



Grant Thornton

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Government Support for **Businesses** Affected by COVID-19

Update

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State support in employment during emergency situation in Latvia

IDLE TIME SUPPORT

Considering the declared emergency situation in Latvia as from 09 November 2020 and the respectively adopted restrictions that may significantly affect the activities of separate taxpayers, the Cabinet of Ministers approved "Regulations on the provision of support for idle time to taxpayers for the continuation of their activities during the Covid-19 crisis" (hereinafter the Regulations) entered into force on 28 November 2020.

The Regulations stipulate the procedure by which employers may apply for support to compensate the remuneration of employees which are on idle time.

The following companies shall be entitled to apply for support:

Whose monthly income from economic activity in the month of support has decreased by at least 20% compared to the average income in August, September and October 2020, when the company actually operated.

Terms for granting support and submission of an application:

- The employer may apply for idle time support for the period from 09 November 2020 to 09 January 2021;
- The application for support in November 2020 must be submitted by 15 December 2020, for support in December 2020 - by 15 January 2021, for support in January 2021 - by 15 February 2021.

Amount of support during idle time:

- The amount of support for idle time to employee shall be set at **70% of the declared average monthly gross salary for the period from 1 August 2020 to 30 October 2020**, or from the declared average gross salary for the months after 1 August 2020 in which the employee actually worked for the respective employer, but totally not less than in amount EUR 330 and not exceeding EUR 1000 per calendar month.
- For a **micro-enterprise taxpayer employee**, support for idle time is **set at 50%** of the average monthly gross salary for the third **quarter of 2020**, or if the employee has started the employment relationships after the third quarter of 2020, according to the information that is at the disposal of the State Revenue Service (data declared by the employer to the State Revenue Service), but totally not less than in amount EUR 330 and not exceeding EUR 1000 per calendar month.
- For persons **returning from parental leave** in the period **from 9 November 2020 to 09 January 2021**, the support shall be set at 70% of the average amount of parental allowance granted for August, September and October 2020, but totally not less than in amount EUR 330 and not exceeding EUR 1000 per calendar month.

State support in employment during emergency situation in Latvia

IDLE TIME SUPPORT

The Regulations stipulate the procedure by which employers may apply for support to compensate the remuneration of employees which are on idle time.

- Idle time support is paid **within five working days** after the decision to grant support;
- An employee, granted with idle time support, is granted with supplement payment **of EUR 50 for each dependent child** under the age of 24, if the child is registered as a dependent of the employee in the State Revenue Service;
- The employer is entitled to pay **the difference between the amount of granted idle time** support and the amount of salary to the employee.

Criteria to the companies for idle time support:

- 1) all tax returns and annual reports for the last 12 months prior to the emergency situation (09 November 2020) must be submitted;
- 2) has not been excluded or has not been excluded from the Value Added Tax Payer Register of the State Revenue Service (except based on own application) during the last two years, or economic activity is not or has not been suspended;
- 3) no current insolvency process;

Support shall not be granted:

- 1) to the Council board members of the employer;
- 2) for those calendar days for which sickness allowance is granted to the employee;
- 3) to the employer whose staff has been leased to another taxpayer;
- 4) to employees who are employed in state and local government budget institutions, as well as in state and local government controlled companies;
- 5) to employees who started the employment relationships after 01 November 2020.

State support in employment during emergency situation in Latvia

SUPPORT FOR THE SALARY SUBSIDY TO PART-TIME EMPLOYEES

The Cabinet of Ministers approved "Regulations on the provision of support to taxpayers for the continuation of their activities during the Covid-19 crisis" (hereinafter the Regulations) entered into force on 17 November 2020.

The Regulations stipulate the procedure by which employers may apply for support for the salary subsidy to part-time employees.

The following companies shall be entitled to apply for support:

Whose monthly income from economic activity in the month of support has decreased by at least 20% compared to the average income in August, September and October 2020, when the company actually operated.

Terms for granting support and submission of an application:

- The employer may apply for support measures for the period from 09 November 2020 to 09 January 2021;
- The application for support in November 2020 must be submitted by 15 December 2020, for support in December 2020 - by 15 January 2021, for support in January 2020 - by 15 February 2021.

Amount of support for the salary subsidy to part-time workers:

The salary subsidy to the employee shall be set at 50% of the declared average gross monthly salary for the period from 1 August to 31 October 2020, but shall not exceed EUR 500 per calendar month.

The employer is obliged to pay the difference between the amount of support received and the amount of salary to the employee.

State support in employment during emergency situation in Latvia

SUPPORT FOR THE SALARY SUBSIDY TO PART-TIME EMPLOYEES

The Regulations stipulate the procedure by which employers may apply for support for the salary subsidy to part-time employees.

Criteria to the companies for support:

- 1) all tax returns and annual reports for the last 12 months prior to the emergency situation (09 November 2020) must be submitted;
- 2) no current insolvency process;

Support shall not be granted:

- 1) to the Council board members of the employer;
- 2) for those calendar days for which sickness allowance is granted to the employee;
- 3) to the employer whose staff has been leased to another taxpayer;
- 4) to employees who are employed in state and local government budget institutions, as well as in state and local government controlled companies.
- 5) to employees who started the employment relationships after 01 November 2020.

NOTICE

The total amount for idle time support and support for part-time salary subsidies to be paid to the employee employed at all employers or in various forms of employment may not exceed EUR 1000 per calendar month.

An employee who receives support for idle time may not simultaneously receive the support for a part-time salary subsidy for the same period during the employment at the same employer.

Tax aspects

The Government of Latvia has established measures for the prevention of state threats and consequences related to the spread of Covid-19, as well as the procedures for financing these measures. Law **"On Measures for Prevention and Management of National Threats and its Consequences due to the Proliferation of Covid-19"** which entered into force on March 22, has expired upon the end of the emergency and is now being replaced by the Law **"Law on the Suppression of Consequences of the Spread of COVID-19 Infection"**, which came into force on June 10. The law provides for companies affected by the crisis, their employees and economic operators to receive support even after the end of the emergency.

Taxpayers have a possibility to apply for an extension of the tax payment deadline if the delay is **due to the spread of Covid-19**. In order to use this support, the taxpayer must submit a substantiated application to the SRS **no later than within 15 days** after the payment deadline or the entry into force of this Law. The SRS has the right to divide the payment of overdue tax payments into terms or postpone it for a period of **up to three years (until June 30, 2021)**, counting from the day of submission of the application. (The company is entitled to apply for this support measure **until December 31.**) Overdue tax payment, for the payment of which an extension of the tax payment term has been granted, **is not calculated overdue**, while information about the company is not included in the database of tax debtors administered by the SRS.

Regardless of the sector, the following tax measures are introduced:

Refund of VAT overpayments

- The SRS **will refund** the approved amount of overpaid VAT **within 30 days** after the deadline for submission of the return, which is indicated in the VAT return **(until December 31, 2020)**.
- The deadlines for refunding the overpaid VAT amount **are not extended**.
- The conditions set by the VAT law for the refund of overpayment **have been canceled**.

As at present, taxes, duties, other state fees and related payments administered by the SRS shall be covered before the approved overpaid VAT amount is refunded in accordance with the procedure specified in the Law On Taxes and Fees. Also, the existing procedure according to which the SRS is entitled to specify the amount of overpaid VAT as a result of tax audit (audit) is not changed.

Personal income tax

- Income taxpayers who pay **advance tax** on their operating income **will be able to assess their ability to make an advance payment (it is an option)**. This rule shall apply to advances as from 1 January of this year, and is valid until the end of 2020.
- Taxpayers **who have already made** the first advance payment, i.e. until March 15, but does not wish to pay advance payments voluntarily, **may recover** this contribution as an overpayment of tax by submitting an application to the State Revenue Service.

Tax aspects

Excise tax

- Permits issued by the SRS for the purchase of alcoholic beverages (series A) for the purposes of “Article 7, Paragraph 1 of the Law **“On Measures for the Prevention and Suppression of Threat to the State and Its Consequences Due to the Spread of COVID-19”** and **“Law on Excise Tax”** 16. Article 5, first paragraph, point 5 (d)” and intended for the use of undenatured alcohol for the production of disinfectants, shall **expire on 10 June**.
- From 10 June, neither the use of undenatured ethyl alcohol for the production of disinfectants nor the supply to merchants who have been issued an A permit for the use of undenatured alcohol for the production of disinfectants **is not allowed**.
- On 10 June, merchants whose A permits expire or expire in part **must carry out an inventory of undenatured alcohol residues** and the detected residues on 10 June and **declare them to the SRS** in the form of a free-form application.
- Certain conditions apply to those merchants for whom the A permit expired on 10 June - until 9 July there is an obligation to perform certain activities with the remaining balance.
- Consequently, the **SRS invites** excise warehouses to evaluate their commercial activities in order to ensure the widest possible availability of denatured alcohol in Latvia after the end of the emergency situation and, if necessary, submit an application for re-registration of a special permit (license) holder.
- In order for catering companies, which until now had a license to sell alcoholic beverages only for consumption on the spot, to be able to meet the requirements set by the Cabinet of Ministers to issue food only for takeaway, **for the duration of the emergency**, they are allowed to sell alcoholic beverages for retail **without re-registration of the license**, as well as to sell drinks through a distance contract, for example, to sell on the Internet.
- From June 10 until the relevant amendments are made to the Law on the Circulation of Alcoholic Beverages, but not longer than until December 31, it is allowed to sell alcoholic beverages using **a distance contract**.

Property tax

- The law provides local governments with the **right to set different payment terms** for real estate tax this year than the law on real estate tax, **postponing them later this year**. This right can be exercised by the municipality both by deciding on all the payers of the tax and by determining certain categories of the payers of the tax. This decision shall be made public to the payer of the RIC.

Tax aspects

The Cabinet shall determine the **sectors** in which the financial situation (hereinafter referred to as "**the crisis-affected sectors**") has significantly deteriorated due to the spread of Covid-19 and the procedures for the application of the specified measures and special support mechanisms.

The following sectors are primarily supported (according to NACE codes) (Cabinet Regulation in force from 26.03.2020. Valid until 01.01.2021.):

H49.1.0 - Passenger rail transport, interurban

H49.3.9 - Other passenger land transport
n.e.c.

H51.1.0 - Passenger air transport

I55.1.0 - Hotels and similar accommodation

I55.2.0 - Holiday and other short-stay
accommodation

I55.3.0 - Camping grounds, recreational
vehicle parks and trailer parks

I55.9.0 - Other accommodation

I56.1.0 - Restaurants and mobile food service
activities

I56.2.9 - Other food service activities

I56.3.0 - Beverage serving activities

J59.1.1 - Motion picture, video and television
program production activities

J59.1.2 - Motion picture, video and television
program post-production activities

J59.1.3 - Motion picture, video and television
program distribution activities

J59.1.4 - Motion picture projection activities

J59.2.0 - Sound recording and music
publishing activities

M74.9.0 - Other professional, scientific and
technical activities n.e.c.

N77.1.1 - Renting and leasing of cars and light
motor vehicles

N77.2.1 - Renting and leasing of recreational
and sports goods

N77.3.9 - Renting and leasing of other
machinery, equipment and tangible goods
n.e.c.

N79.1.1 - Travel agency activities

N79.1.2 - Tour operator activities

N79.9.0 - Other reservation service and
related activities

N82.3.0 - Organization of conventions and
trade shows

P85.1.0 - Pre-primary education

P85.5.1 - Sports and recreation education

P85.5.2 - Cultural education

P85.6.0 - Educational support activities

Q88.9.1 - Child day-care activities

R90.0.1 - Performing arts

R90.0.2 - Support activities to performing
arts

R90.0.3 - Artistic creation

R90.0.4 - Operation of arts facilities

R91.0.2 - Museums activities

R91.0.3 - Operation of historical sites and
buildings and similar visitor attractions

R93.1.1 - Operation of sports facilities

R93.1.2 - Activities of sport clubs

R93.1.3 - Fitness facilities

R93.1.9 - Other sports activities

R93.2.1 - Activities of amusement parks
and theme parks

R93.2.9 - Other amusement and recreation
activities

Business support

The Latvian State has approved multilateral business support mechanisms with aim to strengthen companies and normalize their activities during the crisis. The most important support measures (in addition to mentioned tax incentives and labour relations regulation) are:

- Support for companies that have suffered from the Covid-19 crisis, irrespective of the sector they represent, is provided through **ALTUM** support programs:
 - **Working capital loan – liquidity support** for **companies any size**, for farmers and fishers affected by Covid-19:
 - Volume – **up to EUR 1 mil.**, not exceeding the following criteria:
 - 25% of the turnover in 2019,
 - double the amount of remuneration costs (incl. social contributions) in 2019,
 - the amount of liquidity needed to operate for the following 12 months;
 - **Maturity 1-3 years**, credit holidays up to 12 months;
 - Interest rate **1,9%-2,9%**;
 - **Non-supported sectors*** are defined (gambling, financial intermediation, arms, tobacco, alcohol trade, real estate operations, etc.);
 - **The support cannot be used** for the purchase of long-term assets, refinancing of other loans, payments of trade receivables incurred before 31.12.2019, payment of dividends;
 - Companies which had signs of companies in difficulty as of 31.12.2019, as well as those for which the negative impact of Covid-19 on economic activity is not justified, **are not eligible for support**;
 - The financing applicant must initially apply to its bank for financing, also using ALTUM credit guarantees, but in case of refusal it can apply for a working capital loan.

* Non-supported sectors also applies to other ALTUM support products

Business support

- **Loan Holidays Guarantee** – for companies which, due to the spread of Covid-19, have had objective difficulties in loan repayment to banks:
 - Available for companies, farmers and fisheries and aquaculture sector; can apply SMEs and large companies; available for investment loans, working capital loans (incl. credit limits), financial leasing, both for existing and new liabilities;
 - The amount of the financial service covered by the **guarantee shall not exceed 25% of the total turnover of the company in 2019, up to EUR 5 mil.**, up to 50% of the amount of funding (balance at the time the guarantee was granted);
 - Maturity up to 6 years for financial leasing and investment loan liabilities, up to 3 years for current assets financing liabilities;
 - A guarantee premium 0,5% per annum;
 - Guarantees **shall be issued until 31.12.2020** in accordance with the Rules of the Cabinet of Ministers No 150;
 - **Express guarantee – up to EUR 500 000**, available within a few days of receipt of the application.
- **Guarantees to large companies** – for viable exporting companies whose activities have been negatively affected by Covid-19:
 - Award criteria - large companies, with **export share at least 30%** of the turnover in the previous 2 years; or the planned export in the next 2 years **is at least 50%, if the activity is moved to Latvia** from the territory outside the EEA or starts operations in Latvia;
 - Guaranteed liabilities — investment loans, current assets loans, financial leasing obligations or limits;
 - The amount of the guarantee – up to 25% of the 2019 turnover, up to EUR 15 million, in amount of 70% or 90%;
 - Maturity 6 or 8 years;
 - Restrictions – companies which operates in non-supporting sectors, as well as companies with signs of firms in difficulty as of 31.12.2019 or at the time of the guarantee decision, shall not be eligible.
- **Export guarantees** – cancelled restrictions to receive export guarantee to EU and particular OECD countries until 31.12.2020. For export guarantees to developed countries can apply also large companies regardless of export turnover and country to which transactions is planned without additional restrictions.

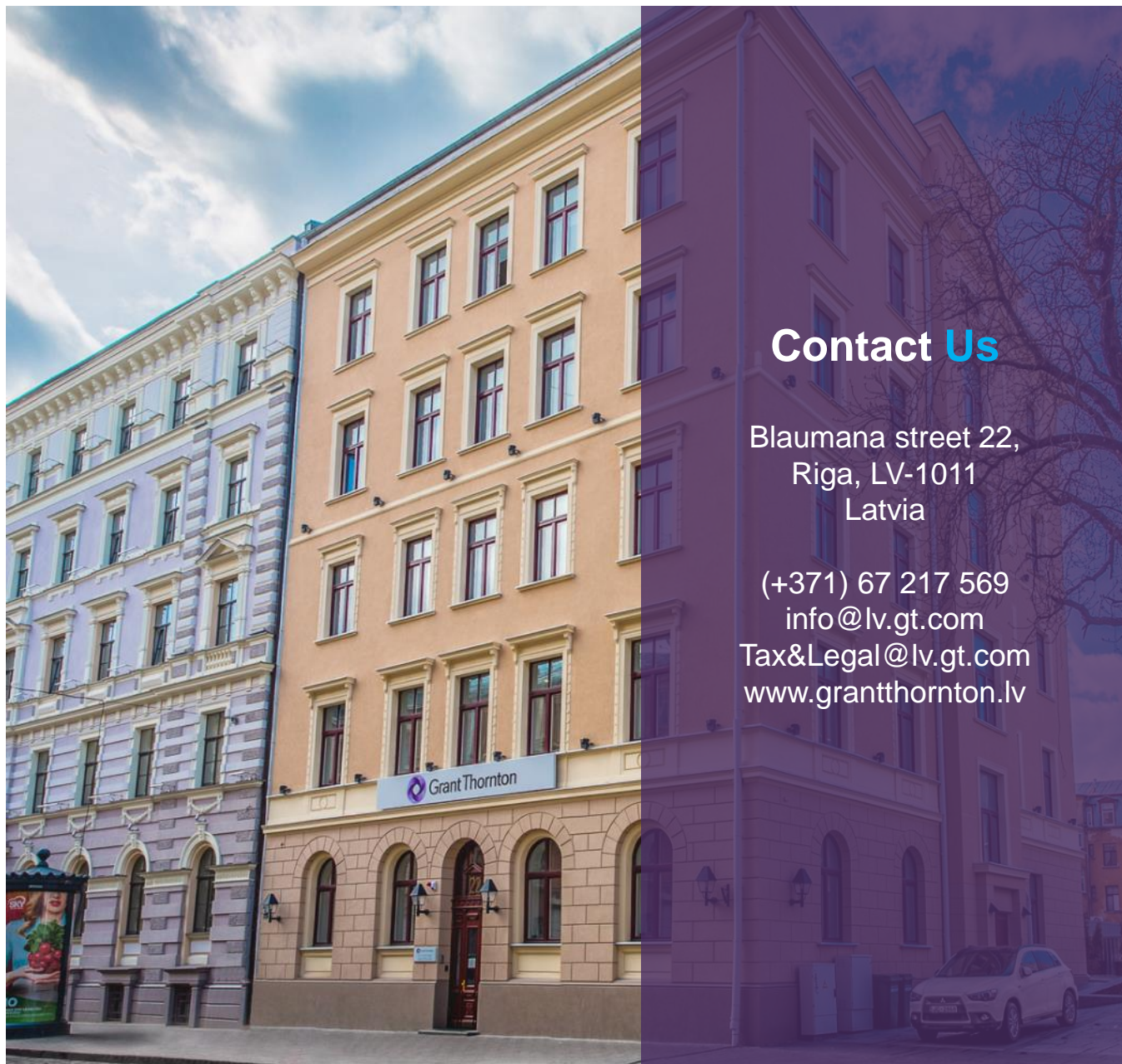
Business support

- Covers the buyer's and political risks (collateral respectively up to 90% and 95%), the buyer's liability guarantor risks;
- Maturity – maximum term of deferred payment up to 2 years, for export transactions of agricultural products - up to 547 days;
- Maximum amount of remuneration obligations for losses which incurred with one foreign buyer is EUR 2 mil.
- **Investment fund – financing for large companies** whose operations were negatively affected by Covid-19, as well as for those large companies that are ready to adapt or transform the current business model to the new realities of life and business. The fund is planned for EUR 100 mil. and Latvian pension fund managers will also invest in it.
 - The support is intended for viable and well-managed large companies that create added value for the Latvian economy, operate in industries with high added value, employ a large number of people and make high social tax and PIT contributions to the state budget, innovate and produce innovative products, the company has developed a competitive technical knowledge and competence base;
 - Non-supported sectors cannot receive support;
 - Investment amount for one company **up to EUR 10 million**;
 - Supported types of investments – investment in the company's capital, mezzanine financing, purchase of the company's debt securities issued in the alternative First North or Baltic regulated market.
- **Support for tourism companies for overcoming Covid-19 crisis**, administered by LIAA:
 - Application 4.-18.12.2020;
 - 30% of the social tax payments in 2019; additional support for hotels according to the total area of premises 4 EUR/m² to cover operational costs;
 - Maximum support EUR 800 thousand per company; the total available funding is EUR 19.36 million;
 - For companies in the tourism sector, for which as a result of Covid-19 the income from economic activity has decreased by 30%: in one month in the period 04-06.2020, compared to the corresponding month of 2019, and / or in March or April 2020, compared to the average 1-month income in 2019, or in the months of actual activity in the period 01.2019-03.2020.

Business support

- One-off aid for compensating wages and covering operational costs;
- Funding should be used up to 30.06.2021.
- **Support for the payment of rent by public and capital institutions and companies**, by temporarily exempting or reducing the rent for companies which operates in the sectors affected by Covid-19.
- **Working capital grant**, administered by State Revenue Service:
 - For **companies**: 30% of the company's tax-paid gross salary in August, September and October 2020 (total sum); maximal amount EUR 50 000 for the support period, up to EUR 800 000 for group of related parties;
 - For **companies in industry NACE 10.2 «Processing and preserving of fish, crustaceans and molluscs»**: the same conditions, but grant limitation for group of related persons EUR 120 000;
 - Grant is awarded if **decrease of monthly turnover** in the supporting period comparing to average monthly turnover in August, September, October 2020 is at least 20%, and if decrease of turnover in particular month is at least 30% comparing to appropriate month of 2019;
 - **Supporting period** – 1 November-31 December 2020; application till 15.01.2021;
 - Total available funding from the state budget – EUR 70 800 000.
- **Parliament has to make a final decision** for extension of real estate tax payment deadline (for all property owners) in 2020-2021, as well as extension of the deadline for the performance of obligations under the Energy Efficiency Law (for large companies and large electricity consumers).





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