

**AGREEMENT
BETWEEN THE REPUBLIC OF LATVIA AND ICELAND ON MUTUAL
ADMINISTRATIVE ASSISTANCE AND EXCHANGE OF INFORMATION IN TAX
MATTERS**

State Revenue Service of the Republic of Latvia and the Ministry of Finance and Economic Affairs in Iceland, hereinafter referred to as Parties,

having regard to provisions of the Convention between the Government of the Republic of Iceland and Government of the Republic of Latvia for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income and on capital dated on 19 October 1994 (hereinafter referred to as the Convention) and Multilateral Convention on Mutual Administrative Assistance in Tax Matters of 25 January 1988, signed by both Parties, in respect of exchange of information, as well as national laws of the Contracting States,

whereas both Parties seek to enhance mutual assistance,

whereas it is recognised that automatic exchange of information without preconditions is the most effective means of enhancing the correct assessment of taxes in cross-border situations and of fighting fraud,

whereas the exchange of information upon request and spontaneous exchange of information between the Parties should also be strengthened and encouraged,

whereas the Minister of Finance and Economic Affairs in Iceland or the Minister's authorized representative is the competent authority to exchange information under the Convention,

whereas State Revenue Service of the Republic of Latvia is an authorized representative of the Ministry of Finance of Latvia (competent authority according to the Convention) for exchange of information,

have agreed as follows:

Article 1
General provisions and definitions

1. Pursuant to Article 26 of the Convention, the Parties shall exchange information necessary for carrying out the provisions of the Convention or of their national laws concerning taxes covered by the Convention.

2. For the purposes of this Agreement:

- a) the terms "Contracting State" and "the other Contracting State" mean Republic of Latvia or Iceland, as the context requires;
- b) the terms "competent authority" and "Party" mean:
 - i. in Republic of Latvia, the State Revenue Service;
 - ii. in Iceland, the Minister of Finance and Economic Affairs or the Minister's authorized representative;
- c) the term "exchange of information upon request" means the exchange of information based on a request made by the requesting Party to the requested Party in a specific case;
- d) the term "automatic exchange of information" means the systematic communication of predefined information between the Parties, without prior request, at pre-established regular intervals;
- e) the term "spontaneous exchange of information" means the non-systematic communication, at any moment and without prior request, of information between the Parties;
- f) the term "administrative enquiry" means all controls, checks and other action taken by the Parties in the performance of their duties with a view to ensuring the proper application of tax legislation;
- g) the term "by electronic means" means using electronic equipment for the processing, including digital compression, and storage of data, and employing wires, radio transmission, optical technologies or other electromagnetic means;
- h) the term "requesting Party" means competent authority making a request for information;
- i) the term "requested Party" means competent authority receiving a request for information.

Article 2
Exchange of Information upon Request

1. The Parties shall use their best endeavours to provide information upon request as soon as possible, and no later than six months from the date of receipt of the request.

2. The request for information shall contain the following minimum information:

- a) the identity of the person under examination (to the extent known);
- b) the period of time concerned;
- c) the nature of the information requested and the form in which the competent authority would prefer to receive it;
- d) type of tax concerned;
- e) substantiation for foreseeable relevance of the information requested;

- f) the grounds for belief that the information requested is present or held in the other Contracting State or is in the possession of, or obtainable from a person within the jurisdiction of the laws and regulation of the state which received the request;
 - g) identification of the particular person (for a natural person – given name, surname, personal identity number, for a legal person – taxpayer name and registration code) (to the extent known) who is believed to be in possession of, or able to obtain, the information requested;
 - h) a statement that the requesting foreign state has exhausted the usual sources of information which it could have used in the circumstances for obtaining the information requested, without running the risk of jeopardising the achievement of its objectives (except cases where that would place disproportionate administrative burden on the requesting Contracting state).
3. If the information referred to in Paragraph 2 of this Article is missing in the received request for information, the requested Party shall notify the requesting Party of deficiencies detected in the request of information within a month after receipt of the request for information and shall request to rectify them or, if necessary, request to provide additional information. The countdown for deadline referred to in Paragraph 1 of this Article shall commence on the following day after the requested Party has received an updated request for information or the necessary additional information.
 4. Each Party may provide the other Party with feedback on a response received.

Article 3

Automatic Exchange of Information

1. On the basis of Article 26 of the Convention, each Party shall, to the extent possible on the basis of the information available to it under its national laws and practices, supply the other Party with information concerning income derived in the Contracting State by persons who are fiscal residents of the other Contracting State, in automatic manner, without prior request.
2. The State Revenue Service shall, by automatic exchange, communicate to the Minister of Finance and Economic Affairs or the Minister's authorized representative information regarding taxable periods as from 1st of January 2016 that is available concerning residents of Iceland, on the following specific categories of income and capital as they are to be understood under the national legislation of the Republic of Latvia:
 - a) income from immovable property,
 - b) business profits,
 - c) dividends,
 - d) interest,
 - e) royalties,
 - f) capital gains,
 - g) income for the provision of independent professional services,
 - h) income from employment,
 - i) directors' fees,
 - j) income of artists and sportsmen,
 - k) pensions,
 - l) income from government services and public pensions,
 - m) payments to students for education and training,
 - n) other income.

3. The Minister of Finance and Economic Affairs or the Minister's authorized representative shall, by automatic exchange, communicate to the State Revenue Service, information regarding taxable periods as from 1st of January 2016 that is available concerning residents of the Republic of Latvia, on the following specific categories of income and capital as they are to be understood under the national legislation of Iceland:
 - a) income from immovable property,
 - b) business profits,
 - c) dividends,
 - d) interest,
 - e) royalties,
 - f) capital gains,
 - g) income for the provision of independent professional services,
 - h) income from employment,
 - i) directors' fees,
 - j) income of artists and sportsmen,
 - k) pensions,
 - l) income from government services and public pensions,
 - m) payments to students for education and training,
 - n) other income.
4. The exchange of automatic information shall take place at least once a year, within nine months following the end of the tax year of the Contracting State during which the information became available.
5. In the automatic exchange of information, the competent authorities of the Contracting States shall specify the following details in respect of each recipient of income (to the extent known):
 - a) name of the non-resident – recipient of income (for natural persons – given name, surname);
 - b) tax identification number or passport number of non-resident – recipient of income in the state of residence;
 - c) date of birth of non-resident - recipient of income;
 - d) address of non-resident – recipient of income in the state of residence (street, house number, town, populated area, postal code);
 - e) code of the state of residence of the non-resident – recipient of income (ISO);
 - f) code of the type of non-resident – recipient of income (“01 – natural person”, “02 – company”, “03 – partnership”, “04 – form of entrepreneurial activity which is neither capital company nor partnership”, “05 – government or international institution”, “06 – other”, “07 – unknown”);
 - g) name of payer of the income (for natural persons – given name, surname);
 - h) taxpayer code of the payer of the income;
 - i) address of payer of the income (street, house number, town, populated area, postal code);
 - j) code of the type of payer of the income (“01 – natural person”, “02 – company”, “03 – partnership”, “04 – form of entrepreneurial activity, which is neither company nor partnership”, “05 – government or international institution”, “06 – other”, “07 – unknown”);
 - k) code of the type of paid income (“6 – income from immovable property”, “7 – business profits”, “10 – dividends”, “11 – interest”, “12 – royalties”, “13 – capital gains”, “14 – income for the provision of independent professional services”, “15 – income from

employment”, “16 – directors’ fees”, “17 – income of artists and sportsmen”, “18 – pensions”, “19 - income from government services and public pensions”, “20 - payments to students for education and training”, “21 – other income”);

- l) date of disbursement of the income;
 - m) currency and sum of the disbursed income;
 - n) tax rate of withholding tax;
 - o) currency and amount of withholding tax imposed.
6. Each Party may notify the other Party that it does not wish to receive information on any particular categories of income and capital, or that it does not wish to receive information on income or capital not exceeding a specific threshold amount.
7. Each Party may provide the other Party with feedback on automatic information received.

Article 4

Spontaneous Exchange of Information

1. The competent authority of each Contracting State may communicate, by spontaneous exchange, to the competent authority of the other Contracting State any information of which it is aware and which may be useful to the competent authority of the other Contracting State, in particular in case:
- a) the competent authority of a Contracting State has grounds for supposing that there may be a loss of tax in the other Contracting State;
 - b) a person liable to tax obtains a reduction in, or an exemption from, tax in one Contracting State which would give rise to an increase in tax or to liability to tax in the other Contracting State;
 - c) business dealings between a person liable to tax in one Contracting State and a person liable to tax in the other Contracting State are conducted through one or more countries in such a way that a saving in tax may result in one or the other Contracting State or in both;
 - d) the competent authority of a Contracting State has grounds for supposing that a saving of tax may result from artificial transfers of profits within groups of enterprises;
 - e) information forwarded to one Contracting State by the competent authority of the other Contracting State has enabled information to be obtained which may be relevant in assessing liability to tax in the latter Contracting State.
2. The Parties shall send the information referred to in Paragraph 1 of this Article to each other as soon as possible but no later than three months after the information has become available.
3. The Party that has sent spontaneous information may request the receiving Party to provide feedback on spontaneous information sent. If requested, feedback shall be provided without delay and no later than three months after the results of use of spontaneous information have become known.

Article 5
Costs

Unless otherwise agreed by the Parties, ordinary costs incurred in providing assistance shall be borne by the requested Party. Extraordinary costs shall be borne by the requesting Party subject to prior agreement.

Article 6
Secrecy

The use and disclosure of information exchanged shall be governed by the secrecy provisions defined in Article 26 of the Convention.

Article 7
Standard forms and computerised formats

The information referred to in Article 3 shall be provided, to the extent possible, in standardised form, using the Standard Transmission Format of the Organisation for Economic Co-operation and Development (OECD). The format may be updated by the written communication between the Parties. Encrypted file shall be sent on a CD-ROM, the password shall be sent after an acknowledgement of receipt of the file has been sent to sending Party.

Article 8
Contact Details of Competent Authorities

For the application of the Agreement the contact details of competent authorities are the following:

In the Republic of Latvia:
State Revenue Service
1 Talejas str., Riga, Latvia, LV-1978

In Iceland:
the Minister of Finance and Economic Affairs or the Minister's authorized representatives;
The Directorate of Internal Revenue
Laugavegi 166
105 Reykjavik,
The Directorate of Tax Investigations
Borgartúni 7
105 Reykjavík

The competent authorities of the Contracting States shall provide each other with a list of officers authorized to enforce this Agreement, as well as subsequent changes thereto.

Article 9
Consultation

The competent authorities of the Contracting States shall consult each other whenever necessary under this Agreement.

Article 10
Amendments

This Agreement may be amended by mutual agreement, which shall be arranged by separate Protocol and enters into force subject to requirements of Article 12.

Article 11
Settlement of Disputes

Any dispute that might arise from application and interpretation of this Agreement shall be settled by consultations and/or negotiations between the Parties.

Article 12
Entry into Force and Termination

This Agreement enters into force from the date of its signature and remains in force for an indefinite period of time. The Parties may terminate this Agreement by presenting the written notification about termination. In such case Agreement shall cease to have effect after expiration of six (6) months period from receiving the note.

DONE in duplicate in the Icelandic, Latvian and English languages, all texts being equally authentic. In case of any divergence in the provisions of this Agreement, the English text shall prevail.

Reykjavik, 21 12. 2017

On behalf of the Ministry of Finance and Economic Affairs in Iceland



Marianna Jónasdóttir
Director General
Department of Taxation

Riga, 21 12. 2017

For the State Revenue Service of the Republic of Latvia



Ilze Cīrule
Director General