

Rödl & Partner

NEWSLETTER LATVIA

SETTING ACCENTS

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Covid-19: State Aid measures in Latvia

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→ State aid measures regarding taxation due to Covid-19

TAX HOLIDAYS

Cabinet of Ministers shall determine enterprises from tourism, catering, international traffic, culture and entertainment sectors will be determined by the Cabinet of Ministers as affected by the crisis assuming material financial deterioration thereto. Enterprises from sector list may apply for tax holidays for 3 years or install tax payments. Application shall be submitted during 2 months after tax payments are due. In that case no interest payments will be applied and an enterprise will not be considered as tax debtor. The list of affected sector enterprises will be supplemented.

Cabinet of Ministers shall determine criteria and procedure for enterprises from other (unlisted) economic sectors for application of same tax holidays. Most likely, such criteria could be sharp decrease of net turnover, interruption in supply chain, interruption in export supply chain, direct effect of Emergency Situation.

Enterprises from unlisted sectors, in order to receive tax holidays for 1 year and not to pay interest payments, may refer to the Declaration of Cabinet of Ministers on Emergency Situation which is in force from to March 12th to April 14th 2020.

TAX RELIEF FOR ADVANCE PAYMENTS

Natural persons which are performers of economic activity may not make advance payments for the tax year 2020 for income from economic activity. Such right shall be applied to payments which had stated from 1 January 2020. Advance payments may be paid at discretion of performer of economic activity.

VAT REFUND

With effect from 1 April 2020 enterprises may not wait until end of the year for VAT refund. The SRS shall refund the approved overpaid amount indicated in the VAT return within 30 days from deadline of submission of the VAT return, date of submission of the VAT return if submitted after the deadline or date of submission of amended VAT return. Before refunding the overpaid VAT, the SRS will cover the unpaid taxes of the taxpayer. The overpaid VAT for January and February 2020 will be refunded by 14 April 2020.

CHANGES IN PAYMENT TERMS OF PROPERTY TAX

In 2020, municipalities have the right to set other deadlines for payment of Immovable Property Tax, which differ from those specified in the Law "On Immovable Property Tax", by transferring them to a later date within the framework of 2020. A municipality may implement that right both by taking a decision on all taxpayers and by defining certain categories of taxpayers.

EXCISE DUTY (BEARING ON EMERGENCY SITUATION)

In order to get tax allowance for non-denaturated alcohol, provided purchase of denaturated alcohol is constrained or impossible, an authorisation of the SRS is necessary.

In turn, where the company, based on the permit issued by the SRS for the acquisition of alcoholic beverages, will itself import or receive alcohol from another Member State, an excise duty security reduction in the amount of 100% will be applied.

The SRS may grant to the companies which have a special permit for the activities of an approved warehouse-keeper and for performing the production of alcohol, an excise duty security reduction of up to 90%. Companies, via the SRS Electronic Declaration System, must inform the SRS on the commencement of the alcohol production process no later than one day before the commencement of the alcohol production process.

Distance sales of Excise goods is allowed, except tobacco products and liquid for electronic cigarettes.

WHITE LIST ENTERPRISES

During 2020-2023 members of project of Due Diligence Cooperation Program may submit to the SRS evidence proving that COVID-19 crisis had affected their tax, financial (loss), solvency and compliance discipline in order to maintain the status in the program. The SRS is authorized to not to exclude member from the program, nor to issue other unfavorable decisions.

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Compensation to employees

In situations where the employers working in affected industries (and other employers that meet criteria set out by the Cabinet of Ministers) are on downtime due to employer being unable to provide work to the employee, the state will compensate the salary of employees on downtime.

Limitations and conditions:

- Employees will be downtime compensation in the amount of up to 75 percent from the average remuneration received in the past 6 (six) months;
- Maximum amount of downtime compensation is set to be EUR 700 per employee per calendar month;
- It is planned that the downtime compensation will be paid to employee directly;
- Downtime compensation is not subject to neither Personal Income Tax (PIT) nor State Social Insurance Mandatory Contributions;
- As soon as the company receiving compensation takes on a new employee, downtime compensation payments will be terminated.

LEASE PAYMENT REDUCTIONS

State and municipal institutions as well as derived public persons and state owned enterprises will have to decide on the following measures with regard to their tenants – companies from affected industries:

- To release from the lease payment duty entirely; or
- To decide on reduction of the amount of lease payment.

Limitations and conditions:

- In case of late payment, neither interest nor contractual penalties will be calculated;
- The previously-mentioned does not apply to payments for utilities used and to property maintenance related services, for which interest and contractual penalties will still apply.

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Simplified corporate governance

RIGHTS TO PARTICIPATE AND VOTE AT SHAREHOLDER (STOCKHOLDER) MEETINGS THROUGH ELECTRONIC MEANS

In order to ensure the possibility to participate as well as to vote at shareholder (stockholder) meetings not only in person, but also remotely, several amendments have been made to the Commercial Law of the Republic of Latvia. The amendments stipulate that the meetings of shareholders (stockholders) of capital companies (SIA and AS) may also be convened remotely (through the use of electronic means), while voting may also take place prior to the meeting of shareholders (stockholders) provided that the respective provisions of the

Commercial Law regarding such voting have been observed.

POSTPONEMENT OF TERM FOR SUBMITTING FINANCIAL STATEMENTS

Companies subject to the Law on Annual Financial Statements and Consolidated Financial Statements will be granted the right to postpone the submission of financial statements or consolidated financial statements for the financial year 2019 for a period of up to 3 (three) months after the deadlines for submission of such documents as stipulated in the Law of Annual Financial Statements and Consolidated Financial Statements.

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Financial instruments

Who will be able to apply for credit guarantee or loan:

- All small and medium-sized companies as well as large enterprises. Financial instruments will not be made available to the following industries: gambling, finance intermediary, distributors of tobacco and alcohol, etc.

CREDIT GUARANTEES

Credit guarantees, which will be provided by ALTUM, will be available in situations where companies will be unable to cover their existing credit obligations due to effects of COVID-19. It is planned that the financing available will reach amount of EUR 50 million, which will allow banks to restructure loans for the total amount of EUR 715 million.

Conditions for credit guarantees:

- In order to apply for the guarantee, the company has to turn, in a timely manner, to the bank, which will assess the situation, as well as its own willingness to postpone the payment principal debt;
- Credit guarantee will only be granted if the company will not have had financial difficulties before the COVID 19 crisis and if the bank will confirm that the guarantee is necessary due to the effects of COVID 19;

- The credit guarantee will be applicable to both new credit obligations, as well as to the restructuring of existing credit obligations;
- Maximum amount of credit guarantee – 50% of the amount of obligations, maximum term – up to 2 (two) years, maximum amount – up to EUR 5 million.

LOANS

It has also been decided that ALTUM will offer loans for the purpose of making investments as well as for financing of new working capital, including for credit limit (credit line and overdraft), finance leasing and finance leasing limits for companies that have been negatively affected by the spread of COVID 19. It is planned that within this program loans in the total amount of EUR 200 million will be issued.

Conditions for loans:

- Loans will be granted only to economically viable companies that will be able to prove that support is necessary due to the effects of COVID 19 and that additional financial support will help to recover and successfully continue commercial activities;
- Loan amount – up to EUR 1 million, but not more than twice of the amount of remuneration (including also social security contributions) paid by the company during year 2019, or a reasonable amount required to ensure

- the liquidity and continuous commercial activities for the next 18 months (for small and medium-sized enterprises) or 12 months (for larger enterprises);
- Term of the loan – up to 3 (three) years with the possibility to postpone the re-payment of

- the loan for a period of up to 12 (twelve) months;
- Loans would be issued with reduced collateral requirements considering the assets available for the company, as well as with a reduced interest rate.

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Other instruments

In addition to all above mentioned tools, the new bill also provides for several additional amendments in relation to delayed fulfillment of civil law obligations, including:

- Until September 1, 2020, creditors will not have the right to submit applications for the insolvency of a legal entity on the basis of criteria set out in Article 57, Points 1 to 4 of Insolvency Law;
- The term for exercising commercial pledge rights will be extended from 30 to 60 days;
- From now on, the time period for voluntary enforcement of a court judgement will not be longer than 60 days from the entry into force of the decision (instead of 10 days as it was before);
- A minimum limit of 60 days has been set for undisputed enforcement of obligations meaning that before creditor can turn to the court with the respective application, a 60 day term shall be observed. If the creditor fails to comply with this term, the judge may decide to reject the application;
- A minimum limit of 60 days has been set for the settlement of a debt. Debtor must be awarded 60 days for the fulfillment of debt;
- Henceforth, prior to turning to a sworn notary in order to apply for a notarial deed for the recovery of a debt, creditor will have to observe a 60 day term from the date the debtor's payment obligation is due.

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