SUPPORT MEASURES AVAILABLE TO THE LATVIAN TAXPAYERS IN RELATION TO THE COVID-19 CRISIS

Information on aid available to taxpayers of the Republic of Latvia

With the escalation of the Covid-19 crisis, governments around the world are introducing short-term protection measures to keep society and businesses safe from the economic impact of this crisis. The Latvian government has also adopted a series of decisions aimed at providing support to industries, businesses, and their employees. In this report, the tax practice team of Eversheds Sutherland Bitāns Law Office has compiled information on state aid measures available for taxpayers of the Republic of Latvia.

1. "Tax holidays"

The following taxpayers can apply for the division of the payment for late tax payments in instalments or deferral thereof for a period of up to three years:

- whose income from economic activity has, due to the spread of COVID-19, decreased by at least 30 per cent in March or April 2020 in comparison with the respective month in 2019;
- whose income from economic activity has, due to the spread of COVID-19, decreased by at least 20 per cent in March or April 2020 in comparison with the respective month in 2019, and they meet at least one of the following criteria:
  - in 2019, the export volume of the employer affected by the crisis amounts to 10% of the total turnover or is not less than EUR 500 000;
  - the average monthly gross work remuneration disbursed by the employer affected by the crisis in 2019 is not less than EUR 800;
  - as on 31 December 2019, long-term investments in fixed assets are at least EUR 500 000.

The taxpayer shall, not later than within two months after setting in of the term for payment or the day of coming into force of this Law, submit an electronic submission through the electronic declaration system to the State Revenue Service (SRS),

The decision of division of the payment for late tax payments in instalments or deferral thereof for a period of up to three years will be cancelled, and the unpaid part of the principal debt will be calculated for the entire period of delay if the taxpayer:

- fails to comply with the time limits specified in the decision regarding the extension of the period of payment of taxes;
- fails to pay current tax payments in full in the periods specified in the Tax law the;
- fails to pay tax payments within the specified period, which has been extended in accordance with the procedures laid down in section 24 of the Law on Taxes and Duties;
- fails to pay tax payments in respect of which the tax administration has decided on the voluntary execution of arrears.

2. Personal income tax (PIT) for economic operators

A payer of personal income tax may not perform the advance payments of personal income tax for the income from the economic activity for the taxation year of 2020. This condition is applicable to advance payments from 1 January 2020. However, the advance payments of personal income tax can be made on a voluntary basis.

If a first advanced payment of personal income tax has been made by 15 March 2020, it can be recovered by submitting an application to the STS for the recovery of the overpayment.

3. Value Added Tax (VAT)
Upon performing the tax administration measures, the SRS refunds the approved and overpaid amount of value added tax within 30 days after the VAT declaration is submitted.

4. **Immovable property tax**

Local municipalities have the right to determine other terms for the payment of the immovable property tax in 2020 by postponing them to a later period within the scope of 2020.

5. **Excise Duties**

During the emergency situation, no Excise Duties apply to undenatured alcohol, however a permit of the State Revenue Service for the purchase of alcoholic beverages shall be received. Additional Excise Duties have been reduced for the:

- purchase of alcoholic beverages and of bring in and (or) receiving alcohol from another Member State in an amount of 100%;
- operation of an approved warehousekeeper and which carries out the production of alcohol in the amount up to 90%.

6. **Submission of the Annual Financial Statements (FS)**

A deadline for submitting FS or consolidated FS has been extended. Subjects of the Annual FS and the Consolidated FS Law can submit their FS or consolidated FS for the Year 2019 3 months later than set by the Law. Religious organization, associations and foundations can submit their FS for the Year 2019 until 31 July 2020.

7. **Participants of the In-depth Cooperation Programme (PICP)**

In 2020, 2021, 2022, and 2023 the State Revenue Service is entitled to not take a negative decision in relation to the participants of the In-depth Cooperation Programme if they have been affected by the crisis caused by COVID-19 and they ensure evidence attesting to the objective circumstances.

Support to PICP shall be provided in the event if:

- the time limits for the submission of accounts and declarations have been delayed;
- reduced tax revenue;
- reduced monthly income of workers in the workplace;
- the amount calculated as a result of the tax audit exceeds 3% of the tax revenue of the year in question

PICP will receive support if the following criteria is met:

- a separate administrative violation penalty imposed to the PICP does not exceed EUR 151, but the total amount of the penalties does not exceed 500 EUR;
- PICP has not been found guilty of committing criminal offences or the criminal record has been extinguished;
- no insolvency proceedings have been declared or proceedings have been initiated, legal protection proceedings, out-of-court legal protection proceedings;
- the economic activity has not been terminated or suspended, the liquidation proceedings have not been initiated;
- the officials of economic operator have not been deprived of the right to take certain posts or the criminal record of the offence has been extinguished;
- it has not been established that the taxpayer or the servicing service has infringed the requirements for the use or servicing of cash registers, hybrid cash registers, cash systems and specialised equipment or equipment;
- the exclusion from the VAT register process has not been initiated;
- has been reachable at the registered office;
- no information on unfair behaviour against tax obligations;
- the official or member shall not be on the list of persons at risk.