



COVID -19 support mechanisms for SME's in Latvia

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COVID -19 WAVES

FIRST LOCKDOWN

March 2020 – June 2020

The Republic of Latvia announced a state of emergency from **12 March 2020 to 14 April 2020**, taking into account the rapid spread of the virus COVID19 in the world and efforts to limit it in Latvia in order to ensure that it is kept under control as much as possible. Later it was extended and the state of emergency **ended on 10 June**.

SECOND LOCKDOWN

November 2020 – January 2021

A new state of emergency was reinstated on **9 November 2020**, continued December 2020 to restrict access to services in the first weeks of 2021 will have a significant impact on the overall economic activity. The number of cases kept rising at the turn of the year and the state of emergency was extended to 6 April 2021.

The vaccination programme began at the 2021 year.

THIRD LOCKDOWN

October 2021 – February 2022 ongoing state emergency situation

On **October 21**, a nearly month-long lockdown period began with strengthened security measures and restrictions on the movement, including a curfew between the hours of 20:00 and 05:00 and suspension of majority of stores and services.

COVID-19: legal acts

Legal acts in English that are related to the declared emergency situation have been compiled on this page. The purpose of the emergency situation is containing the spread of COVID-19.

Since Latvia was hit by the pandemic caused by the coronona virus COVID -19 and the associated enforced restrictions were put in place overall **53 legal acts has been developed**. MAIN are:

- Law on the Management of the Spread of COVID-19 Infection
- Law on the Suppression of Consequences of the Spread of COVID-19 Infection
- Cabinet Regulation No. 662 "Epidemiological Safety Measures for the Containment of the Spread of COVID-19 Infection"
 - Previously: Cabinet Regulation No. 360 [Entry into force: 10.06.2020. - End of validity: 11.10.2021.] "Epidemiological Safety Measures for the Containment of the Spread of COVID-19 Infection"
- Cabinet Order No. 720 "Regarding Declaration of the Emergency Situation"
- Epidemiological Safety Law
- President Notification No. 8 "Basic Principles of Activity of State Constitutional Bodies in an Emergency Situation"
- Cabinet Regulation No. 675 "Regulations Regarding the Provision of Aid to Taxpayers for the Continuation of their Activity in the Circumstances of the COVID-19 Crisis"
- Cabinet Regulation No. 676 "Regulations Regarding Aid to Undertakings Affected by the COVID-19 Crisis for Ensuring the Flow of Working Capital"
- Cabinet Regulation No. 219 "Procedures for the Granting, Administration, and Supervision of State Aid to Agriculture in order to Mitigate the Negative Impact of the Spread of COVID-19"
- Cabinet Regulation No. 149 "Regulations Regarding Loans for Current Assets to the Enterprises the Activity of which has been Affected by the Spread of COVID-19"
- Cabinet Regulation No. 150 "Regulations Regarding Guarantees for the Enterprises whose Activity has been Affected by the Spread of COVID-19"
- Recommendations of the Ministry for Health No. IeNA/8 "Recommendations for the Prophylaxis of COVID-19 infection"

THE BEGINNING OF COVID-19 PANDEMIC

The Republic of Latvia announced a state of emergency from 12 March 2020, taking into account the rapid spread of the virus COVID19 in the world and efforts to limit it in Latvia in order to ensure that it is kept under control as much as possible. On 13 March, 2020 the government announced a billion euro support for businesses affected by coronavirus provided as "financial instruments" (such as tax holidays or sick leave pay) via the state-owned ALTUM development bank.

On March 26, 2020, the Government of Latvia approved the criteria and the **procedures for receiving aid**, in which a company affected by the Covid-19 crisis in any sector can qualify for downtime allowance and tax holidays for up to three years. Businesses whose revenue from economic activity in March or April 2020, compared to the relevant month of 2019, has decreased by at least 30 per cent due to the distribution of Covid-19; Businesses whose revenue from economic activity in March or April 2020 compared to the relevant month of 2019 has decreased by 20 per cent due to the distribution of Covid-19, provided that they meet at least one of the following:

1. the export volume of the company accounts for 10% of its total turnover in 2019 or is not less than EUR 500 000;
2. the average monthly gross salary paid by the company in 2019 is not less than EUR 800;
3. the long-term investment in fixed assets on 31 December 2019 is at least EUR 500 000.

At the end of May 2020, the government **approved the Latvian economic recovery plan** "Strategy for Latvia for Mitigation of the Consequences of the Crisis Caused by Covid-19" developed by the Ministry of Economics together with entrepreneurs, industry experts and organizations representing businesses. To overcome the crisis, the strategy proposes to take three consecutive steps: to stabilize the economy in 2020, to refocus the economy in 2021-2022, and the growth phase would start from 2023

Declaring a state of emergency means wide restrictions on business as well as other areas of household, which inevitably means optimizing funds and potential losses.

The Ministry of Economy informs that the Saeima has adopted and the President of Latvia has proclaimed the Law On Measures for Prevention and Management of State Hazard and Its Consequences in relation to the spread OF COVID19 (hereinafter - Law). The Law entered into force on 22 March 2020.

Providers of Health Tourism services in Latvia

The range of providers associated with healthcare (including rehabilitation) is wide enough:

State owned hospitals and clinics

Municipality owned hospitals

State, municipal and private owned rehabilitation centres

Private hospitals

Private mono clinics

Private multifunctional clinics

Health centres

Social care service institutions

Spa&wellness hotels, Day spa centers

COVID restrictions for health tourism 2020

The government suspended health services as part of medical tourism during the periods of state of emergency.

Law on the Management of the Spread of COVID-19 Infection talk about : “the restrictions on the provision of health care services (maintaining those health care services which are **life-saving and which require continuity of treatment**)”

At 2021/2022 the same time, the Minister of Health has the right to authorize the provision of these services in **humanitarian cases**. Information from the Health Inspectorate shows that more than 100 persons from countries with high prevalence of COVID-19 enter Latvia each week for medical tourism, thus posing an additional risk to the spread of imported cases in the country. Similarly, the care of these patients requires additional resources from health professionals, which are currently necessary to provide health services to local residents.

The Health Inspectorate shall inform that in accordance with Sub-paragraphs 168.7 and 168.8 of Regulation No. 662 of 28 September 2021, epidemiological safety measures for the containment of the spread of COVID-19 infection (hereinafter - Regulation No. 662), medical treatment institutions providing health care services within the framework of health tourism, an application for a co-ordination of the Health Inspectorate regarding receipt of a treatment (diagnostic and therapy) service within the framework of health tourism shall be submitted for foreigners entering Latvia from high-risk and particularly high-risk countries other than the European Union and European Economic area State, the Swiss Confederation and the United Kingdom.

The **Health Inspectorate shall issue** a co-ordination if the receipt of the treatment service referred to in the submission conforms to humanitarian considerations or imperative necessity. In addition, the Health Inspectorate shall request the medical treatment institution to indicate the justification for the receipt of the health care service to a foreigner in Latvia.

COVID support for SME's 2020

During the 2020, particular emphasis was placed on the support provided to entrepreneurs in the tourism sector affected by the COVID-19 crisis. Restrictive measures had a particularly negative impact on providers of hotels (incl.SPA`s) , beauty and health care providers, restaurants and catering sector, entertainment, organization of events, etc.

Extension (deferral or division in instalments) of tax payments

Extension (deferral or division in instalments) of tax payments up to 3 years on request by the company (costs EUR 139.2 million in 2020). Application for extension of tax payments had to be filed by 30 December 2020.

Postpone real estate tax payment

Local governments/ municipalities postponed real estate tax payment within 2020.

Subsidised jobs

Subsidised jobs 30% of the compulsory State Social Insurance contributions paid by the SME's affected by the crisis in 2019, but not more than EUR 800 000 for a related person. Support for job subsidies were valid till 31.12.2020. Completely finance support for this programme were 19,2 mln EUR

COVID support mechanism for enterprises

Taking into account the second wave of Covid-19, the Cabinet of Ministers approved new support programmes at its meeting of 10 November 2020:

support programme for **working capital compensation** for SMEs and large enterprises, under which grants were available amounting to 30% of the company's total gross wages, for which payroll taxes were paid in August, September, and October 2020, but not more than 50,000 euro for the support period from 1 November to 31 December 2020. Available to companies in those sectors where operations have been restricted since 6 November 2020, when the state of emergency has been declared in the country.

downtime support to compensate remuneration of employees, self-employed persons and patent-fee payers (downtime support) and support to compensate remuneration to part-time employees (wage subsidy support). The support was available in the sectors where operations are restricted by the state of emergency declared in the country. Downtime support was available to the employee in the amount of 70% of the declared average monthly gross wage for the period from 1 August to 30 October 2020, not less than 330 euro and not more than 1000 euro. Downtime support for a self-employed person and a recipient of royalties is 75% of the average income or royalties, but not more than 1000 euro, and a downtime benefit for a patent-fee payer is in the amount of 330 euro. The wage subsidy support was available at 50% of the declared average gross monthly earnings in August, September, and October.

loans and their interest rate **subsidy programme or crisis syndicated loans**. Large and medium-sized enterprises were able to receive syndicated loans. ALTUM loans were provided jointly with credit institutions. An undertaking was able to receive a loan of up to 15 mln euro. Loan interest rate subsidies were applied to ALTUM loans. The term of the loan was determined taking into account the specifics of the industry, the purpose of using the loan, the amortisation period of the investment and other aspects. The term is up to 20 years for loans for initial investment, not exceeding the useful life and amortisation period of the assets to be acquired. The loan was not exceed 3 years for working capital loans, where the allowable costs are calculated on the basis of the estimated wage costs of the jobs. created as a result of the initial investment. The support was available until 31 December 2021. State budget funding of 50 mln euro was planned for the implementation of the programme.

COVID support mechanism for enterprises

Several support programs have been developed, the results of which show a significant contribution to the national economy for mitigation of the consequences of Covid-19:

credit guarantees and portfolio guarantees – for the companies, which, due to the spread of Covid-19, have experienced objective difficulties in making loan payments to banks, have access to a guarantee allowing the commercial bank to **postpone payments of the principal amount**. The programme has been implemented since 25 March 2020, and the state budget funding for it is 50 mln euro.

By 23 October 2020, 193 guarantees for the amount of 31.9 mln euro guaranteeing loans for the amount of 88.64 mln euro.

capital investments in undertakings the operation of which has been affected by the spread of Covid-19, for the implementation of which 50-mln-euro state budget funding was provided;

guarantees for large enterprises the operation of which has been affected by the spread of Covid-19, for the implementation of which 40-mln-euro state budget funding was provided;

downtime benefit for the employers affected by the crisis for compensation of wages of employees in the period from 14 March to 30 June 2020, the State Revenue Service has paid 53.8 mln euro as part of the support.

Export insurance support.

Till 24.03.2021. the **ALTUM** programs has provided almost € 260 million in support to **entrepreneurs in mitigating the effects of the crisis.**



COVID support for SME's 2020

MoE granted EUR 19.2 million in support of economic operators of the tourism sector whose activities have been affected by the spread of COVID-19. The submission of applications under the support programme concluded by 18 December 2020. Overall, in 2020, support was provided to 907 enterprises in the amount of 14.9 million euros, facilitating the retention of existing employees in the tourism sector and related service providers and the preservation of jobs.

Special support mechanisms for **covering repatriation costs** for tourism operators, aid in the amount of EUR 0.8 million was granted, providing that tourism operators registered and licensed in Latvia may submit applications for the receipt of the CRPC grant in order to compensate for the costs of repatriation of Latvian tourists incurred as a result of the spread of COVID-19. Overall, in 2020, the aid was paid to three licensed tour operators in the amount of €0.4 million, providing funds to compensate for the costs of 1,391 repatriated persons.

A support mechanism for **self-isolation in tourist accommodation** was also developed during the reporting period, providing support to those confirmed to have a COVID-19 infection and their contacts. The aid became available as of 23 December 2020. The programme has a total funding of EUR 2.1 million. Support was provided to cover the costs of accommodation and catering services in the tourist accommodation, the State shall cover 100% of the total amount of accommodation and catering services, but not more than **EUR 45 per day** (EUR 35 for accommodation and EUR 10 for catering). The duration of the accommodation were 14 days or the time period specified in the doctor's certificate. Clarifications were made to the backstop at the beginning of 2021 and its implementation was extended until 30 June 2021.

COVID support for SME's 2021 -2023

Promoting international competitiveness

Support measures for marketing activities. EU 80% financing, per year till 40 000 EUR. Advertisements, creation of websites, digital tools, like e-shops, participation in travel fairs, workshops, for certification, for product development, for sales activities etc. Support attracting new foreign tourists after COVID-19 crisis, providing support specifically for development of business tourism, support for export SME's. Support valid from 2021 -2023.

Business voucher

To promote innovation activity in enterprises with technology transfer and highly qualified employees, supporting the development of new or significantly improved products or technologies – 50 000 EUR. EU 80% financing. For market research, for product development, for product marketing activities. Totally 1,3 mln.



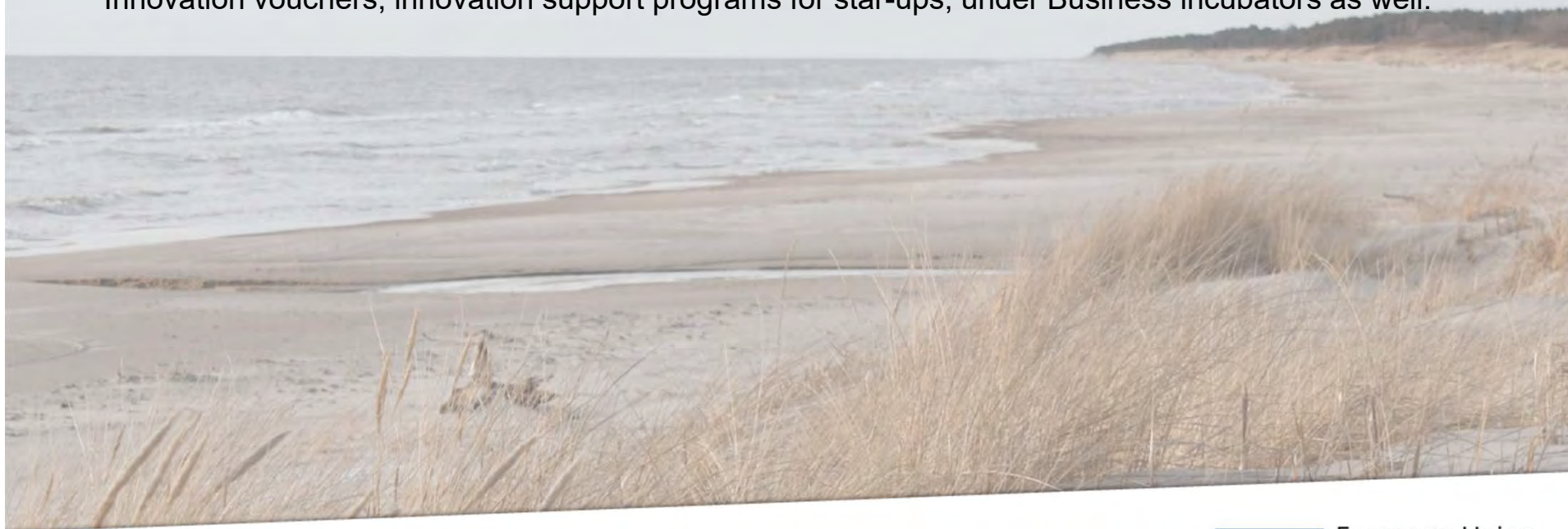
COVID support for SME's 2021 -2023

Trainings

Aid for training workers during autumn/winter. 352 000 EUR, additionally till 2023 – 1,8 m EUR

Support for innovations and digitalization by several programs

Innovation vouchers, innovation support programs for star-ups, under Business incubators as well.



SUPPORT MECHANISMS	SECTOR	SUM
Payout of compensation to employees of companies – DOWNTIME ALLOWANCE	ALL	14 M euro
Loan for liquidity (aid administered by the Development Finance Institution);	ALL	Around 5 M euro
Tax aid (extension of the tax period; deferred payment; faster reimbursement of VAT overpayment) tax administration	ALL	NA
Credit Holiday Guarantee (aid administered by the Development Finance Institution)	ALL	NA
Aid for company rentals (aid administered by the Development Financial Institution)	ALL	NA
Advice provided on export promotion activities; Investment and development agency of the Republic of Latvia	ALL	NA
Working capital loans for companies affected by Covid-19. The programme has been implemented since 25 March 2020	ALL	50 mln euro+ALTUM co-financing of 150 mln euro
Capital investments	ALL	50 mln euro state budget funding is provided
Guarantees for large enterprises	ALL	40 mln euro state budget funding is provided
Downtime benefit for the employers affected by the crisis for compensation of wages	Affected sectors	100 mln euro
Support programme for working capital compensation for SMEs and large enterprises, under which grants amounting to 30% of the company's total gross wages, for which payroll taxes were paid in August, September, and October 2020, but not more than 50,000 euro for the support period from 1 November to 31 December 2020. Available to companies in those sectors where operations have been restricted since 6 November 2020, when the state of emergency has been declared in the country.	Affected sectors	N/A
Downtime support to compensate remuneration of employees, self-employed persons and patent-fee payers (downtime support) and support to compensate remuneration to part-time employees (wage subsidy support).	Restricted sectors	N/A
Loans and their interest rate subsidy programme or crisis syndicated loans. Large and medium-sized enterprises are able to receive syndicated loans.		50 mln



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