provisions of Article 27 of the Convention the competent authorities of the Contracting States can agree upon undertaking simultaneous tax examinations.

Case selection and examination procedure

The selection procedures will be the following:

- 1. Taxpayers will be independently identified for simultaneous examinations by the competent authorities of each State.**
- 2. Each competent authority will inform the other of its choice of potential cases using the selection criteria described below. It will explain, as far as possible, why it has chosen these cases and provide the information leading to its proposals together with any other relevant information, as well as its statute of limitation applicable to the cases proposed for simultaneous examinations.**
- 3. Each competent authority determines whether it wishes to participate in a particular simultaneous examination. Neither competent authority, however, is obliged to cooperate in an examination proposed by the other competent authority.**
- 4. If a competent authority accepts a counterpart's proposal to conduct a simultaneous examination, that competent authority will confirm, in writing, the selection of the case, mentioning the taxpayer(s), taxes and tax years involved. It will indicate a designated representative who will have functional responsibility for directing the examination. After receiving the confirmation, the proposing competent authority will also indicate, in writing, a designated representative. In those cases where there is an agreement to conduct a simultaneous examination, the competent authority of each State will formally request the other competent authority to exchange specific information pursuant to the Convention.**
- 5. The designated representative of the competent authorities will decide areas and periods to be examined in the particular case selected, the timetable for the examination, and approaches to be taken. They will initiate exchange of specific information in accordance with formal written requests.**
- 6. The information which may be requested under this arrangement must be obtainable under the Convention and the respective taxation laws of the two States.**

7. The competent authority of each State may by a declaration addressed to its counterpart in the other State indicate that according to their internal legislation it will inform its residents before transmitting information concerned in conformity with Article 27 of the Convention (exchange of information).

Criteria for case selection

Any case selected for simultaneous examination will involve a taxpayer(s) with activities in both States. The factors considered in determining whether a case is selected will primarily be, but will not be limited to:

- Indication of tax avoidance and/or evasion;**
- Indication of substantial noncompliance of the tax laws in both States;**
- Indication of a manipulation of transfer prices to the potential detriment of the participating States;**
- Indication of other forms of international tax planning which, if countered successfully, may generate additional tax yield in the participating States;**
- Indication that the economic performance of a taxpayer or related taxpayers, over a period of time, is significantly worse than it might be expected, for instance:
 - the economic performance does not reflect appropriate profits when measured against sales, total assets, etc.**
 - cases where the taxpayer consistently shows losses, especially long-term losses;**
 - cases where the taxpayer, regardless of profitability, paid little or no tax over the relevant period;****
- Existence of transactions involving a "tax haven";**
- Situations where the competent authorities consider it is in the interest of the tax administrations concerned in order to promote international tax compliance;**

Personnel

Examinations will be conducted separately within the framework of national law and practice solely by the competent authorities of each State in a way which maximizes the advantages obtainable from treaty exchanges of information.

Planning the examination

Before the start of the examination, the tax administration personnel in charge of the case will consider with their counterparts from the other State the examination plans of each State, possible issues to be developed, and target dates.

Conducting an examination

Simultaneous tax examination requires cooperation of personnel located in each State who will simultaneously but independently examine the taxpayer(s) within its jurisdiction. The primary responsibility for coordinating the examination and exchanges of information on a selected taxpayer will rest with the State agreed upon by the competent authorities. All exchanges of information must be made within the terms of the Convention and the Agreement on Mutual Administrative Assistance.

Discontinuing a simultaneous examination

If either State concludes that a simultaneous examination is no longer beneficial, it may withdraw by notifying the other State of its withdrawal.

Concluding an examination

An examination will be concluded after coordination and consultations between the competent authorities of each State, in accordance with the existing procedures of each State. Issues pertaining to double taxation raised by the examination are reserved to Article 26 of the Convention (mutual agreement procedure).