

# COVID-19 REVIEW OF GOVERNMENT SUPPORT MECHANISMS

On March 12, 2020, the government of Latvia declared a state of emergency till April 14, 2020, adopting various restrictive measures to limit the spread of COVID-19 in Latvia. In order to limit the damage to the national economy, on March 19, the government of Latvia adopted a special, limited-time draft law prepared by the Ministry of Finance. On March 20, it was approved in the Parliament with March 12 being the entry into force date.

Currently the Parliament approved the possibility to prolong the state of emergency for more than two times, thus during next week government will most likely prolong the state of emergency.

## ALLOWANCE FOR IDLE TIME

**THE PERIOD OF IDLE TIME IS A LIMITED TIME PERIOD LASTING FROM MARCH 14, 2020 UNTIL MAY 14, 2020, BUT FOR NO LONGER THAN THE VALIDITY PERIOD OF THE CABINET DECISION ON THE EMERGENCY SITUATION.**

### TAX PAYMENTS

The government will provide the possibility for the taxpayers to reschedule or postpone the duty payment for a period of up to three years. It will also refer to the taxpayers who already have received tax payment term extensions and who have incurred difficulties in covering the relevant payments.

### LEASE

State and municipal institutions as well as state owned companies, for the validity period of the Law, exempt businesses from rent payments in the sectors affected by COVID-19 or decide on the rent payment reduction. Likewise, interest on delayed payment and penalties for delayed payments may be waived, except the utility payments.

### SALARIES

If the employee is unemployed by the employer or is on idle time because of the measures laid down by the CofM, the state will support the employers in paying the compensations to employees, granting 75% of the remuneration, not exceeding 700 EUR per month. Idle time allowance is not a subject to the Personal Income Tax and State social insurance mandatory contributions.

### APPLICABLE FOR THE ALLOWANCE:

The revenues due to the spread of COVID-19 decreased by at least 30 per cent in March or April 2020 in comparison with the respective month in 2019;

The revenues due to the spread of COVID-19 decreased by at least 20 per cent in March or April 2020 in comparison with the respective month in 2019, and they meet at least one of the following criteria:

- In 2019, the export volume of the employer affected by the crisis amounts to 10 % of the total turnover or is not less than 500 000 EUR;
- The average monthly gross work remuneration disbursed by the employer affected by the crisis in 2019 is not less than 800 EUR;
- As on December 31, 2019, long-term investments in fixed assets are at least 500 000 EUR.

**Self-employed, licensors and employees of micro-enterprises will also be able to receive idle benefits.**

Self-employed will receive 75% of mandatory state social insurance contribution and micro-enterprises will receive 50% of the average monthly income from the economic activity for the last two quarters, but both will receive no more than 700 EUR.

### ALLOWANCE MAY BE DECLINED IF:

- tax returns and annual statements for the period of last 12 months before the emergency situation not submitted;
- the employer has a tax debt of more than 1000 EUR and an extension of the payment term has not been granted or an agreement on the voluntary payment of taxes has not been concluded;
- if within the last six months before the declaration of the emergency situation the employer affected by the crisis has calculated the taxes administered by the SRS at an average amount of less than 200 EUR per month;

### APPLY FOR THE ALLOWANCE BY APRIL 25, 2020

Submit to the State Revenue Service the submission for the allowance for idle time regarding the time period from March 14, 2020 until March 31, 2020, and thereafter shall submit it by the 25th day of the following month.

## SUPPORT MECHANISMS FOR ALL ENTERPRISES

### VALUE ADDED TAX (VAT)

Starting from April 1, 2020 till December 31, 2020, the new Law will regulate the procedure for refunding overpaid value added tax (VAT). The overpaid VAT will be repaid in a shorter term - in 30 days, to create financial resources for businesses to recover from the financial burden created by COVID-19.

### COOPERATION PROGRAMME

The State Revenue Service in 2020, 2021, 2022, 2023 is entitled not to take negative decisions in respect of a participant of the enhanced cooperation program if affected by the Covid-19 crisis and is eligible to provide proof of such conditions.

### GENERAL MEETINGS

Till September 1, 2020 general meetings of the shareholders or board can be held online, using an electronic voting system. The Law also considers a procedure on shareholders issuing their position in writing.

### PAID SICK LEAVE

For Covid-19 patients and for those in quarantine, the state will fully cover the expenses of paid sick leave.

### PERSONAL INCOME TAX (PIT)

PIT payers engaged in economic activities are allowed to forego making PIT advance payments in 2020. It shall apply to payments as of January 1, 2020

### ANNUAL FINANCIAL REPORTS

The deadline for the preparation and submission of the annual reports has been extended to at least July 31, 2020

### INSOLVENCY PROCEDURE

Till September 1, 2020, it is prohibited for the creditors to submit an application for the insolvency proceeding of a legal person.

### REAL ESTATE TAX

In 2020, the local governments have the right to set real estate tax payment terms different from as it is stated in the Law on real estate tax.

### EXCISE TAX

Spirits that are used for production of sanitizers shall be exempt from excise duty for up to 90%

## AVAILABLE STATE FINANCIAL SUPPORT MECHANISMS

The Law also provides an increase of the reserve capital for the State Development Financial Institution ALTUM to provide additional support for affected enterprises – loan guarantees, as well as loans for crisis resolution.

### GUARANTEE CONDITIONS

( SUPPORT IN THE AMOUNT OF 100 MILLION EURO PER EACH 10-15-MILLION-EURO RISK COVERAGE)

- Enterprises to be supported – SMEs, large enterprises;
- Not in financial difficulties prior to the COVID-19 crisis;
- Guarantee amount of up to 50%;
- Guarantee cap amount up to 5 million euro per enterprise;
- Maximum maturity of the guarantee 2 years;
- Guarantee issued for existing liabilities (investment loans, financial leases) for credit institution to postpone repayment of principal for up to two years;
- Guarantee may also be issued for the working capital loans for up to three years (by both, the enterprise's undertaking new liabilities and by restructuring the existing working capital loans granted by the credit institution).

### LOAN CONDITIONS

( SUPPORT IN THE AMOUNT OF ABOUT 100 MILLION EURO PER EACH 25-MILLION-EURO RISK COVERAGE)

- Enterprises to be supported - SMEs, large enterprises;
- Not in financial difficulties prior to the COVID-19 crisis;
- Loan to finance working capital;
- Maximum amount up to 1 million euro per enterprise;
- Maximum maturity is 3 years;
- Grace period of the principal is up to 12 months;
- Collateral requirements are considerably reduced;
- Reduced/subsidised % rate.



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