



## Information on support measures for Latvian companies aimed to reduce to adverse effects of Coronavirus disease (COVID-19)

The Law "On the state of national emergency and measures aimed at prevention of the spread of Covid-19" (the **COVID-19 Law**), has entered into force on 22 March 2020. One of its objectives is to mitigate the adverse effects of COVID-19 on business and employees.

The scope of COVID-19 Law covers, primarily, the industries adversely affected by the deteriorating economic situation following spread of COVID-19. The exact list of the affected industries remains to be

identified by the Government; the list is expected to be announced soon. We draw your attention to the fact that the procedural aspects of the various extensions of payment periods, exemptions and employee relief plans remain to be determined by the Government. The Government is currently at work on such procedural aspects.

The main aid mechanisms in the COVID-19 law for the sectors affected by the crisis are summarized below.

## 1. Tax incentives

**“Tax holidays”.** Businesses in the affected industries are entitled to apply for an extension of tax period. No late payment interest will be charged on overdue tax. Business entities in the affected industries will be able to defer tax payment obligations for up to 3 years.

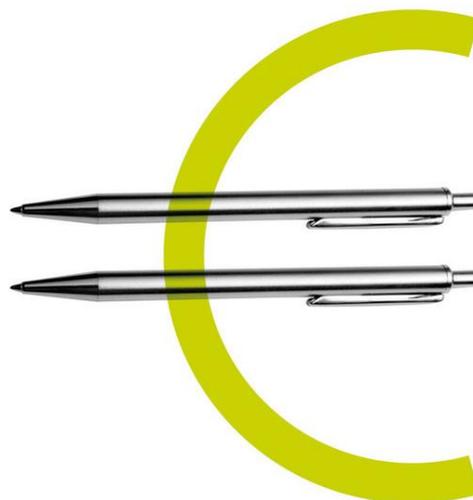
**Individual Income Tax (IIT).** Individuals will be allowed not to make payments of IIT from income derived from economic activities subject to advance IIT payments. This rule will apply retroactively from 1 January 2020. Following entry of the COVID-19 Law into force, advance payments of IIT can be made on a voluntary basis.

**Value added tax (VAT).** The State Revenue Service is expected to make refund of the amount of overpaid VAT as part of tax administration measures within a shorter term, i.e. 30 days after the submission of the VAT statement.

**Real estate tax (IPT).** In additional in 2020, municipalities have been delegated to set other deadlines for the payment of IPT by moving payments to a later date in 2020.

**Excise duty (ED).** For the duration of the state of emergency, no excise duty will be levied on ethanol, provided permission to purchase alcoholic beverages has been previously received by the subject entity. A 100% reduction of ED security will apply with respect to one-off security covering entities that import and/or obtain alcohol from other EU Member States, and 90% reduction of the general security will apply to manufacturers of alcohol. In addition, sale of goods subject to imposition of ED has been permitted by means of distance contracts. No exemptions apply to tobacco products and liquids for electronic cigarettes.

**Annual Financial Statements (AFS) and Consolidated Financial Statements (CFS).** Business entities will be able to postpone submission of AFS and CFS for 3 months after expiration of the statutory deadline for 2019. Associations, foundations and charitable organizations will be entitled to submit AFS for 2019 by 31 July 2020.



## 2. Opportunities for financial support

The National Development Finance Authority “**Altum**” will provide to businesses adversely affected by the outbreak of Covid-19 **credit guarantees with respect to loans/borrowings** as well as **loans**. However, the following requirements will need to be satisfied by the applicant to be eligible for the **guarantee** and the following limitations will apply:

- | the applicant is a micro, small, medium or large company;
- | the loan was provided to fund any of the following:
  - investments,
  - support liquidity of current assets, including other borrowings (credit line facilities or overdrafts),
  - fund lease payments under financial lease arrangements
- | the applicant company was not in financial distress prior to 31 December 2019;
- | the guarantee covers up to 50% of the principal indebtedness outstanding under the loan with respect to which the guarantee is issued;
- | the amount guaranteed does not exceed €5 million per company, or group of affiliated companies;
- | the maximum term of the guarantee will not exceed 2 years; and
- | the credit institution will have to defer repayments of the principal amount outstanding under the loan for no longer than 2 years.

**The following conditions will apply in order for the business to receive a revolving loan:**

- | Corresponds to micro, small, medium or large PEA category;
- | the applicant will have to be a micro, small, medium or large business;
- | the interest rate will be set according to risk profile of the applicant;
- | the applicant company was not in financial distress prior to 31 December 2019;
- | the maximum amount of the loan will be limited to €1 million per company, or group of affiliated companies;
- | the maturity of the loan will not exceed 3 years;
- | the term of repayment of the loan cannot exceed 12 months; and
- | the provision of collateral requirements will be substantially relaxed.

## 3. Exemption from rent/lease payments

The State and municipal authorities, as well as state enterprises and enterprises controlled by municipal authorities, free ports and special economic zones **will, for a limited period, completely exempt or grant reductions in rents or lease payments for use of their facilities by businesses operating in the industries adversely affected by the outbreak of COVID-19**. Such businesses will also be exempt from the imposition of late payment interest and penalties. The above exemptions and reductions will not apply to utility service providers such as electricity, thermal

## 4. Employer Relief Plan

**Idle period.** Employees working in sectors affected by the outbreak of COVID-19 **will be eligible to receive an idle allowance**. The maximum amount of the idle allowance to be paid by the State will amount **to up to 75% of the amount of average salary of the employee in the previous six months, subject to a monthly cap of €700**. Salaries paid as part of the relief plan will not be subject to imposition of personal income tax, nor mandatory social security contributions. The payment of the idle allowance will have to be terminated if, during operation of the relief plan, the business hires new employees.

## 5. Prohibition against certain types of gambling

**Gambling and betting** have been prohibited for the duration of the state of emergency. **All gambling licenses** permitting the running of physical gambling sites, gambling in online environment and/or through electronic communications services **have been temporarily suspended**. The prohibition does not cover online gambling, casting lots and lotteries.

## 6. Extension of deadlines for the enforcement of collateral arrangements

A notice of use of pledge or floating charge can now be disputed before courts where exceptional circumstances prevent the use of pledge or floating charge:

- | the holder of registered pledge or floating charge will take decision on the use of pledged property or floating charge **within 60 days**;
- | In deciding whether to grant the right of use, the court will be able to allow the use for a period not to exceed **60 days**, unless the judgment is immediately enforceable;
- | an application for enforcement of uncontested liability will only be submitted if proof of the issuing of a warning to the debtor has been issued not earlier than **60 days** before the application was filed with the court;
- | the statement of recovery of the debt must specify a time limit for filing objections which shall be no less than **60 days** from the date of notification receipt.
- | the notarial act may be submitted to a public notary for release for enforcement not earlier than 60 days from the date of the entering into

## 7. Prohibition against insolvency proceedings

Until 1 September 2020 there is a prohibition against filing by creditors of insolvency proceedings against any legal person even if any of the insolvency criteria specified according to Article 57, Paragraph 1, sub-paragraphs 1, 2, 3 or 4 of the Law on Insolvency are satisfied. Such criteria are as follows:

- | it has not been possible to comply with a court ruling on the recovery of the debt;
- | limited liability company is unable to pay debts exceeding EUR 4,268;
- | other legal entity, except limited liability companies, is unable to pay debts exceeding EUR 2,134;
- | the employer has not paid the entire amount of salary due an employee, or damages payable to an employee, or has failed to make the payment of mandatory social security contribution.

To learn more, please contact:



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