

# The Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting

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On 1 February 2020 the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting became effective (BEPS Multilateral Instrument; hereinafter - MLI) (signed on 6 June 2017). Thus, as of the moment MLI has become effective, Latvia and certain jurisdictions, where MLI has become effective before this date, have become the Contracting Parties of MLI and the application of MLI may be commenced. At the moment MLI became effective in Latvia, the jurisdictions above-mentioned are as follows: Austria, Belgium, Canada, Denmark, Finland, France, Georgia, Iceland, India, Ireland, Israel, Luxembourg, the Netherlands, Norway, Poland, Qatar, Russia, Serbia, Singapore, Slovakia, Slovenia, Sweden, Ukraine, United Arab Emirates and the United Kingdom. One must note that the number of those jurisdictions will increase as MLI will become effective in other jurisdictions, with which Latvia has concluded bilateral tax treaties. The additional information is available at the [OECD homepage](#).

MLI has been elaborated by the OECD with the aim to ensure as much as possible swift and common implementation and application of the minimum standard and recommendations related to the concluded tax treaties provided by the OECD BEPS Action Plan – Action No 2 (Neutralising the effects of hybrid mismatch arrangements), No 6 (Prevention of tax treaty abuse), No 7 (Permanent establishment status) and No 14 (Mutual Agreement Procedure).

Latvia has chosen to apply only those MLI provisions ensuring the implementation of minimum standard provided by BEPS Action Plan (included in Actions No 6 and 14) in relation to the tax treaties – Article 6 of MLI – Preamble (which in addition to the prevention of the double taxation provides for the prevention of the of the tax treaty abuse, BEPS – Action No 6); Article 7 of MLI (Principal Purpose Test - PPT, BEPS – Action No 6); Article 16 of MLI (Mutual Agreement Procedure, BEPS – Action No 14); and Article 17 of MLI (Corresponding Adjustments, BEPS – Action No 14). In order to ensure the prevention of BEPS risks as widely as possible, Latvia is willing to apply MLI to all the tax treaties concluded by Latvia, where BEPS minimum standard is not included (currently MLI will be applied to 44 tax treaties of 57 tax treaties notified by Latvia, as all the countries, with which Latvia has concluded tax treaties, have not submitted the related notification (application of MLI is based on the principle of reciprocity).

<https://www.fm.gov.lv/en/multilateral-convention-implement-tax-treaty-related-measures-prevent-base-erosion-and-profit-shifting>