

# Rödl & Partner

NEWSLETTER LATVIA

SETTING ACCENTS

Issue:  
15 May 2020

Covid-19: Update

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### → Covid-19: Update

- Amendments to the "COVID-19" law
- Amendments to the procedure of granting Downtime compensation

## → Covid-19

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### Update

During meeting held on 7 May 2020, the Cabinet of Ministers decided to extend the State of Emergency in Latvia until 9 June 2020, at the same time gradually easing some of the restrictions and even cancelling others.

As of 12 May 2020, a number of restrictions in areas such as education, sports, public transportation and event organisation have been lifted. Groups of up to 25 people will be allowed to gather both indoors and outdoors, provided that they ensure a distance of two meters between one another and obey all other safety precautions. Moreover, from now on, all stores in shopping centres will be allowed to open during weekends and organized tourism services will be allowed within the Baltic States. After returning from travel within the Baltic States, people will no more have the obligation to self-isolate at their homes for 14 days. In addition, the rule requesting employers to cancel and not plan any business trips has been removed. Nevertheless, as of right now, all business trips still have to be approved by the Investment and Development Agency of Latvia.

#### AMENDMENTS TO THE “COVID-19” LAW

In addition to the above mentioned, Saeima (Parliament of the Republic of Latvia), has amended 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 determined that:

- companies that have made donations in order to help reduce the consequences of Covid-19 will be allowed to increase the amount of donation not included in the Corporate Income Tax (“CIT”) base by three percentage points from the previous reporting year until 31 December 2020 in accordance with the provision of Section 12 of the Law “On Corporate Income Tax”;
- employers who meet the requirements of a member of the In-depth Cooperation

Programme<sup>1</sup> and who have been negatively affected by the crisis caused by Covid-19, may, up until 31 December 2020, reduce the amount of remuneration for downtime to an employee to 70 percent from the employee’s average salary, however, the compensation payable shall not be less than the minimum wage. Moreover, the employer may also assign the employee his/her unused paid vacation without taking into consideration the wishes of said employee;

- until 31 December 2020, due to short-term decrease in production volumes, an employer will be authorized to determine part-time working hours in the collective agreement with employees, however, the salary payable to employees shall not be less than the minimum wage;
- employees who will not agree to the above -mentioned amendments will have the right to terminate their employment contracts without observing the 1-month notice period. Furthermore, the employee will also be entitled to severance pay in the amount of up to four month average earnings depending on the duration of the employment.

#### AMENDMENTS TO THE PROCEDURE OF GRANTING DOWNTIME COMPENSATION

On 7 May 2020, the Cabinet of Ministers also issued an order amending the Cabinet Regulation No. 165 dated 26 March 2020 “Regulations Regarding the Employers Affected by the Crisis Caused by COVID-19 which are Eligible for the Allowance for Idle Time and Division of the Payment for Late Tax Payments in Instalments or Deferral Thereof for up to Three Years”, hereinafter - Regulations. Moreover, on 14 May 2020, the Cabinet of Ministers repeatedly amended the Regulations by making adjustments with regard to the criteria set out for receiving downtime compensation as well as the term for applying for compensation. The Regulations in their new wording effective as of 16 May 2020 determine that:

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<sup>1</sup> The In-depth Cooperation Programme is an instrument used by the State Revenue Service (hereinafter – SRS) to rate taxpayers. To taxpayers who have an excellent reputation and tax

discipline, various benefits and other advantages are granted by state institutions. (<https://www.vid.gov.lv/en/depth-cooperation-programme>)

- in order to evaluate whether the employees will be able to receive downtime compensation for either May or June of 2020, it is necessary to assess whether the criteria specified in the Regulations regarding reduction of income compared with the average income for 2019 can be established in the given month. Accordingly, if the employer's income has improved, as a result of which a decrease in income in the amount specified in the Regulations can no longer be established, the employer's application for granting downtime compensation will be refused;
- the period for which employers may apply to receive downtime compensation is a terminated time period from 14 March 2020 up to 30 June 2020;
- an exception has been made with regard to submitting application for receipt of downtime compensation for the month of April 2020, which shall be done no later than until 20 May 2020;
- from now on, employers shall apply for downtime compensation no later than on the last day of the current month, for the month of May 2020 – from 1 May 2020 to 30 May 2020, for June 2020 – from 1 June 2020 to 31 June 2020. Employers will no longer be able to apply for downtime compensation for previous month;
- employees which, in addition to being employed, also perform other commercial activities, will be eligible to receive downtime compensation on the condition that said income from other commercial activities does not exceed 430 EUR per month;
- people returning from maternity leave during the downtime period will also be eligible to receive downtime compensation;
- in case downtime is stopped, the employer must immediately inform the SRS about these changes. In case the SRS has been provided with false information, an administrative fine of up to three hundred monetary units (1500 EUR) may be imposed;
- in order to help employees whose employers are subject to any of the criteria set out in Paragraph 12 of the Regulation, which ultimately prohibits said employers from receiving downtime compensation, it has been decided that employers who are subject to criteria set out in Paragraph 12 of the Regulation can also apply for downtime compensation for its employees. In such case, the State Revenue Service (SRS) will refuse granting downtime compensation and will inform the State Social Insurance Agency, which will then further evaluate the possibility of granting downtime compensation as well as the amount of downtime compensation.

## CONTACT FOR FURTHER INFORMATION



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