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Klavins

# COVID-19 assisted/support programs for taxpayers



## State aid

In light of the state of emergency declared in the Republic of Latvia as a result of the spread of COVID-19 infection, we have summarized the most essential aspects of the government business support programs.

The aggregated information is based on the Act on Measures for Prevention and Management of National Threats and Their Consequences in Relation to COVID 19 Proliferation, in force (amendments) on 05.04.2020 (available [here](#)) and other legal acts. Given that the situation, laws and related regulations may change rapidly, companies should continue to monitor the latest updates.

## Affected taxpayers

Taxpayers and employers affected by COVID-19 have a right to receive idle support and extension on tax payable for up to 3 years, if one of the following criteria is met:

- ⇒ Turnover in March or April 2020 in comparison to turnover in 2019 in the same period has decreased for at least 30%, or
- ⇒ Turnover in March or April 2020 in comparison to turnover in 2019 in the same period has decreased for at least 20% and one of the following criteria is met:

10% of the turnover was export or at least EUR 500'000 was export.

In 2019 average paid out gross salary was EUR 800 or more.

On 31<sup>st</sup> December 2019, long term investments in current assets was at least EUR 500'000.

This benefit will not be provided, if:

- ⊖ taxpayer has a tax debt of more than EUR 1000 on the date of submission of application and has not been granted an extension of payment or an agreement with SRS;
- ⊖ excluded, or in last two years have been excluded, from the VAT register;
- ⊖ have not submitted an application and proved the idle, or the idle is not related to the crisis caused by COVID-19;
- ⊖ and other criteria.

## Idle support

If qualifying employer ceases to employ an employee affected by the crisis or is idle, the employee (employed in a general tax regime) is compensated up to **75% of the average salary for the previous six months**, but not exceeding EUR 700 per calendar month.

Employee of Microenterprise taxpayer is compensated up to 50% of the average salary in third and fourth quarter of 2019, but not exceeding EUR 700 per calendar month. At the moment benefit can be provided for a period from 14<sup>th</sup> March till 14<sup>th</sup> May 2020. The benefit is not subject to PIT or mandatory state social insurance contributions. An employer affected by the crises must submit an application by the 25<sup>th</sup> of the following month to Latvian SRS to receive the benefit. For a period from the 14<sup>th</sup> March 2020 till the 31<sup>st</sup> March 2020 application must be submitted till the 25<sup>th</sup> April 2020.

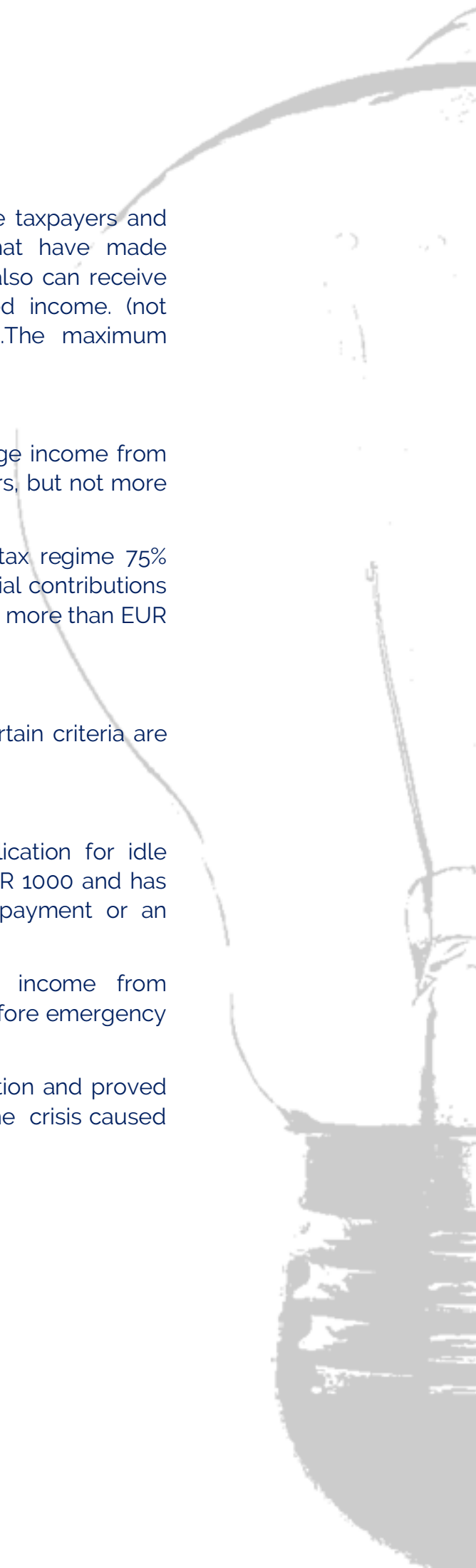
**If such company increases the number of employees compared to the start of the idle, the benefits will stop.**

Self-employed persons, microenterprise taxpayers and recipient of authors fee (royalties) that have made mandatory social insurance payments also can receive idle support if they have not received income. (not applicable to received authors fee) .The maximum amount of support is:

- ⊖ For microenterprise tax 50% of average income from economic activities in last two quarters, but not more than EUR 700 per month;
- ⊖ Self-employed person in a general tax regime 75% from average amount from which social contributions were paid in last two quarters, but not more than EUR 700 per month.

The benefit will not be provided if a certain criteria are fulfilled:

- ⊖ On the date of submission an application for idle support a tax debt is greater than EUR 1000 and has not been granted an extension of payment or an agreement with SRS;
- ⊖ If self-employed persons average income from employment in previous 6 months before emergency situation was more then EUR 430;
- ⊖ Person has not submitted an application and proved the idle, or the idle is not related to the crisis caused by COVID-19;
- ⊖ etc.



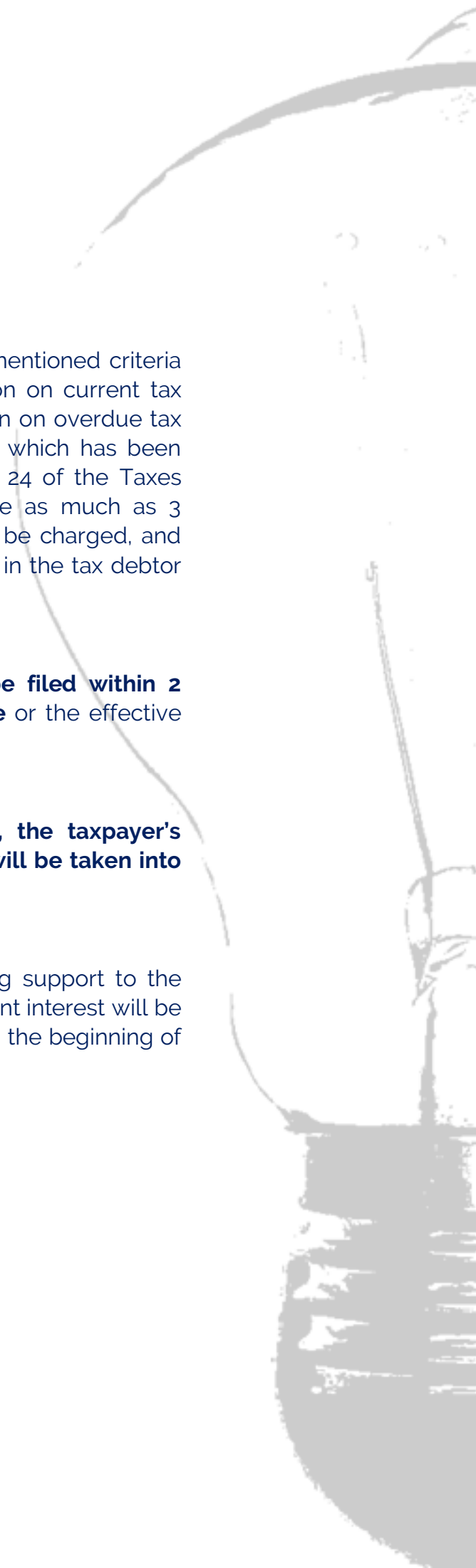
## 3-year extension on tax payments

Taxpayers that meet the previously mentioned criteria have a right to apply for an extension on current tax payments and to request an extension on overdue tax payments, the payment deadline for which has been extended in accordance with Article 24 of the Taxes and Dues Act. The extension can be as much as 3 years, no late payment penalties will be charged, and such information will not be included in the tax debtor database.

An application for extension **shall be filed within 2 months as of the payment due date** or the effective date of this law (22.03.2020).

**When deciding on support grants, the taxpayer's previous cooperation with the SRS will be taken into consideration.**

In the event the decision on granting support to the company is cancelled, the late payment interest will be calculated for the period starting from the beginning of the support period.



## Sickness benefit

Until June 30, 2020 for the COVID-19, sickness sheet form B will be issued and covered by the government funding.

The employer has a duty to provide pregnant women with safe working conditions or the opportunity to work from home. If this is not possible, pregnant women shall, on the basis of the time specified in the doctor's opinion, be granted a period of leave maintaining her average earnings.

## Tax

### ⊕ Real estate tax

Local governments may set different deadlines for real estate tax payments.

### ⊕ Personal income tax

Self employed persons may choose not to make advance payments for the year 2020.

### ⊕ Faster Value added tax (VAT) overpayment refund

From 01.04.2020 until 31.12.2020, VAT refunds will be made within 30 days as of the date of filing the tax return.

The VAT overpayment approved until 31.03.2020 and carried forward to subsequent taxation periods will be refunded by 14.04.2020. If the VAT overpayment is not approved by 31.03.2020., the refund will be made within 30 days as of the date of filing the tax return.

If the deadline for approval of the VAT overpayment (31.03.2020) is extended, the VAT refund will be made the next business day following approval of the overpayment.

## Internet alcohol sales and gaming

### ⊖ Internet alcohol sales

Excise goods may be sold on the basis of a distance contract. This does not apply to tobacco products and liquid used in electronic cigarettes. Age and time limits are applied as required by the law.

### ⊖ Prohibition on gaming

All gaming licenses, both in physical locations and in the interactive environment, are suspended for the period of validity of this law.

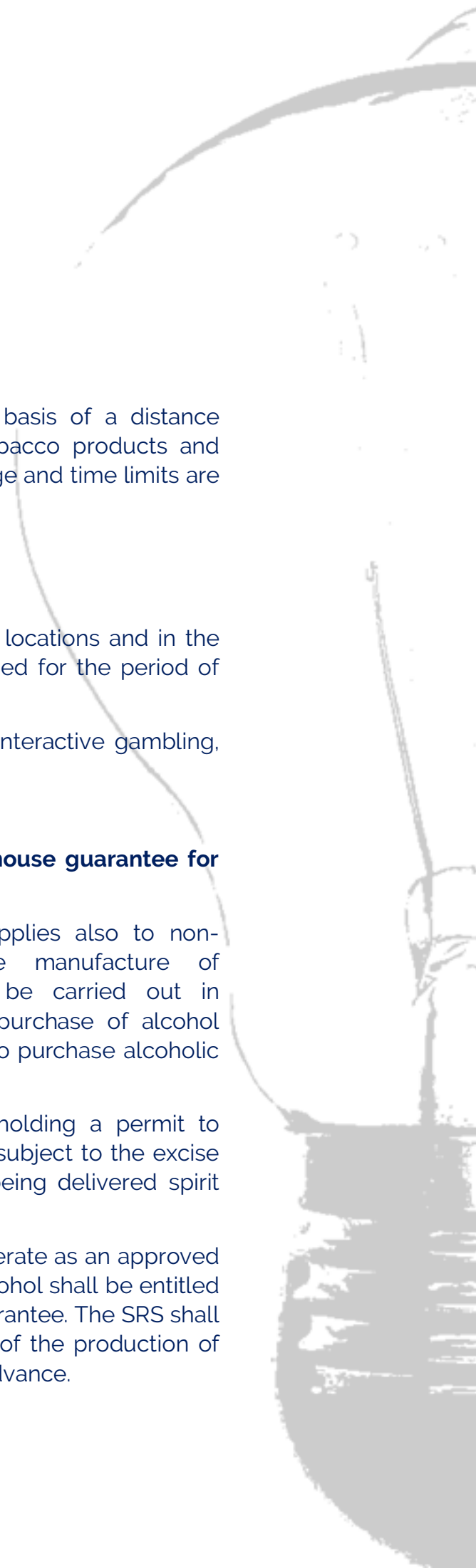
This requirement does not apply to interactive gambling, lotteries and instant lotteries.

### ⊖ Exemption from the excise warehouse guarantee for non-denatured alcohol

Exemption from the excise duty applies also to non-denatured alcohol used in the manufacture of disinfectants. Alcohol sales must be carried out in accordance with the law, and the purchase of alcohol requires a permission from the SRS to purchase alcoholic beverages.

A temporary registered consignee holding a permit to purchase alcoholic beverages is not subject to the excise duty guarantee requirement when being delivered spirit from another Member State.

Undertakings holding a licence to operate as an approved warehouse keeper and producing alcohol shall be entitled to a 90% reduction of the general guarantee. The SRS shall be informed of the commencement of the production of alcohol at least one business day in advance.



## Other type of State support

### ⊖ Limitation of late payment interest

From 1<sup>st</sup> April till 1<sup>st</sup> September 2020 late payment interest for civil liability is limited to the lawful interest rate.

### ⊖ Enhanced cooperation program

The SRS has a right not to exclude the undertaking from the enhanced cooperation program in 2020, 2021 and 2023 if it has been affected by COVID-19 related circumstances and the effects of COVID-19 related circumstances are justifiable.

### ⊖ Rent discount

**Public and municipal authorities, public persons, free ports and special economic zones shall**, for the period of validity of the special law, exempt or reduce the rent for the property of a public person **for the companies operating in the crisis-affected industries**, and shall not apply any late charges and fines for late payments.

This exemption shall not apply to utility bills.

### ⊖ Prohibition on the application for insolvency proceedings

Until 1 September 2020, it is prohibited to file creditor's application regarding the insolvency of a legal entity in cases where indications set out in Paragraphs 1, 2, 3 or 4 of Article 57(1) of the Insolvency Act appear.

### ⊖ Extension of the deadline for submission of annual reports

Deadline for submission of annual reports has been extended by three months beyond the statutory deadline.

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