

CIT on gifts and donations to mitigate Covid-19 consequences (2/48/20)

Although Latvia has again announced a Covid-19 emergency situation from 9 November, aid measures are available under the Covid-19 Act effective from 10 June. This article explores how the Act governs the corporate income tax treatment of gifts and donations in 2020.

Gifts

Gifts are non-business expenses under section 8(2)(3) of the CIT Act. Yet [section 7 of the Covid-19 Act](#) makes an exception: gifts to social groups affected by the emergency situation and to persons whose core activity is medical services, education, charity or assistance to people on low incomes, disabled persons or children, are business expenses if the following conditions are met at the same time:

- The recipient of the gift is not related to the company;
- Details of the gift are disclosed to the public; and
- Details of the gift and its recipient are filed with the SRS.

It is important to note that this rule applies only to gifts of goods and services made over the period from 12 March to 31 December 2020.

For example, if a company donates a certain amount of money to a family doctor or to a charitable foundation that is not a public benefit organisation, this is a non-business expense and attracts CIT. If, however, a trader gives away his own goods or services or those acquired from other traders (e.g. tablet computers for a school or foodstuffs for a hospital) those gifts are treated as business expenses, are omitted from the CIT return, and are exempt.

A company having made this sort of gift in 2020 will have to file details of its amount, date, recipient and reason, along with the CIT return for December.

In its updated guidance "[How to complete the CIT return](#)" the SRS explains the CIT treatment of gifts and what information needs to be filed with the SRS.

Donations

[Section 8 of the Covid-19 Act](#) gives additional relief to companies making donations to mitigate the consequences of the Covid-19 pandemic. A donation meeting the requirements of section 12 of the CIT Act allows the company to add another three percentage points of its after-tax profit for the previous financial year to the amount of donations that is excluded from the taxable base. So, the additional relief is available on the first type of donation relief at 8% (up from 5%) of the after-tax profit for the previous financial year.

This rule applies to donations made over the period from 12 March to 31 December 2020 and aimed at mitigating the consequences of Covid-19.

So, when it comes to making gifts and donations to mitigate the Covid-19 consequences, remember that

special CIT reliefs are available this year under the Covid-19 Act.