

# FACT SHEET automatic exchange of financial accounts information in the field of taxation

## How does the automatic exchange of information relate to bank clients in Latvia?

The information exchange conditions will not have a direct impact on the bank clients in Latvia – natural and legal entities that are taxpayers in Latvia and with revenues generated only in Latvia without any accounts in foreign banks.

However, for the banks to be able to identify clients on which information has to be provided to tax authorities, the banks will ask additional questions to all their clients as regards their tax residency and shareholding in companies (ultimate beneficiary owners). In certain cases banks might request clients to submit or fill in additional documents.

Tax authorities in foreign countries will provide information to the State Revenue Service on the accounts of Latvian residents in financial institutions of other countries.

## What is automatic exchange of financial accounts information?

To promote global fighting with the cross-border fraud in the field of taxation and prevent tax evasion, the Organization for Economic Cooperation and Development (OECD) has established the Common Reporting Standard (CRS) for automatic exchange of financial account information.

The Standard provides that tax authorities all over the world would receive information from financial institutions and exchange this information on the taxpayers of the respective countries once a year automatically.

## Which countries and when will start the information exchange?

As at the 31 May 2016, 100 countries have undertaken to exchange information, however, this will be a gradual change in compliance with countries' abilities.

Latvia along with 51 other countries has joined the group of early adopters; therefore the first automatic information exchange has to be held in the end of September 2017 providing information on the year 2016.

During this period, all the EU Member States, and countries from other regions like Argentina, India, Korea and low-tax

countries such as Bermuda Islands, British Virgin Islands, Cayman Islands, Isle of Man, Jersey, Guernsey etc.

Full list of the countries available in the Regulations of the Cabinet of Ministers: <http://likumi.lv/ta/id/279206-kartiba-kada-finansu-iestade-izpilda-finansu-kontu-pienacigas-parbaudes-proceduras-un-sniedz-valsts-ienemumu-dienestam>

Other countries will start gradual information exchange starting 2018.

## What persons' financial account information will be received by the tax authorities?

It is planned that information will be provided on:

- ✓ Individuals;
- ✓ legal entities;
- ✓ legal subjects that are residents of any of the involved countries in line with the tax regulations of the respective country.

## How will it apply to the Latvian tax residents?

Tax authorities in foreign countries will provide analogical information to the State Revenue Service on the accounts of Latvian residents and certain types of revenues in financial institutions of other countries.

## How will the automatic information exchange influence operations of the Latvian banks and other financial institutions?

Information exchange regulations introduced in the Latvian laws provides the Latvian banks and other financial institutions the following responsibilities:

- ✓ to clarify tax residency countries of their clients and clients' true beneficiaries, obtain information from the clients and verify information available to the bank;
- ✓ every year, starting 2017, to provide the information on accounts of the respective clients requested by law to the State Revenue Service.

Standard requirements and regulations are in force in Latvia since 1 January 2016.

## What information will the financial institutions have to provide to tax authorities?

- ✓ Individual's name, surname, birth data, address, taxpayer's identification number in the respective country (if such is provided);
- ✓ Legal entity's name, address, taxpayer's identification number in the respective country (if such is provided);
- ✓ Legal subject's beneficiary owner, his/her name, surname, birth data, address, taxpayer's identification number in the respective country (if such is provided);
- ✓ Tax residency jurisdiction;
- ✓ Account number;
- ✓ Account balance as at the end of the calendar year or value;
- ✓ Amount of certain type of revenues (interest, dividends, revenues from sales of financial assets).

## How will the information exchange take place?

- Financial institutions, including banks, investment management companies, investment brokerage companies, insurance companies that provide savings products will classify their clients by their tax residencies.
- Information requested by law on the accounts of persons residing in the involved countries and certain type of revenues will be submitted to the State Revenue Service.
- The State Revenue Service will ensure automatic information sending to the tax authorities of the respective country.
- The State Revenue Service will receive information from tax authorities in foreign countries on the Latvian natural persons and legal entities'.

## How is the Common Reporting Standard implemented in Latvia?

The laws for the information exchange to be implemented have been developed and become effective – amendments to the Law On Taxes and Fees, amendments to the Credit Institutions Law and Regulations of Cabinet of Ministers.

Financial institutions identified clients that are tax residents in other countries already in 2016 and starting 2017 the financial institutions will have to provide information on these clients, their account balances and certain types of revenues to the State Revenue Service.

## More information:

### OECD Standard:

<http://www.oecd.org/ctp/exchange-of-tax-information/standard-for-automatic-exchange-of-financial-information-in-tax-matters.htm>

### The list of countries that have joined the OECD Standard:

<http://www.oecd.org/tax/transparency/AEOI-commitments.pdf>

### Amendments to the law on 'Taxes and Fees':

<http://likumi.lv/ta/id/278751-grozijumi-likuma-par-nodokliem-un-nodevam->

### Amendment to the "Credit Institutions Law":

<http://likumi.lv/ta/id/278749-grozijumi-kreditiestazu-likuma>

### Regulations of the Cabinet of Ministers "On the Procedure how Financial Institution Performs Appropriate Verification of Accounts and Provide Information on Financial Accounts to the State Revenue Service":

<http://likumi.lv/ta/id/279206-kartiba-kada-finansu-iestade-izpilda-finansu-kontu-pienacigas-parbaudes-proceduras-un-sniedz-valsts-ienemumu-dienestam>

### Latvia joining implementation of the OECD Standard:

<http://www.fm.gov.lv/lv/aktualitates/jaunumi/49231-finansu-ministrs-paraksta-apnemsanos-ieverot-automatisko-informacijas-apmainu-par-finansu-kontiem>

### State Revenue Service of Latvia:

<http://www.vid.gov.lv>

