

# Rödl & Partner

NEWSLETTER LATVIA

SETTING ACCENTS

Issue:  
20 July 2022

Support for Latvian companies in light of the war in  
Ukraine

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## → Support for Latvian companies in light of the war in Ukraine

Russia's war against Ukraine has created major financial and economic turmoil around the world, particularly in the Baltic and other neighboring countries of Russia and Ukraine. In order to minimise the impact of the consequences of the military aggression on the financial situation and economic activities of companies in Latvia, on 2 June 2022 the Saeima [the Parliament of Latvia] adopted the Law on Aid for Elimination of the Economic Consequences Caused by Sanctions and Countermeasures Applied Due to the Russian Military Aggression against Ukraine ("the Law"). The Law provides economic operators with the possibility to receive aid if they are affected by the economic consequences of sanctions and countermeasures imposed on Russia due to its military aggression against Ukraine.

The aid will be financed from the State budget financing granted to AS "Attīstības finanšu institūcija Altum", the Covid-19 crisis loan program for overcoming the effects of the spread of the infection, as well as from the financing reimbursed under the short-term export credit guarantee program.

### Types of available aid

The Law stipulates that economic operators affected by the consequences of the military aggression may be eligible for aid in the form of loans, guarantees and equity investments (Cabinet Regulation for the latter has not yet been drafted).

It is expected that Cabinet Regulations on the conditions and procedures for the granting and administration of the aid specified in the Law will enter into force following a decision of the European Commission on the compatibility of aid with the internal market of the European Union.

Cabinet Regulation No.377 of 21 June 2022, Regulations on the Program of Guarantees to Reduce the Economic Effects of Russian Military Aggression Against Ukraine, lays down the procedures for the implementation of the guarantee program, the financing and conditions, and procedures for granting aid and administration of the respective aid. Cabinet Regulation No.349 of 14 June 2022, Regulations on the Loan Program to mitigate the economic consequences of Russian military aggression against Ukraine, lays down the procedures for the implementation of the relevant loan program.

### Loans

The maximum amount of loans per company and group of related entities shall be up to EUR 3,000,000. Several loans may be received by the same company if the total amount of loans to be granted and previously received do not exceed the set maximum amount of loans. The amount of the loan shall not exceed either:

- 15 percent of the average turnover of the previous three financial years of the company; or

- 50 percent of the total energy costs of the company during the 12 months preceding the month of submission of the loan application.

Loans will be issued providing for the following payment term:

- the term of a loan for improving the turnover of the company shall not exceed 3 years, taking into account the activities of the company and the life cycle of the current assets. This period may be extended by one year;
- the term of the investment loan shall not exceed 6 years, considering the business activity of the company and the time of use of assets acquired by means of the loan.

### Guarantees

Guarantees shall be granted for the following new financial services:

- loans for investment;
- loans for financing of current assets, including credit limits (credit lines and overdrafts);
- financial leasing, financial leasing limits.

The guarantee may cover up to 90 percent of the outstanding financing amount. As the principal amount of the loan decreases, the amount of the guarantee will also be reduced proportionally. The amount of financial services covered by the guarantee shall not exceed either:

- 15 percent of the average turnover of the previous 3 financial years of the company; or
- 50 percent of the total energy costs of the company during the 12 months preceding the month of submission of the loan application.

## Eligibility for the aid

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Support shall be granted to companies experiencing a decline in demand and turnover due to Russian military aggression, the termination of existing contracts, disruption in supply chains, price increases and restrictions on future investments.

Aid will not be granted to entities subject to international or national sanctions. Neither will the aid be granted to companies operating in the following sectors:

- sale of arms and ammunition;
- manufacturing and marketing of tobacco products;

- sale of alcohol;
- gambling and betting;
- financial and insurance activities;
- real estate operations;
- development of the real estate that has to be registered in the State Real Estate Cadastre Information System as a residential house or a multi-apartment residential house;
- the purchase of cargo trucks by a company engaged in providing commercial road transportation;
- credit institutions or other financial institutions.

## Contacts for further information

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