



Tax&Legal Highlights

Latvia

The taxpayer is obliged to indicate all objections against the circumstances determined by the State Revenue Service already at the initial stage of dispute

On 28 February 2017, the Supreme Court of the Republic of Latvia delivered a judgment regarding obligations of the taxpayer during the appeal of a decision of the State Revenue Service (hereinafter - SRS).

The court stated that since the taxpayer is the subject, which is well aware of the circumstances related to its income, expenses and performed transactions, the taxpayer should inform the SRS by drawing the attention to the circumstances wrongfully determined by the SRS and reasons thereof. The tax payer shall indicate facts based on which the tax payer does not agree with and which it wants to question. Otherwise it should be considered that the taxpayer has not performed its duty to cooperate with the SRS in good faith and has failed to exercise its right to challenge an administrative act.

In the judgment the court stated that, since collection of taxes is based on cooperation of a taxpayer with the tax administration, the taxpayer should be interested in providing to the tax administration all necessary information

Tax&Legal Highlights

and explanations. The tax payer shall indicate particular objections and the mistakes of the SRS committed upon determination of circumstances significant for the adoption of decision in the stage of challenge and appeal as well.

Since the taxpayer is the subject, which is aware of the circumstances related to its income, expenses and implemented transactions, the taxpayer should inform the SRS by drawing the attention to the circumstances wrongfully determined by the SRS and reasons thereof. The tax payer shall indicate facts based on which the tax payer does not agree with and which it wants to question.

The court stated that in case a taxpayer does not raise any objections against particular circumstances determined by the SRS at the beginning of the dispute and raises objections solely during the litigation process, it should be considered that the taxpayer has not performed its cooperation duty with SRS in a good faith and has failed to exercise its right to challenge the administrative act.

Thereby, the court concluded that expression of objections related to the actual circumstances of the case in the court, without raising any objections at the initial stage, may be allowed only in case the taxpayer did not objectively know (understand) that there was a reason to object also against other circumstances determined by the SRS.

Accordingly, the taxpayers facing a dispute with the SRS shall act proactively at the beginning of dispute and indicate all objections to the interpretation of circumstances made by the SRS.

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