



US – LATVIA TAX TREATY

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Avoidance - acceptable

Evasion - non acceptable

The notorious gangster once remarked that tax laws were a joke because "the government can't collect legal taxes on illegal money."

The IRS charged the infamous Chicago mob boss with failure to pay four years' worth of taxes. Capone was sentenced to 11 years in jail and an \$80,000 fine in 1931.



Al Capone



US – Latvia tax treaty on avoidance of double taxation

- Exchange of information
- 6 months presence in construction creates PE (permanent establishment)
- Residency
- Credit system (Foreign tax credits)
- Withholding taxes





U.S. Indicts Four Credit Suisse Bankers in Increasing Crackdown on Offshore Accounts: 2011

From 1953 - Bank Leumi (Israel), Bank Frey (Swiss), Maerki Baumann (Swiss)

charged with:

- causing U.S. customers to travel outside the United States,
- opening secret accounts for U.S. customers in the names of nominee tax-haven entities;
- advising U.S. customers to structure withdrawals from their secret accounts in amounts less than \$10,000 in an attempt to conceal the secret accounts and the transactions from U.S. authorities; and
- advising U.S. customers to utilize offshore credit and debit cards linked to their secret accounts and providing the customers with such cards, including cards issued by American Express, VISA and Maestro.



Failure to report offshore accounts

- UBS AG, Switzerland
- HSBC in India
- HSBC in Bailiwick of Jersey, Channel Islands
- Swiss bank Wegelin



US Taxpayers are required to report their worldwide income.

Taxpayers who have a financial interest in, or signature or other authority over, a bank account in foreign country with an aggregate value of more than USD 10,000 at any time during a particular year, are required to file for each qualifying account.



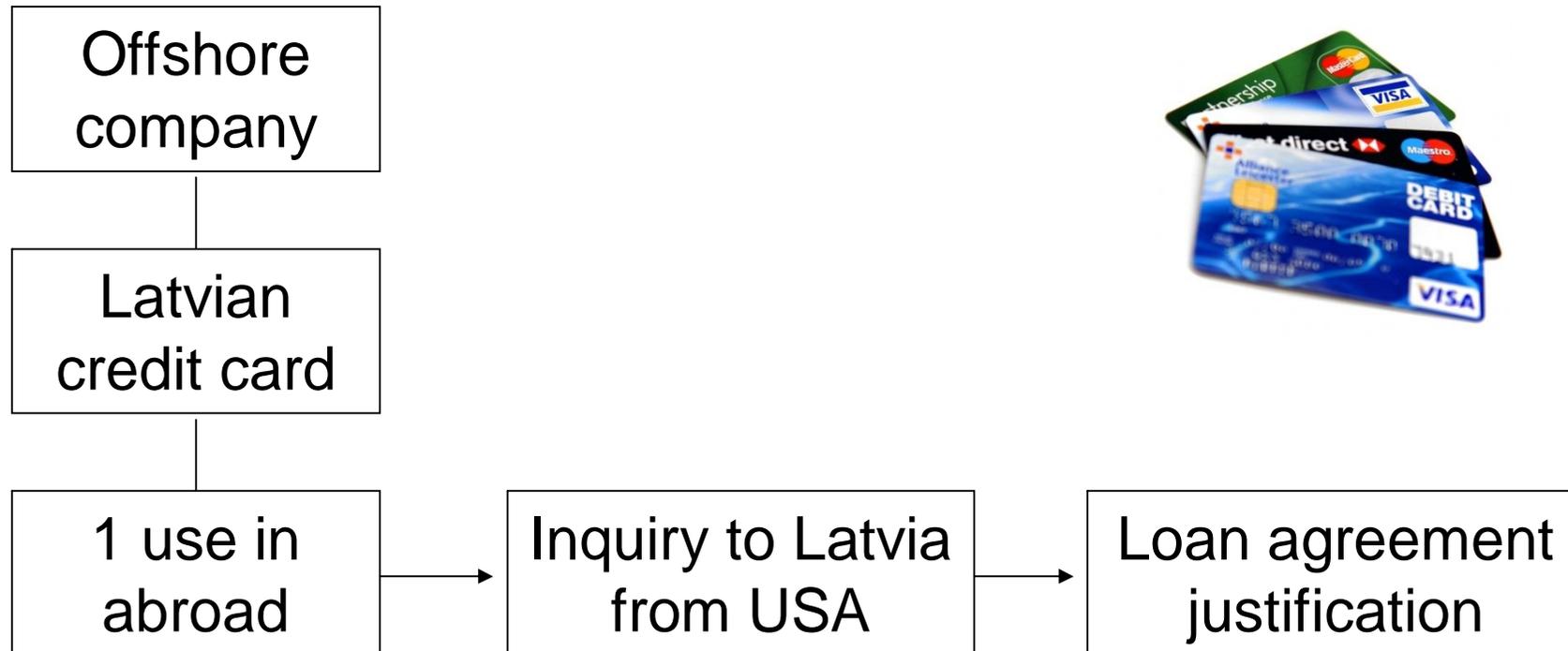


Willful blindness to the FBAR requirement

The Court of Appeals stated that willful violation may include “willful blindness to the FBAR requirement” or “intentional ignorance” (i.e. A conscious effort to avoid learning about reporting requirements.)

- his testimony that he did not read line 7a or paid any attention to any written words on his federal tax return;
- his false answers that were given to his accountant and on his tax return regarding the existence of his offshore accounts; and
- willfully failed to report the existence of his offshore accounts to the IRS or the US Department of the Treasury as part of his larger scheme of tax evasion

Detection of offshore accounts





Suspect transactions

- Cash LVL 40000 (except salary, pension and social fee)
- Cash LVL 1000 exchange of small nominal
- LVL 10000 lump-sum payments
- Currency exchange more than LVL 5000 in cash
- Credit card withdraws per month LVL 40000
- Prohibition to execute cash transaction exceeding LVL 10000 for services
- Cash declaration from April 14, 2007 exceeding LVL 3000
- Penalty 5% on non-declared cash transactions exceeding LVL 3000
- Penalty 15% of whole transaction amount on cash transactions exceeding LVL 10000 (except bank account payments).





List of Low Tax Countries

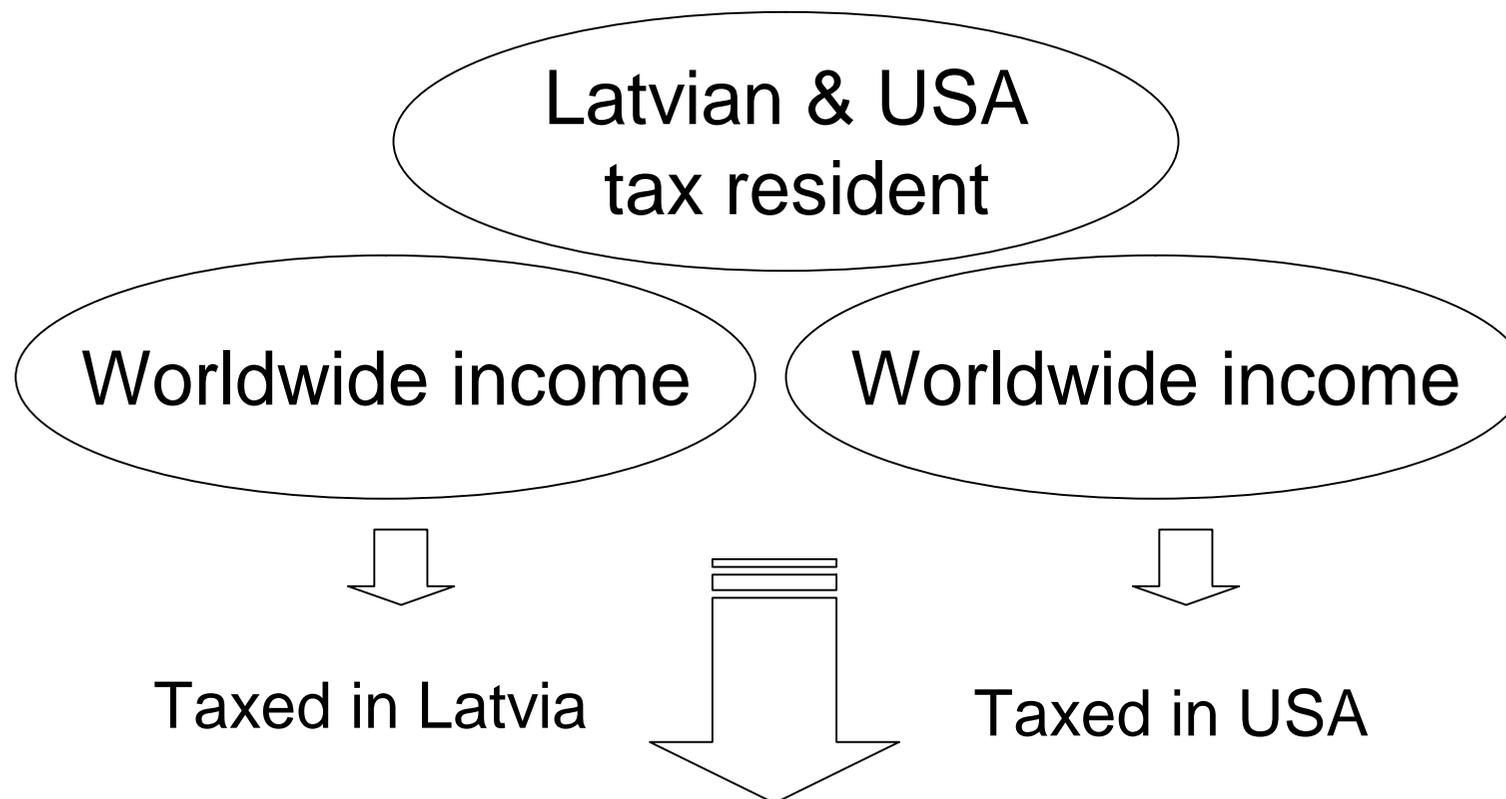
| | | |
|------------------------|------------------------|--------------------------------|
| Antilles | Hong Kong (Sjanganana) | Olderne |
| Andorra | Isle of Man | Panama |
| Anguilla | Jamaica | Qatar |
| Antigua & Barbuda | Jersey | San Marino |
| Aruba | Jordan | Seychelles |
| Bahamas | Jisbuty | St. Helens |
| Bahrain | Kenya | St. Kitts and Nevis |
| Barbados | Kuwait | St. Pierre and Michel (France) |
| Belize | Labuana (Malaysia) | Samoa |
| Bermuda | Lebanon | Santome and Prinsipi |
| British Virgin Islands | Liechtenstein | St. Lucia |
| Brunei Darussalam | Liberia | St. Vincent and Grenada |
| Cayman Islands | Maldives | Tahiti (French Polynesia) |
| Cook Islands | Macao | Tonga |
| Costa Rica | Mauritius | Turks and Caicos Islands |
| Dominican Republic | Marshall Islands | United Arab Emirates |
| Ecuador | Monaco | Uruguay East Republic |
| Gibraltar | Montserrat | Vanuatu |
| Grenada | Nauru | Venezuela |
| Guam | New Caledonia | Virgin Islands (USA) |
| Guatemala | Niue (New Zealand) | Zanzibar Islands (Tanzania) |
| Guernsey | | |



- Kampione, Madeira, St. Maria Island (Portugal) are no longer low tax countries



Dual residency



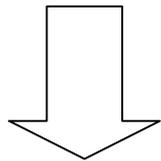
DOUBLE TAXATION !!!



Tiebreaker test

Latvia

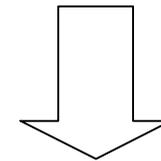
- Home
- Vital connection
- social, economical
- Habitual dwelling
- Passport



Latvian resident

USA

- Home
- Vital connection
- social, economical
- Habitual dwelling
- Passport



USA resident



Credits

**Tax paid in
USA**

100

Credit applicable

Document from USA
tax authorities on:

*taxable income

*tax paid

**Tax payable in
Latvia**

300

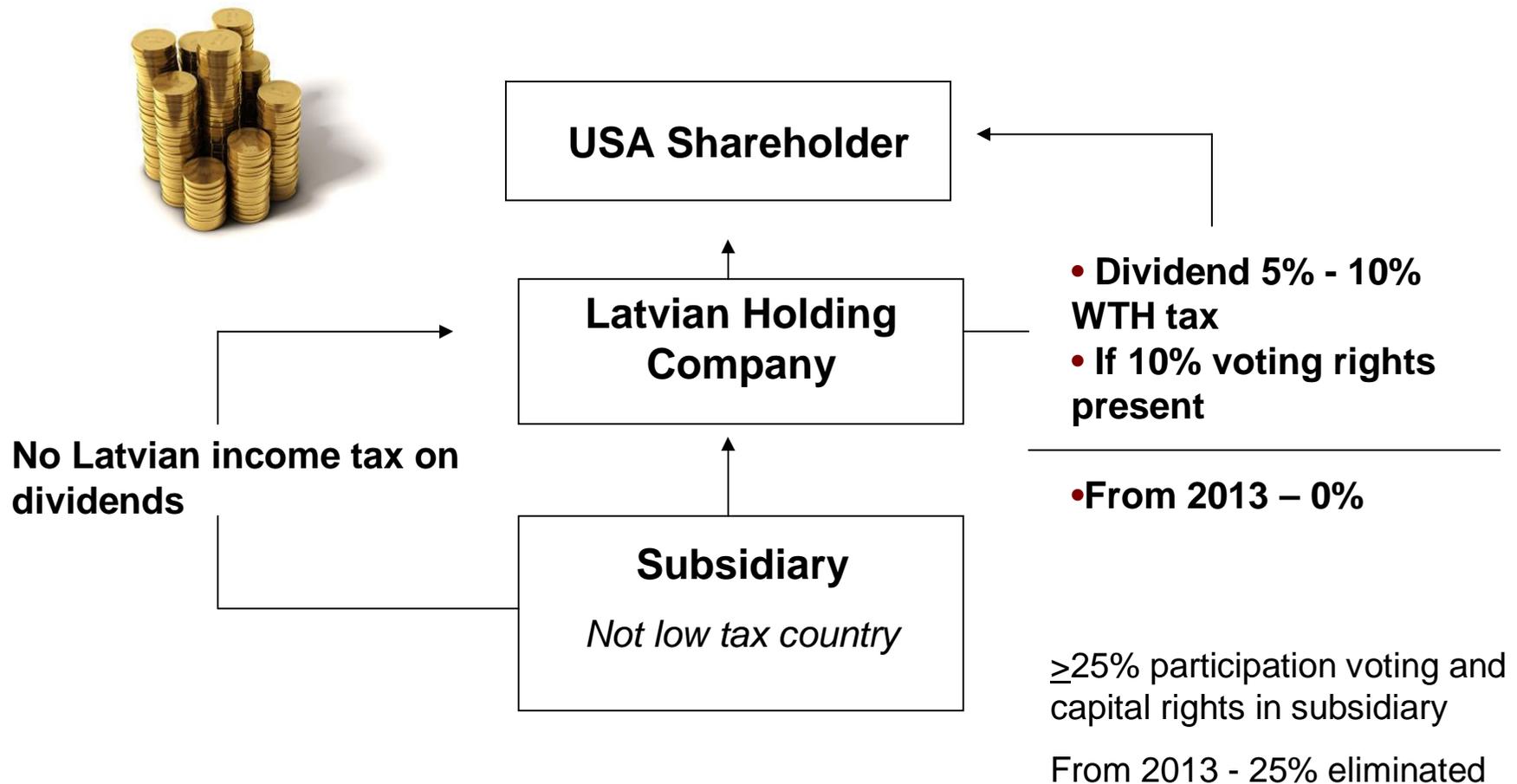
- 100

Payable 200

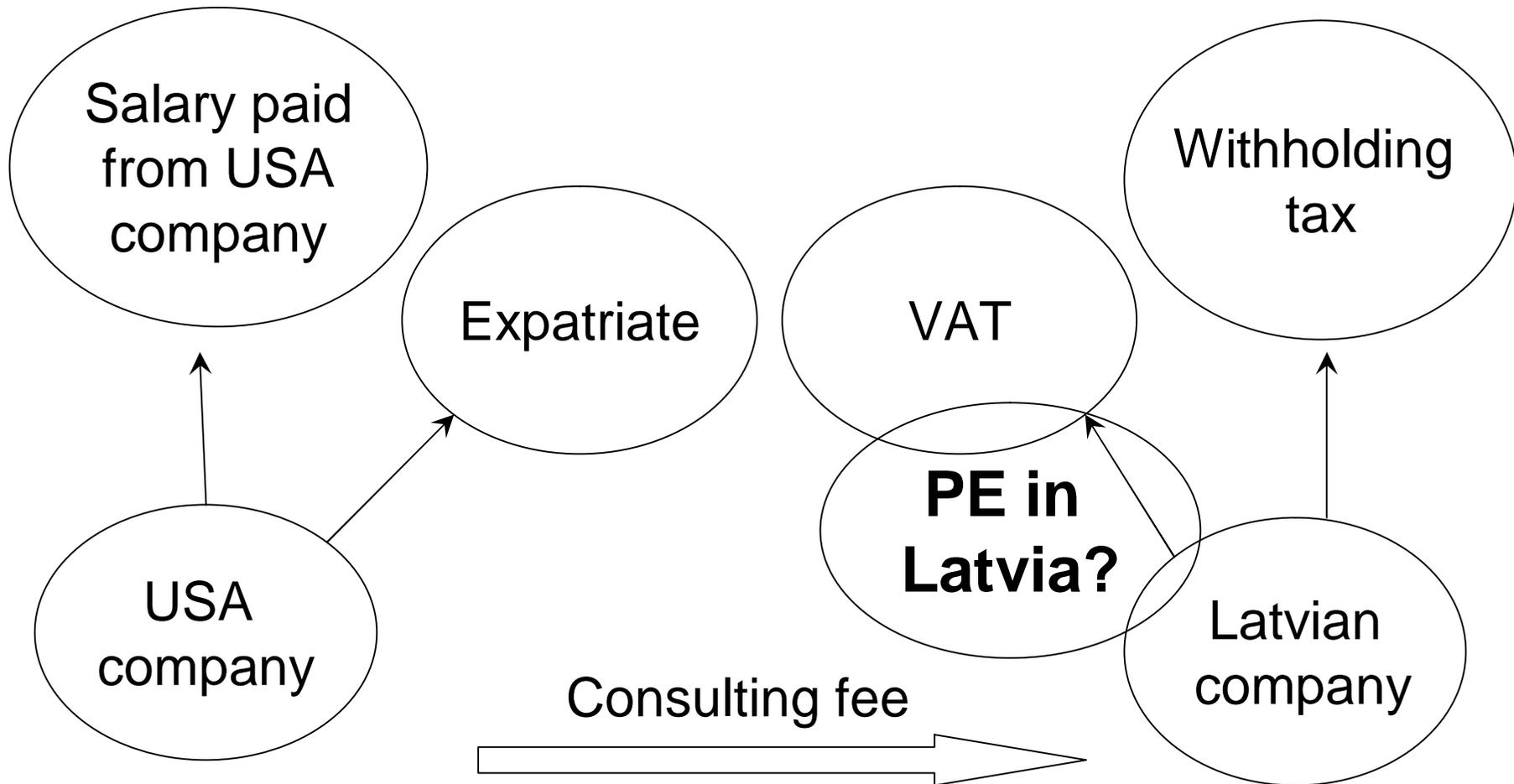
but not more
than **15%**



USA Dividend structure



Consulting fees





Capital gains

- From 2013 capital gains in company is not taxed, except sale of offshore stock
- Individual gain – 15%, but tax losses may be used
- Individual stock holdings to be moved to companies

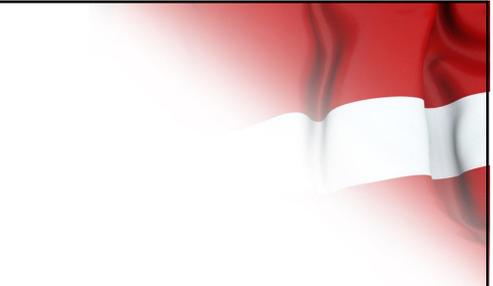




Royalties & Interest

- From 2014 no withholding taxes
- Now – royalties 5-15 % (USA tax treaty 5-10%)
- Interest 10%



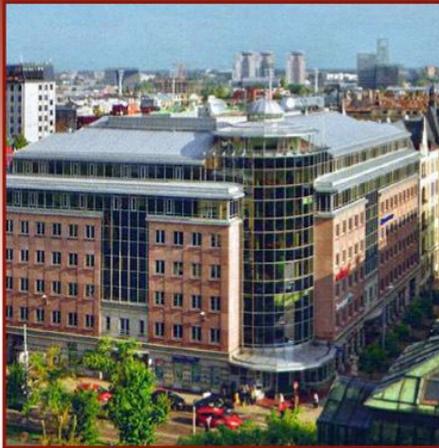


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Baltic tax planning



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