

# **Treaty between the Czech Republic and the Republic of Latvia for the avoidance of double taxation and prevention of fiscal evasion with respect to Taxes on Income and on Capital**

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**(Valid from May 22, 1995)**

**170/1995 Coll.**

**COMMUNICATION**

**Ministry of Foreign Affairs**

Ministry of Foreign Affairs informs that on 25 October 1994 in Riga was signed Agreement between the Czech Republic and the Republic of Latvia for the avoidance of double taxation and prevention of fiscal evasion with respect to taxes on income and assets.

The Treaty ratified by Parliament of the Czech Republic and President of the Republic ratified.

The Treaty entered into force by virtue of Article 28, paragraph 2 on 22 May 1995.

Czech translation of the Treaty shall be open simultaneously. The English version of the Treaty, which is relevant to its interpretation, can be consulted at the Ministry of Foreign Affairs and Ministry of Finance.

## **AGREEMENT**

**between the Czech Republic and the Republic of Latvia**

**the avoidance of double taxation and prevention of fiscal evasion**

**with respect to taxes on income and on capital**

The Czech Republic and Latvia, desiring to conclude an agreement on avoidance of double taxation and prevention of fiscal evasion with respect to taxes on income, Have agreed as follows:

## **Article 1**

### **The persons to whom this Agreement applies**

This Agreement shall apply to persons who are resident in one or both of the Contracting States (residents).

## **Article 2**

### **Taxes to which the Convention applies**

1) This Agreement shall apply to taxes on income and on capital imposed on behalf of a Contracting State or its political subdivisions or local authorities, irrespective of the way they are levied.

2) The tax on income and property taxes shall be levied on total income, on total capital or the income or of capital including taxes on gains from the alienation of movable or immovable property as well as taxes on capital appreciation.

3) The existing taxes to which the Convention shall apply are:

a) in the Republic of Latvia:

(I) the income tax;

(II) the tax on land;

(Hereinafter referred to as "Latvian tax");

b) in the Czech Republic:

(I) the tax on personal income;

(II) the tax on corporate income tax;

(III) the tax on real estate;

(Hereinafter referred to as "Czech tax").

4) This Agreement shall also apply to taxes of the same or similar species, which are imposed after the signature of this Convention in addition to or instead of the existing taxes. The competent authorities of the Contracting States shall notify each significant changes which have b

udou made in their respective taxation laws.

## **Article 3**

### **General definitions**

1) For the purposes of this Agreement, unless the context otherwise requires:

a) the term "Latvia" means the Republic of Latvia and, when used in a geographical sense, means the territory of the Republic of Latvia and any area adjacent to the territorial waters of Latvia, which may be under the laws of the Republic of Latvia in accordance with international law exercised rights relating to Latvia seabed and its subsoil and their natural resources;

b) the term "Czech Republic" means the territory of the Czech Republic over which, under Czech legislation and in accordance with international law the sovereign rights of the Czech Republic;

c) the terms "a Contracting State" and "the other Contracting State" mean the Czech Republic and Latvia;

d) the term "person" includes an individual, company and any other body of persons;

e) the term "company" means any body corporate or any entity which is treated for tax purposes as a legal person;

f) the terms "enterprise of a Contracting State" and "enterprise of the other Contracting State" mean respectively an enterprise carried on by a resident of a Contracting State and an enterprise carried on by a resident of the other Contracting State;

g) the term "national" means:

(i) any individual possessing the nationality of a Contracting State;

(ii) any legal person, partnership or association constituted under the law in force in a Contracting State;

h) the term "international traffic" means any transport by a ship or aircraft operated by an enterprise of a Contracting State if such transportation is solely between places in the other Contracting State;

ch) the term "competent authority" means:

(i) in the case of Latvia Minister of Finance or his authorized representative;

(ii) in the Czech Republic, the Minister of Finance or his authorized representative.

2) Any term not otherwise defined shall have the application of the Convention by a Contracting State importance which it has under the law of that State concerning the taxes covered by this contract, unless the context otherwise requires.

## **Article 4**

### **Resident**

1) For purposes of this Agreement, the term "resident of a Contracting State" means any person who, under the law of that State has undergone in that State taxation by reason of his domicile, residence, place of management, place of incorporation or any other similar criteria. This term does not include any person who is liable to tax in that Contracting State in respect only of income from sources in that State or capital situated in that State.

For purposes of this contract shall be Government Contracting State, its political subdivisions and local authorities are considered to be a resident of that Contracting State.

2) If an individual is under the provisions of paragraph 1 a resident of both Contracting States, then his status shall be determined as follows:

a) it is assumed that this person is a resident of the State in which he has a permanent home, if he has a permanent home in both countries, it is assumed that a resident of the State with which his personal and economic relations (center of vital interests );

b) if it can not be determined, the State in which he has his center of vital interests or if he has a permanent home in either State, it is assumed that a resident of the State in which an habitual abode;

c) if he has an habitual abode in both States or in neither of them expected to be a resident of the State of which he is a citizen;

d) if he is a citizen of both States or of neither of them, the competent authorities of the Contracting States the question by mutual agreement.

3) If a person other than an individual under the provisions of paragraph 1, a resident of both Contracting States, the competent authorities of the Contracting States should endeavor to resolve the question by mutual agreement and determine for such a person, the way the Treaty.

## **Article 5**

### **Permanent establishment**

1) For purposes of this Agreement, the term "permanent establishment" means a fixed place of business in which the enterprise is wholly or partly carried on.

2) The term "permanent establishment" includes especially:

- a) a place of management;
- b) race;
- c) an office;
- d) a factory;
- e) a workshop;
- f) a mine, an oil or gas well, quarry or other place of extraction of natural resources.

3) The term "permanent establishment" likewise encompasses:

a) a building site, construction, assembly or installation project or supervisory or consultancy activities connected with them, but lasts only where such site, project or activity for more than nine months;

b) the provision of services, including consultancy and managerial services, by an enterprise of a Contracting State through employees or other personnel engaged by the enterprise for such purposes, but only where activities of that nature continue in the other Contracting State for a period or periods exceeding in the aggregate six months within any twelve-month period.

4) Notwithstanding the preceding provisions of this article assumes that the term "permanent establishment" shall not include:

a) equipment that is used only for storage, display or delivery of the goods belonging to the enterprise;

b) the supply of goods or merchandise belonging to the enterprise solely for the purpose of storage, display or delivery;

c) the supply of goods or merchandise belonging to the enterprise solely for the purpose of processing by another enterprise;

d) a permanent place of business solely for the purpose of purchasing goods or collecting information for the enterprise;

e) a permanent place of business which is maintained for the enterprise solely for the purpose of advertising, information, scientific research or similar activities to the enterprise a preparatory or auxiliary character;

f) a permanent place of business solely for any combination of activities mentioned in subparagraphs a) - e), provided that the overall activity of the fixed equipment, resulting from this combination is of a preparatory or auxiliary character.

5) If, notwithstanding the provisions of paragraphs 1 and 2, a person other than an independent agent to whom paragraph 6 applies is acting in a Contracting State on behalf of an enterprise and has available and commonly used power of attorney to conclude contracts on behalf of the company, it is considered that this enterprise has a permanent establishment in that State in respect of any activities which that person undertakes for the enterprise unless the activities of such person are limited to those mentioned in paragraph 4 which, if they were made permanent through the facilities to would not the existence of a permanent establishment under the provisions of this paragraph.

6) shall not be considered that the enterprise has a permanent establishment in a Contracting State merely because in that State carries on business through a broker, general commission agent or other independent representative, if such persons are acting in the ordinary course of their activities. However, if such agents are wholly or largely devoted to the interests of the company will not be considered an agent of an independent status within the meaning of this paragraph.

7) The fact that a company which is resident of a Contracting State controls or is controlled by a company which is resident in the other Contracting State or which carries on business (whether through a permanent establishment or otherwise), shall not of itself constitute either company a permanent establishment of the other.

## **Article 6**

### **Income from immovable property**

1) Income derived by a resident of a Contracting State from immovable property (including income from agriculture or forestry) situated in the other Contracting State may be taxed in that other State.

2) The term "immovable property" shall have the meaning it has under the law of the Contracting State in which the property concerned is located. The term shall in any case accessory to immovable property, livestock and equipment used in agriculture and forestry, rights to which the provisions of law relating to land, buildings, villages or similar right to acquire immovable property, usufruct of immovable property and rights to variable or fixed payments zatěžení or to work, mineral deposits, sources and other natural resources, ships, boats and aircraft shall not be regarded as immovable property.

3) The provisions of paragraph 1 shall apply to income from the direct use, letting, or any other form of immovable property.

4) If the ownership of shares or other corporate rights entitles the owner of shares or corporate rights to the enjoyment of immovable property whose owner is a company, income from direct use,

letting, or any other form of such rights may be taxed in the Contracting State in which the immovable property is situated.

5) The provisions of paragraphs 1 and 3 shall also apply to income from immovable property of an enterprise and to income from immovable property used for the performance of independent personal services.

## **Article 7**

### **Business Profits**

1) Profits of an enterprise of a Contracting State shall be taxable only in that State unless the enterprise carries on business in the other Contracting State through a permanent establishment situated therein. If the enterprise carries on business as aforesaid, profits of the enterprise may be taxed in that other State but only to the extent they are attributable to that permanent establishment.

2) If an enterprise of a Contracting State carries on business in the other Contracting State through a permanent establishment is situated therein shall, subject to the provisions of paragraph 3 of each Contracting State a permanent establishment the profits which would have been able to achieve if it were a separate company engaged in the same or similar activities under the same or similar conditions and dealing wholly independently with the enterprise of which the permanent establishment.

3) In calculating the profits of a permanent establishment, there shall be allowed as deductions expenses of company incurred for the purposes of the permanent establishment, including executive and general administrative expenses so incurred, whether in the State in which the permanent establishment is situated or elsewhere. Costs that allow the State Party to deduct the costs will include only deductible under the domestic law of that State.

4) If in a Contracting State to determine the profits to be attributed to a permanent establishment on the basis of an apportionment of total profits of the enterprise to its various parts, the provisions of paragraph 2 that Contracting State from determining the profits to be taxed by the normal distribution; the method of apportionment adopted shall, however, be such that the result was in accordance with the principles set out in this article.

5) Permanent establishment nepříčtou any profits from the fact that the mere purchase of goods for the enterprise.

6), the profits to be attributed to the permanent establishment for purposes of the preceding paragraphs the same way every year unless there is sufficient reason to the contrary.

7) Where profits include items of income which are dealt with separately in other Articles of this Agreement, provisions of those Articles shall not be affected by the provisions of this article.

## **Article 8**

### **International Shipping**

1) Profits of an enterprise of a Contracting State from the operation of ships or aircraft in international traffic shall be taxable only in that State.

2) The provisions of paragraph 1 shall also apply to profits from participation in a pool, a joint business or an international operating agency.

## **Article 9**

### **Associated enterprises**

If

a) an enterprise of a Contracting State participates directly or indirectly in the management, control or capital of an enterprise of the other Contracting State;

b) the same persons participate directly or indirectly in the management, control or capital of an enterprise of a Contracting State and an enterprise of the other Contracting State,

and if in these cases, the two enterprises in their commercial or financial relations conditions that have agreed or imposed which differ from those that have been made between independent enterprises, then any profits which, but for those conditions, have accrued one of the enterprises, but due to these conditions have not so accrued, may be included in the profits of that enterprise and taxed accordingly.

## **Article 10**

### **Dividends**

1) Dividends paid by a company which is resident of a Contracting State a resident of the other Contracting State may be taxed in that other State.

2) However, such dividends may also be taxed in the Contracting State in which the company paying the dividends is a resident and according to the laws of that State, but if the recipient is the beneficial owner of the dividends the tax so charged shall not exceed:



a) 5% b the gross amount of dividends if the beneficial owner is a company (other than a partnership) which holds directly at least 25% of the assets of the company paying the dividends;

b) 15% N gross amount of the dividends in all other cases. The competent authorities of the Contracting States may by mutual agreement settle the mode of application of these limitations.

This paragraph shall not affect the taxation of profits from which dividends are paid.

3) The term "dividends" as used in this Article means income from shares or other rights, not being debt-claims, participating in profits, as well as income from other corporate rights which, under the tax laws of the State in which the company the distribution is a resident assimilated to income from shares.

4) The provisions of paragraphs 1 and 2 shall not apply if the beneficial owner of the dividends, being a resident of a Contracting State, carries on in the other Contracting State in which the resident company paying the dividends on business through a permanent establishment situated therein, or performs in that other State independent personal services from a fixed base situated therein, and the holding of which the dividends are paid is effectively connected with such permanent establishment or fixed base. In such case the provisions of Article 7 or Article 14, as the case.

5) Where a company which is resident of a Contracting State derives profits or income from the other Contracting State, that other State may tax the dividends paid by the company, except insofar as such dividends are paid to a resident of that other State or insofar as the holding in respect of which the dividends are paid actually belongs to the permanent establishment or fixed base situated in that other State, nor subject the company's undistributed profits tax on undistributed profits, even if the dividends paid or the undistributed profits consist wholly or partly of profits or income arising in such other State.

## **Article 11**

### **Interest**

1) Interest arising in a Contracting State derived by a resident of the other Contracting State may be taxed in that other State.

2) However, the interest referred to in paragraph 1 of this Article may also be taxed in the Contracting State in which they arise and according to the laws of that State, but if the recipient is the beneficial owner of the interest the tax so charged shall not exceed 10% of the gross amount of interest. The competent authorities of the Contracting States may by mutual agreement settle the mode of application of these limitations.

3) Notwithstanding the provisions of paragraph 2, interest arising in a Contracting State and derived by and are actually owned by the Government of the other State, including its political subdivisions and local authorities, central bank or any financial institution wholly owned by that Government or interest arising from loans guaranteed by the government, will be exempt from tax in the first-mentioned State.

4) The term "interest" as used in this Article means income from debt-claims of every kind of secured and unsecured by mortgage or having or no right to participate in the debtor's profits, and in particular, income from government securities and income from bonds or debentures, including bonuses and rewards associated with these securities, bonds or debentures. Penalty for late payment shall not be regarded as interest for the purposes of this article.

5) The provisions of paragraphs 1, 2 and 3 shall not apply if the beneficial owner of the interest, being a resident of a Contracting State, carries on in the other Contracting State in which the interest arises, or business through a permanent establishment situated therein, or independent personal services from a fixed base situated therein and the debt-claim from which the interest is paid is effectively connected with such permanent establishment or fixed base. In such case the provisions of Article 7 or Article 14, as the case.

6) It is assumed that interest to arise in a Contracting State when the payer is a resident of that State. However, if the person paying the interest, whether he is a resident of a Contracting State or not, has in a Contracting State a permanent establishment or fixed base in connection with which the indebtedness on which interest is paid, and such interest is borne by such permanent establishment or fixed base, then the source of such interest shall be deemed State in which the permanent establishment or fixed base is situated.

7) If the amount of interest that relate to the debt-claim for which it is paid over to a special relationship between the payer and the beneficial owner, or the second one maintains with a third party, the amount which would have been agreed upon by the payer and the beneficial. owner in the absence of such relationship, the provisions of this Article only to the last-mentioned amount. The amount of wages, the excess will be taxed in this case under the laws of each Contracting State, due regard to other provisions of this contract.

## **Article 12**

### **Royalties**

1) Royalties arising in a Contracting State and paid to a resident of the other Contracting State may be taxed in that other State.

2) However, such royalties may also be taxed in the Contracting State in which they arise and in accordance with the laws of that State, but if the recipient is the beneficial owner of royalties the tax so charged shall not exceed 10% of the gross amount of royalties . The competent authorities of the Contracting States may by mutual agreement settle the mode of application of these limitations.

3) The term "royalties" as used in this Article means payments of any kind received as consideration for the use or the right to use any copyright of literary, artistic or scientific work including cinematograph films and films or tapes for radio or television broadcasting, any patent, trade mark, design or model, plan, secret formula or process, or for the use or the right to use industrial, commercial or scientific equipment, or for information related to the experience gained in industrial, commercial or scientific.

4) The provisions of paragraphs 1 and 2 shall not apply if the beneficial owner of the royalties, being a resident of a Contracting State, carries on in the other Contracting State in which the royalties arise, or business through a permanent establishment situated therein, or performs independent personal services from a fixed base situated therein, and the right or property in which the royalties are paid is effectively connected with such permanent establishment or fixed base. In this case, the provisions of Article 7 or Article 14, as the case.

5) It is assumed that the license fees to arise in a Contracting State when the payer is a resident of that State. However, if the person paying the royalties, whether he is or is not a resident of a Contracting State has in a Contracting State a permanent establishment or a fixed base in connection with which the obligation to pay royalties, which are borne by a permanent establishment or fixed base, it is assumed that such royalties shall be deemed to arise in the Contracting State in which the permanent establishment or fixed base is situated.

6) If the amount of the royalties, having regard to the use, right or information for which they are paid by reason of a special relationship between the payer and the beneficial owner or the second one maintains with third party amount, which would have been agreed upon by the payer and the beneficial owner in the absence of such relationship, the provisions of this Article only to the last-mentioned amount. salary amount, the excess will be taxed in this case under the laws of each Contracting State, due regard to other provisions of this contract.

## **Article 13**

### **Gains from the alienation of property**

1) Gains derived by a resident of a Contracting State from the alienation of immovable property referred to in Article 6 and situated in the other Contracting State or shares in companies whose assets consists mainly of such property may be taxed in that other State.

2) Gains from the alienation of movable property forming part of the business property of a permanent establishment which an enterprise of a Contracting State in the other Contracting State or movable property pertaining to a fixed base available to a resident of a Contracting State has in the other Contracting State for the performance of occupation, including such gains from the alienation of such permanent establishment (alone or with the whole enterprise) or of such fixed base, may be taxed in that other State.

3) Gains derived by an enterprise of a Contracting State from the alienation of ships or aircraft operated in international traffic or movable property pertaining to the operation of such ships or aircraft shall be taxable only in that State.

4) Gains from the alienation of property other than that referred to in paragraphs 1, 2 and 3 shall be taxable only in the Contracting State in which the alienator is a resident.

#### **Article 14**

##### **Independent Personal**

1) Income derived by a natural person who is a resident of a Contracting State from professional services or other independent activities shall be taxable only in that State, unless that person for the purpose of carrying on its activities regularly available a fixed base in the other Contracting State. If you have or had such a fixed base, the income may be taxed in the other State but only to the extent that is attributable to that fixed base. For purposes of this paragraph shall be deemed that an individual has in a Contracting State a permanent base for the tax year if their stay in this state lasts for at least 183 days in any twelve month period commencing or ending in that year.

2) The term "professional services" includes especially independent scientific, literary, artistic, educational or teaching activities as well as the independent activities of physicians, lawyers, engineers, architects, dentists and accountants.

#### **Article 15**

##### **Employment**

1) Salaries, wages and other similar remuneration, a resident of a Contracting State in respect of an employment Subject to the provisions of Articles 16, 18, 19 and 20 be taxable only in that State unless the employment is exercised in the other Contracting State. If the employment is so exercised, such remuneration may be received for them taxed in that other State.

2) Remuneration which a resident of a Contracting State in respect of an employment exercised in the other Contracting State shall, notwithstanding the provisions of paragraph 1 be taxable only in the first-mentioned State if all the following conditions are met:

a) the recipient is present in the other State for a period or periods not exceeding in the aggregate 183 days in any twelve month period commencing or ending in the fiscal year and

b) the remuneration is paid by the employer or employer who is not resident in the other State, and

c) the remuneration is not borne by a permanent establishment or fixed base which the employer has in the other State.

3) Notwithstanding the preceding provisions of this Article, remuneration derived in respect of employment exercised a resident of a Contracting State on board ships or aircraft in international traffic shall be taxed in that State.

## **Article 16**

### **Royalties**

Directors' fees and other similar remuneration by a resident of a Contracting State in his capacity as a Board member or any other similar organ of a company which is resident in the other Contracting State may be taxed in that other State.

## **Article 17**

### **Artists and athletes**

1) Income derived by a resident of a Contracting State as an entertainer, such as theater, film, radio or television artiste or a musician, or as a sportsman from such activities carried out in person in the other Contracting State, may be, notwithstanding the provisions of Articles 14 and 15 taxed in that other State.

2) Where income in respect of personal activities exercised by an entertainer or athlete accrues not to the entertainer or athlete himself but to another person, that income may, notwithstanding the provisions of Articles 7, 14 and 15, be taxed in the Contracting State in which the entertainer or athlete carries on business.

3) Income, as discussed in this article shall be without prejudice to the provisions of paragraphs 1 and 2, exempt from tax in the Contracting State in which the entertainer or athlete carries on business,

provided that such activities are substantially funded from public funds this state, its lower administrative subdivision or local authority.

## **Article 18**

### **Pension**

1) Pensions and other similar remuneration paid in consideration of past employment resident of a Contracting State shall be subject to the provisions of paragraph 2 of Article 19 be taxable only in that State.

2) Notwithstanding the provisions of paragraph 1 and paragraph 2 of Article 19, pensions paid and other benefits, whether it's periodic or one-time fee, paid under the social security laws of a Contracting State, or the public scheme organized by a Contracting State for the purpose of social welfare, shall be taxable only in that State.

## **Article 19**

### **Public function**

1 )

a) Remuneration, other than a pension, paid by a Contracting State or a political subdivision or local authority thereof, or agency or institution wholly owned by the State, political subdivision or local authority an individual for services rendered to that State or subdivision or local authority or agency or institution shall be taxable only in that State.

b) Such remuneration shall be taxable only in the other Contracting State if the services are rendered in that State and the individual is a resident of that State who:

(I) is a national of that State;

(II) did not become a resident of that State solely for the purpose of rendering the services.

2 )

a) Any pension paid by, or out of funds created by a Contracting State, political subdivision or local authority thereof or an agency or institution wholly owned by that State, political subdivision or local authority services for the individual dependent nature rendered to that State, subdivision or local office or agency or institution shall be taxable only in that State.

b) However, such pension shall be taxable only in the other Contracting State if the individual is a resident and citizen of this state.

3) The provisions of Articles 15, 16 and 18 shall apply to remuneration and pensions in respect of services rendered in connection with a business carried on by a Contracting State, political subdivision or local authority thereof, or agency or institution wholly owned by the State, political subdivision or local authority .

## **Article 20**

### **Students, professors and researchers**

1) Payments which a student or apprentice or trainee who is or was immediately before visiting a Contracting State a resident of the other Contracting State and who is present in the first-mentioned State solely for the purpose of study or training, receives reimbursement for nutrition studies or training shall not be taxed in that State, provided that such payments arise from sources outside that State.

2) An individual who visits a Contracting State for the purpose of teaching or conducting research at a university, college or other recognized educational institution in that Contracting State and who is or was just visiting a resident of the other Contracting State shall be exempt from tax in the first-mentioned Contracting State on remuneration for such teaching or research for a period not exceeding two years from the date of first visit for such a purpose.

3) The provisions of paragraph 2 of this Article shall not apply to income from research if such research is not conducted for the public interest but primarily for the private benefit of a specific person or persons.

## **Article 21**

### **Other income**

1) The income of the person who is a resident of a Contracting State in which they arise anywhere, not dealt with in previous articles of this Convention shall be taxable only in that State.

2) Paragraph 1 shall not apply to income, other than income from immovable property as defined in paragraph 2 of Article 6, if the recipient of such income, being a resident of a Contracting State, carries on business in the other Contracting State through a permanent establishment situated therein, or performs in that other State independent personal services from a fixed base situated therein, and the right or property in respect of which the income is paid is effectively connected with such permanent establishment or fixed base. In such case the provisions of Article 7 or Article 14, as the case.

## **Article 22**

### **Property**

1) Capital represented by immovable property referred to in Article 6, owned by a resident of a Contracting State and situated in the other Contracting State may be taxed in that other State.

2) Capital represented by movable property forming part of the business property of a permanent establishment which an enterprise of a Contracting State in the other Contracting State or movable property belonging to a fixed base available to a resident of a Contracting State has in the other Contracting State for the performance of independent personal may be taxed in that other State.

3) Capital represented by ships or aircraft operated in international traffic by an enterprise of a Contracting State and movable property pertaining to the operation of such ships or aircraft shall be taxable only in that State.

4) All other elements of capital of a resident of a Contracting State shall be taxable only in that State.

## **Article 23**

### **Elimination of double taxation**

1) Where a resident of Latvia, double taxation shall be avoided as follows:

Where a resident of Latvia receives income or owns capital which, in accordance with this Agreement may be taxed in the Czech Republic, Latvia, where its national law does not provide more favorable treatment shall be authorized:

a) as a reduction of income tax of that resident, an amount equal to the income tax paid in the Czech Republic;

b) a reduction in taxes on capital of that resident, an amount equal to the capital tax paid in the Czech Republic.

Such reduction shall in no case exceed that part of the income tax or other property in Latvia as computed before the deduction, which is attributable to income that may be under the provisions of this Agreement taxed in the Czech Republic.

2) If a resident of the Czech Republic, double taxation shall be avoided as follows:

a) Czech Republic, when imposing taxes on its residents to the base on which such taxes imposed income or assets that may be in accordance with the provisions of this Treaty also be taxed in Latvia, but shall allow the amount of tax computed on such a base an amount of tax paid in Latvia.



This reduction, however, exceed that part of the Czech tax, calculated before the reduction, which is attributable to the income or assets that may be under the provisions of this Agreement taxed in Latvia;

b) if, in accordance with the provisions of this agreement or national legislation is the income derived or capital owned by a resident of the Czech Republic exempt from taxation in the Czech Republic, Czech Republic, when calculating the tax on other income or capital of that resident, take into account the exempted income or capital.

3) For the purpose of paragraphs 1 and 2 shall be deemed that the term "tax paid in the Czech Republic", or "tax paid in Latvia" includes any tax that would have been payable if under the laws of the Czech Republic or Latvia to support the economic development has been granted an exemption or tax reduction.

## **Article 24**

### **Prohibition of discrimination**

1) Nationals of a Contracting State shall not be subjected in the other Contracting State to any taxation or any requirement connected therewith which is other or more burdensome than the taxation and connected requirements to which are or may be subjected to nationals of that other State who are, especially with respect to residence, in the same situation. This provision shall, notwithstanding the provisions of Article 1 also applies to persons who are not residents of one or both of the Contracting States.

2) taxation on a permanent establishment which an enterprise of a Contracting State has in the other Contracting State shall not be in that other State than the taxation favorably enterprises of that other State carrying on the same activities. This provision shall not be construed as obliging a Contracting State to grant to residents of the other Contracting State any personal allowances, reliefs and reductions for taxation purposes on account of civil status or family responsibilities which it grants to its own residents.

3) Except where the provisions of Article 9, paragraph 7 of Article 11 and paragraph 6 of Article 12 apply, interest, royalties and other disbursements paid by an enterprise of a Contracting State a resident of the other Contracting State, deductible for purposes of determining the taxable profits of such enterprise under the same conditions as if they were paid to a resident of the first-mentioned State. Similarly, any debts of an enterprise of a Contracting State to a resident of the other Contracting State shall, for purposes of determining the taxable capital of such enterprise under the same conditions as if they were contracted to a resident of the first-mentioned State.

4) Enterprises of a Contracting State, the capital of which is wholly or partly, directly or indirectly owned or controlled by the person or persons who are residents of the other Contracting State shall not be subjected in the first-mentioned Contracting State to any taxation or any requirement connected therewith which is other or more burdensome than the taxation and connected requirements to which are or may be subjected to other similar enterprises of the first-mentioned State.

5) The provisions of this Article shall, notwithstanding the provisions of Article 2, apply to taxes of every kind and description.

## **Article 25**

### **Mutual Agreement**

1) Where a person considers that the actions of one or both of the Contracting States result or will result for him in taxation not in accordance with the provisions thereof, may, notwithstanding the remedies provided by the domestic law of those States, present his case to the competent authority Contracting State of residence, or if his case comes under paragraph 1 of Article 24, the Contracting State of which he is national. The case must be presented within three years from the first notification of the action resulting in taxation not in accordance with the provisions of this contract.

2) If the competent authority of the objection to be justified and if it is not itself able to arrive at a satisfactory solution, they will try to resolve the case by agreement with the competent authority of the other Contracting State, to avoid taxation not in accordance with this Agreement. Any agreement reached shall be implemented notwithstanding the time limits in the domestic law of the Contracting States.

3) The competent authorities of the Contracting States shall endeavor to resolve by mutual agreement any difficulties or doubts arising as to the interpretation or application thereof. They may also consult together for the avoidance of double taxation in cases not provided for in the contract.

4) The competent authorities of the Contracting States may communicate with each other directly for the purpose of reaching an agreement within the meaning of the preceding paragraphs. If an oral exchange of opinions seems advisable for reaching agreement, it may make such an exchange of views through a Commission consisting of representatives of the competent authorities of the Contracting States.

## **Article 26**

### **Exchange of information**

1) The competent authorities of the Contracting States shall exchange information necessary for the application of the provisions of this contract or national laws of the Contracting States concerning taxes covered by this Agreement insofar as the taxation thereunder is not contrary to this Treaty. Exchange of information is not restricted by Article 1 All information received by a Contracting State shall be treated as secret in the same manner as information obtained under the domestic laws of that State and shall be disclosed only to persons or authorities (including courts and administrative bodies) concerned with the assessment or collection of taxes covered by this contract, criminal prosecution in respect of taxes or the determination of appeals. Such persons or authorities shall use such information only for such purposes. They may disclose the information in public court proceedings or in judicial decisions.

2) The provisions of paragraph 1 be construed in any way so as to impose on a Contracting State the obligation:

a) carry out administrative measures at variance with the laws or administrative practice of a Contracting State;

b) to supply information which is not obtainable under the laws or in the normal administration of that or the other State;

c) to supply information which would disclose any trade, business, industrial, commercial or professional secret or trade process, or if the disclosure would be contrary to public policy.

## **Article 27**

### **Diplomats and consular officials**

Nothing in this Convention shall affect the fiscal privileges of diplomatic or consular officials under the general rules of international law or under the provisions of special agreements.

## **Article 28**

### **Entry into force**

1) The Governments of the Contracting States shall notify each other that the constitutional requirements for entry into force.

2) This Treaty shall enter into force on the date of the later notification referred to in paragraph 1 and its provisions shall apply:

a) in respect of taxes withheld at source on income paid on 1 January or later in the calendar year next following that in which the Convention enters into force;

b) in respect of other taxes on income and property taxes, to taxes chargeable for any taxable year beginning on 1 January or later of the calendar year following the year in which the Convention enters into force.

## **Article 29**

### **Statement**

This Agreement shall remain in force until terminated by a Contracting State. Each State Party may denounce the Treaty through diplomatic channels, by giving written notice at least six months before the end of each calendar year. In this case, the Convention shall cease to apply:

a) in respect of taxes withheld at source on amounts paid on 1 January or later in the calendar year following the year in which the notice is given;

b) in respect of other taxes on income and property taxes, to taxes chargeable for any taxable year beginning on 1 January or later of the calendar year following the year in which the notice is given.

IN WITNESS WHEREOF the undersigned, being duly authorized thereto, have signed this Agreement.

DONE in duplicate at Riga on 25 October 1994 in the English language.

For the Czech Republic:

Ivan R. v. Kočárník

Deputy Prime Minister and Minister of  
Finance

In Latvia:

Andris Piebalgs v r

Minister of Finance