

Rödl & Partner

NEWSLETTER LATVIA

SETTING ACCENTS

Issue:
7 April 2020

Covid-19: Update on tools available for
overcoming the crisis

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Content of this issue:

→ Update on tools available for overcoming the crisis

- Tax holidays, tax administration processes
- Availability of downtime compensation
- Alleviation for lease payments
- Updates regarding civil law matters

→ Update on tools available for overcoming the crisis

In order to minimize the negative impact that the restrictive measures introduced in order to stop the spread of Covid-19 have had on the Latvian economy and to provide support to taxpayers affected by the crisis, the Cabinet of Ministers (CM) and Saeima (parliament) have updated multiple support mechanisms.

TAX HOLIDAYS, TAX ADMINISTRATION PROCESSES

According to the amendments to the law “On Measures for the Prevention and Suppression of Threat to the State and Its Consequences Due to the Spread of COVID-19” (hereinafter – the Law):

- tax holidays for up to 3 years will be made available to all taxpayers affected by the Covid-19 crisis;
- restrictions imposed by the European Union’s State Aid Regulations shall not be applicable, namely – taxpayers will no longer be limited by the maximum amount of State aid in the amount of EUR 200 000. These amendments will also simplify the process of receiving and keeping record of receiving support in the form of tax holidays for a period of 3 years.

Saeima has also adapted law “On the Actions of Authorities During the Emergency Situation related to the spread of Covid 19”, which includes a rule authorizing the State Revenue Service (SRS) to decide on not suspending undisputable enforcement procedures that were initiated by the SRS before the beginning of the emergency situation on 12 March 2020.

Said law also authorizes the SRS to suspend exercising control measures in the field of taxation and customs for the duration of the emergency period without including such time periods (for which the control measures have been suspended) when calculating the deadline for carrying out control measures as specified by law. It follows from the annotation of draft of the said law that the SRS should be more lenient to taxpayers who are subject to control measures, for example, by not charging additional tax payments.

AVAILABILITY OF DOWNTIME COMPENSATION

CM has issued new regulation which allows granting downtime compensation to self employed persons, receivers of royalties and micro-enterprise taxpayers, if said persons are on downtime due to the emergency situation and have not received any income from its economic activity during the downtime period.

The following alleviations have been made available to companies affected by the crisis for receiving downtime compensation:

- if the company has been established between 1 March 2019 and 31 December 2019, the turnover drop by 30 percent or by 20 percent is calculated by comparing the relevant data for March or April of 2020 with the average turnover for the preceding months worked so far since the commencement of economic activity;
- maximum amount of allowed tax debt has been increased, i.e. at the time of submitting an application, the tax debt shall not exceed EUR 1 000 (this condition is not applicable to companies that are members of the Due Diligence Cooperation Program);
- restriction regarding the right to recruit new employees during downtime has been clarified, namely – it has been stipulated that a company may not increase the number of employees compared to number of employees at the beginning of downtime.

ALLEVIATION FOR LEASE PAYMENTS

Companies shall submit to lessor – a municipality, the state or a state-owned enterprise – an application requesting being released from lease payments (or reduction of lease payments thereto), except for payments for the maintenance of the property (electricity, heating, etc.) for the time period starting from 12 March 2020 until the expiration of the Law. During this period, lessors are prohibited to apply late payment interest or contractual penalty in case of late payments. It should also be noted that the particular state-aid shall not be applicable to lease for the use of subterranean depths and that the European Union procedures for receiving and keeping record of received state-aid tools shall be followed.

UPDATES REGARDING CIVIL LAW MATTERS

The Law provides for a number of amendments with regard to civil law obligations:

- during the time period from 1 April 2020 to 1 September 2020, the default interest for the delay of performance of civil law obligations shall not exceed the statutory interest as prescribed by law;
- during the time period from 12 March 2020 to 1 July 2020, the running of the statute of limitations for statutory obligations has been suspended. The specific period shall be deducted from the calculation of the limitation period;
- during the entirety of the emergency period and for 6 (six) months after its expiration, the court may – within the framework of the procedure for extinguishing obligations and upon receiving a motivated request from the debtor – to decide on deferring the payments to creditors as stipulated in the procedure for extinguishing obligations, at the same time also extending the total term of the procedure;

- during the emergency period, meetings of creditors within the course of insolvency proceedings may also be convened remotely. The manner in which the meeting shall be held has to be determined by the insolvency administrator;
- as a result of the amendments to the Law, it is now possible to extend the duration of the legal protection proceedings for a period of one year, if, due to the spread and consequences of Covid-19, the debtor has been prevented from fulfilling the plan of legal protection proceedings.

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