

Protocol

amending the Agreement of 21 February 1997

between

the Republic of Latvia

and

the Federal Republic of Germany

for the Avoidance of Double Taxation

with respect to Taxes on Income and on Capital

The Republic of Latvia
and
the Federal Republic of Germany,

Desiring to conclude a Protocol amending the Agreement of 21 February 1997 between the Republic of Latvia and the Federal Republic of Germany for the Avoidance of Double Taxation with respect to Taxes on Income and on Capital,

Have agreed as follows:

Article 1

The Preamble shall read as follows:

“The Republic of Latvia
and
the Federal Republic of Germany,

Desiring to further develop their economic relationship and to enhance their co-operation in tax matters,

Intending to eliminate double taxation with respect to the taxes covered by this Agreement without creating opportunities for non-taxation or reduced taxation through tax evasion or avoidance (including through treaty-

shopping arrangements aimed at obtaining reliefs provided in this Agreement for the indirect benefit of residents of third States), Have agreed as follows:".

Article 2

Sub-paragraph a) of paragraph 1 of Article 3 (General Definitions) shall read as follows:

"a) the term "Federal Republic of Germany" means the Federal Republic of Germany and, when used in a geographical sense, includes the territory of the Federal Republic of Germany as well as the area of the sea-bed, its subsoil and the superjacent water column adjacent to the territorial sea, wherein the Federal Republic of Germany exercises sovereign rights or jurisdiction in conformity with international law and its national legislation for the purpose of exploring, exploiting, conserving and managing the living and non-living natural resources or for the production of energy from renewable energy sources;".

Article 3

The wording of Article 9 (Associated Enterprises) shall be paragraph 1 of Article 9. A new paragraph 2 of Article 9 shall be inserted after paragraph 1 as follows:

"(2) Where a Contracting State includes in the profits of an enterprise of that State – and taxes accordingly – profits on which an enterprise of the other Contracting State has been charged to tax in that other State and the

profits so included are profits which would have accrued to the enterprise of the first-mentioned State if the conditions made between the two enterprises had been those which would have been made between independent enterprises, then that other State shall make an appropriate adjustment to the amount of the tax charged therein on those profits. In determining such adjustment, due regard shall be had to the other provisions of this Agreement and the competent authorities of the Contracting States shall if necessary consult each other.”

Article 4

Sub-paragraph c) of paragraph 3 of Article 11 (Interest) shall read as follows:

„c) interest arising in the Federal Republic of Germany and paid in consideration of a loan guaranteed by, or to the state joint stock company *Attīstības finanšu institūcija Altum* or in consideration of a loan guaranteed by, or to any organisation established in the Republic of Latvia after the date of signature of this Agreement and which is of a similar nature as any of the bodies referred to in sub-paragraph b) (the competent authorities of the Contracting States shall by mutual agreement determine whether such organisations are of a similar nature) shall be exempt from German tax;”

Article 5

(1) Paragraph 1 of Article 13 (Capital Gains) shall read as follows:

“(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 may be taxed in that other State.”

(2) A new paragraph 1a shall be inserted after paragraph 1 of Article 13 (Capital Gains) as follows:

“(1a) Gains derived by a resident of a Contracting State from the alienation of shares or comparable interests, such as interests in a partnership or trust, may be taxed in the other Contracting State if, at any time during the 365 days preceding the alienation, these shares or comparable interests derived more than 50 per cent of their value directly or indirectly from immovable property, as defined in Article 6, situated in that other State.”

Article 6

A new sentence 3 shall be inserted after sentence 2 of paragraph 2 of Article 25 (Mutual Agreement Procedure) as follows:

“Where a competent authority does not consider the taxpayer’s objection to be justified it shall notify or consult the competent authority of the other Contracting State without delay.”

Article 7

A new Article 26A shall be inserted after Article 26 (Exchange of Information) with the following wording:

“Article 26A

Prevention of Treaty Abuse

Notwithstanding the other provisions of this Agreement, a benefit under this Agreement shall not be granted in respect of an item of income or capital if it is reasonable to conclude, having regard to all relevant facts and circumstances, that obtaining that benefit was one of the principal purposes of any arrangement or transaction that resulted directly or indirectly in that benefit, unless it is established that granting that benefit in these circumstances would be in accordance with the object and purpose of the relevant provisions of this Agreement.”

Article 8

Paragraph 8 of the Protocol to the Agreement shall be deleted.

Article 9

(1) This Amending Protocol shall be ratified and the instruments of ratification shall be exchanged as soon as possible.

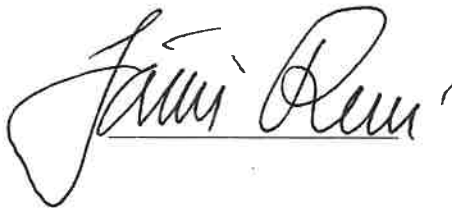
(2) This Amending Protocol shall enter into force thirty days from the date of the exchange of the instruments of ratification and shall have effect in both Contracting States:

- a) in respect of taxes withheld at source, in respect of amounts paid on or after the first day of January of the calendar year next following that in which this Amending Protocol entered into force;

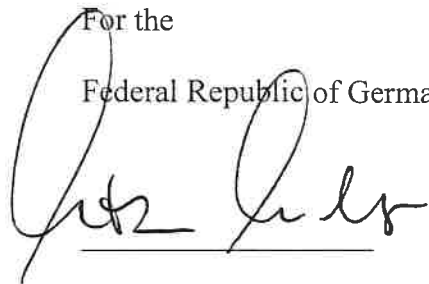
- b) in respect of taxes which are levied for any assessment period beginning on or after the first day of January in the calendar year next following that in which this Amending Protocol entered into force.

Done at Riga on 29th day of September 2022 in two originals, each in the Latvian, German and English languages, all three texts being authentic. In the case of divergent interpretation of the Latvian and the German texts, the English text shall prevail.

For the
Republic of Latvia

Handwritten signature of Jānis Reme in black ink, written over a horizontal line.

For the
Federal Republic of Germany

Handwritten signature of Peter Jule in black ink, written over a horizontal line.