

Rödl & Partner

NEWSLETTER LATVIA

SETTING ACCENTS

Issue:
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Aid for companies regarding the Covid-19 restrictions

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→ Aid for companies regarding the Covid-19 restrictions

On 26 October 2021 the Cabinet approved aid programmes developed by the Ministry of Economics for companies whose economic activities have been affected by restrictions adopted by the government in relation to limiting the spread of Covid-19 infection. The amendments are provided in Cabinet Regulation No 676 adopted on 10 November 2020 “Regulations Regarding Aid to Undertakings Affected by the Covid-19 Crisis for Ensuring the Flow of Working Capital” (hereinafter – Cabinet Regulation No 676) and Cabinet Regulation No 675 adopted on 10 November 2020 “Regulations Regarding the Provision of Aid to Taxpayers for the Continuation of their Activity in the Circumstances of the Covid-19 Crisis” (hereinafter – Cabinet Regulation No 675). We would like to note that taxpayers will be able to apply for aid when the aid programmes are agreed upon with the European Commission. This edition contains information that is valid as on 29 October 2021 (excluding, if any, changes adopted on that date).

Grant for Working Capital

It is State aid granted to a company to compensate the decrease in the flow of working capital in order to mitigate the consequences of the Covid-19 crisis and the sudden lack of liquidity. The aid is intended to equal to 30 per cent of the total amount of the company’s gross salaries (including the employer’s part of social security contributions), for which payroll taxes were calculated in July, August and September 2021. The maximum monthly amount of aid is 100,000 Euro and the total amount of aid provided in accordance with the European Commission Communication “Temporary Framework for State aid measures to support the economy in the current Covid-19 outbreak” does not exceed 1,800,000 Euro for a group of related entities.

The recipient must meet at least one of the criteria:

- in the month of the aid period, the turnover has decreased by at least 20 per cent compared to the average turnover in July, August and September 2021 in total and the month of the aid period shows a decrease in turnover of at least 30 per cent compared to the turnover in the corresponding month of 2019 or 2020, and this decrease in turnover is linked to the imposed restrictions on economic activity;
- the company has been registered with the State Revenue Service (hereinafter “SRS”) as a taxpayer after 1 January 2021 and turnover has decreased by at least 20 per cent in the month of the aid period compared to the average turnover for the month of July, August and September 2021. The decrease of turnover is linked to the imposed restrictions on economic activity;

- In the month of the aid period, turnover has decreased by at least 30 per cent compared to turnover in the corresponding calendar month of 2019 and turnover in 2021 has exceeded 10 per cent of the corresponding monthly turnover of 2019 for at least 3 months. The decrease in turnover is linked to the imposed restrictions on economic activity.

These are not the only criteria for receiving aid, Cabinet Regulation No 676 provides additional restrictions for receiving aid, for example, if a company has tax debts exceeding 1000 Euro, if a medium or large company is considered to be experiencing difficulties, if a member of the board of the company has been fined for tax violation or infringement in employment relationships in the previous year and at the time the application is evaluated, etc. It is also foreseen that taxpayers operating in unsupportable sectors will not be eligible for aid (please see Table 1 at the end of the article).

Applications for aid will have to be submitted via the SRS Electronic Declaration System. The aid for October 2021 will be eligible for application within 10 days of the date of entry into force of Cabinet Regulation No 676 and for November 2021 until 15 December 2021. The support of the SRS is granted within the available funding framework, taking into account the order of submission of company applications.

Wage subsidy

Subsidies will be available to employers for partial compensation of the remuneration of their employees, for self-employed persons, for micro-enterprise owners and individual merchants, as well as for patent payers. This article will only cover wage support or subsidies for partial compensation to the employees.

The salary support will be paid for the period from 1 October 2021 to 30 November 2021, but not longer than the period for which the restrictions on economic activity imposed by the legislation related to the limitation of the spread of Covid-19 infection are applicable.

An employer who complies with at least one of the following conditions is entitled to apply for wage subsidy aid:

- revenues from economic activity in the specific support month of 2021, compared to average revenue in July, August and September 2021, have decreased by not less than 20 per cent and this decrease of revenue is linked to the imposed operating restrictions;
- revenues from economic activity for the aid month concerned have decreased by not less than 30 per cent compared to the revenue of the relevant month of 2019, and this decrease of revenue is related to the imposed operating restrictions.

The amount of aid will be set at the following amount:

- for an employee, 50 per cent of the decreased average monthly gross payment for the period from 1 July to 30 September 2021, but not more than 700 Euro per month;
- for the employee returning to work from parental leave from 1 October 2021 to 30 November 2021, 50 per cent of the average amount of parental

allowance granted for July, August and September 2021, but not more than 700 Euro per month.

The employer will be obliged to pay the employees the difference between the amount of the aid received and the gross salary, as well as to pay the payroll taxes. Amendments to Cabinet Regulation No 675 contain restrictions on the granting of aid, for example in cases where the employer has not submitted tax returns and financial statements for the last 12 months prior to the declaration of the state of emergency, if it has an ongoing insolvency process, if the employment legal relationship started after 30 September 2021, if the employer has a tax debt exceeding 1000 Euro, etc.

Support in form of a wage subsidy will be granted to employees holding an interoperable certificate, certifying vaccination against Covid-19 infection or the fact that the person has recovered from infection, or when applying for aid for October 2021 vaccination has been initiated and vaccination will be completed when applying for aid for November 2021. The exception is a conclusion by a medical council that the person's health condition does not allow vaccination. Applications for aid will have to be submitted to the SRS. The aid for October 2021 will be eligible for application within 10 days of the date of entry into force of the Cabinet Regulation No 675 and for November 2021 until 15 December 2021.

It is intended that taxpayers operating in un-supportable sectors, which are listed in Table 1 will not be eligible for aid.

Table 1: Unsupportable sectors

NACE codes	Sector (name)
01.11 - 03.22	Agriculture, forestry and fishing
05.10 - 09.90	Mining and quarrying
10.11 - 33.20	Manufacturing
35.11 - 35.30	Electricity, gas, steam and air conditioning supply
36.00 - 39.00	Water supply; sewerage, waste management and remediation activities
41.10 - 43.99	Construction
61.10 - 61.90	Telecommunications
62.01 - 62.09	Computer programming, consultancy and related activities
63.11 - 63.99	Information service activities
64.11 - 66.30	Financial and insurance activities
78.10 - 78.30	Activities of employment placement agencies
81.30	Landscape service activities

82.11	Combined office administrative service activities
82.19	Photocopying, document preparation and other specialised office support activities
82.20	Activities of call centres
84.11. - 84.30	General public administration activities
94.11 - 94.99	Activities of membership organisations

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