

**MEMORANDUM OF UNDERSTANDING
ON
MUTUAL ADMINISTRATIVE ASSISTANCE**

In order to implement the provisions of the Convention between the Republic of Latvia and the Czech Republic for the avoidance of double taxation with respect to taxes on income and on capital of 25 October 1994, (hereinafter referred to as "the Convention"),

and having regard to

the Council Directive 77/799/EEC of 19 December 1977 as amended last by Council Directive 2004/106/EC of 16 November 2004 concerning mutual assistance by the competent authorities of the Member States in the field of direct taxation (hereinafter referred to as "the Directive") or any other directive or regulation which modifies or replaces the Directive,

and having regard to the desire of both authorities to increase mutual assistance,

the State Revenue Service of Latvia and the Ministry of Finance of the Czech Republic have hereby agreed as follows:

**Article 1
General**

According to Article 26 of the Convention and Article 1 of the Directive, the competent authorities shall exchange information necessary for carrying out the provisions of the Convention or of their domestic laws concerning taxes covered by the Convention and the Directive.

*Valsts ieņēmumu dienesta
Starptautisko līgumu daļas
priekšniece Nr. 24
Silvija Štrausa*

Article 2
Exchange upon Request

Information shall be supplied upon request for purposes referred to in Article 1. Both competent authorities shall use their best endeavours to provide information upon request as soon as possible.

Article 3
Automatic Exchange of Information

On the basis of Article 3 of the Directive and Article 26 of the Convention, the competent authority of each State shall, to the extent possible on the basis of the information available to it under its domestic laws and practices, supply automatically to the competent authority of the other State, without any request being necessary, information concerning individuals, legal entities and any other body of persons, in respect of:

- Business profits, as referred to in Article 7 of the Convention;
- Dividends, as referred to in Article 10 of the Convention;
- Interest credited to accounts held with 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;
- Income from independent personal services, salaries, wages, fees, pensions, annuities and other income, as referred to in Articles 14 to 21 of the Convention.

The information should be forwarded as soon as possible after the end of each calendar year.

If information cannot be supplied automatically, it may be communicated on a spontaneous basis under Article 4.

Article 4

Spontaneous Exchange of Information

The competent authority of each State shall supply to the competent authority of the other State, without any request being necessary, information concerning individuals, legal entities and any other body of persons, which is obtained in the ordinary course of administration, and which is referred to in Article 4 of the Directive and Article 26 of the Convention. Such information shall extend in particular to:

- Circumstances that in one State have led to tax deductions or tax exemption which should result in tax increases or tax liability in the other State;
- Taxation of insurance premiums or other tax issues related to insurance;
- Information concerning real estate conveyance;
- Acquisition of enterprises and the founding of or structural changes to companies.

If the information submitted causes any changes in taxation in the recipient State, the competent authority of the other State should be informed accordingly.

Article 5

Presence of Tax Officials of one State in the Territory of the other State

At the request of the competent authority of one State, the competent authority of the other State may allow representatives of the first-mentioned State to be present in that other State. A request for the presence of tax officials will be submitted in writing by the competent authority of the requesting State and will form part of a request for information. The request will explain why the presence of tax officials is necessary and will give a short description of the case. Any decision regarding such a suggestion shall be made by the authority or official concerned of the requested State. All decisions with respect to the conduct of enquiries shall be made by the requested State on the assumption of legislation of requested authority. The competent authority of the requested State will make a decision with respect to the request as soon as possible and in any event within three months after receiving the request. The requested State may reject the request and will indicate the reasons for such a decision.

The competent authority of the requested State shall supply the relevant information obtained from the conduct of the enquiries to the other competent authority.

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

Article 6
Simultaneous Tax Examinations

Subject to the provisions of Article 26 of the Convention and Article 1 of the Directive, the competent authorities may agree to undertake simultaneous tax examinations in order to examine cross-border transactions, including profit relocation and other schemes for avoidance or evasion of taxes, and for the purpose of avoiding double taxation, in particular through proper allocation of profits between related companies.

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

The case selection and examination procedures on which the competent authorities have agreed are set out in detail in Appendix.

Article 7
Costs

Unless otherwise agreed by the competent authorities, ordinary costs incurred in providing assistance shall be borne by the requested State. Extraordinary costs shall be borne by the applicant State, according to prior agreement.

Article 8
Confidentiality and Limits to the Exchange of Information

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

If information provided is found to be incorrect or incomplete, the competent authority shall make this known as soon as possible. If it appears that personal data have been transmitted which were incorrect or which should not have been transmitted, the competent authority which received the data shall be notified without delay. The competent authority which received the data shall correct any errors or return the data.

Article 9
Form of the Exchange of Information

The information referred to in Article 3 of the Memorandum shall be provided, to the extent possible, in standardised form, preferably in the OECD Standard Magnetic Format (latest version).

The information to be exchanged shall also include TIN numbers (Tax Identification Number) or other identification numbers used for tax purposes, if available. This applies to numbers originating from both States.

Article 10
Competent Authorities

For the application of the Memorandum the competent authorities are:

In the Republic of Latvia:

State Revenue Service
Smilšu Street 1
1978 RIGA

In the Czech Republic:

Ministry of Finance
Central Financial and Tax Directorate
Direct Taxes International Cooperation Unit
Letenska 15
118 10 PRAGUE

The competent authorities inform each other about the name(s) of the delegate(s) authorised to perform the functions mentioned in this Memorandum, as well as subsequent changes of the delegate(s) or the delegation.

Article 11
Consultation

The competent authorities shall consult each other whenever necessary to facilitate the discharge of the obligations under this Memorandum.

Article 12
Application, Modification and Termination

This Memorandum shall be applied from the date of its signature. It may be modified at any time by mutual agreement between the competent authorities. This Memorandum is concluded for an indefinite period of time. It may be terminated by written notification by either competent authority. The competent authorities shall review the Memorandum three years after its signature.

This Memorandum has been done in duplicate in the English language.

On behalf of

On behalf of

the Republic of Latvia State Revenue Service


the Ministry of Finance of
the Czech Republic

Nelija Jezdakova
First Deputy Director General
Director of National Tax Board

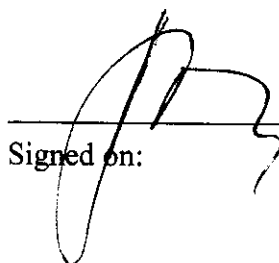
Jan K ní ž e k
Director General
Central Financial and Tax Directorate

Signed on:

Signed on:



18/12.24



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SIMULTANEOUS TAX EXAMINATIONS

I. Selection procedure

The selection procedures will be the following:

1. The competent authority of each State will independently identify taxpayers for simultaneous examinations.
2. Each competent authority will inform the other of its choice of potential cases using the selection criteria described below in paragraph II. 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 independently 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 also will 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 and the Directive.
5. The designated representatives 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 Memorandum must be obtainable under the Convention, the Directive and the respective tax 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 the taxpayer concerned of the intended transmittal of information in conformity with Article 26 of the Convention (exchange of information).

II. Criteria for case selection

Any case selected for simultaneous examination will involve a taxpayer or taxpayers 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 with the tax laws in both States;
- Indication of a manipulation of transfer prices to the potential detriment in both States;
- Indication of other forms of international tax planning which, if countered successfully, may generate additional tax revenue in either State;
- Indication that the economic performance of a taxpayer or related taxpayers, over a period of time, is significantly worse than might be expected, for instance:
 - 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".

III. 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. Prior to this, a preliminary tax control should have been conducted in the both States if it is necessary.

IV. Conducting an examination

Examinations will be conducted separately within the framework of national law and practice by the tax administration officials of each State using the available exchange of information provisions.

Simultaneous tax examination requires cooperation of personnel located in each State who will simultaneously but independently examine the taxpayer or taxpayers 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, the Directive and this Memorandum.

V. Discontinuing a simultaneous examination

If either State concludes that a simultaneous examination is no longer beneficial, it informs the other State of its withdrawal in written form.

VI. 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. Remaining issues of double taxation are reserved to Article 25 of the Convention (mutual agreement procedure).