

State aid measures for taxpayers in emergency circumstances 1/48/20

On 6 November an emergency situation was again announced in Latvia, with a number of restrictions significantly affecting taxpayers' business. The current state aid mechanism has been devised according to the guidelines adopted in the spring, but there are a number of differences we should consider to understand what aid measures are available to taxpayers this time round.

Based on what the Cabinet of Ministers decided at the emergency meeting of 6 November, the Cabinet on 10 November debated draft rules defining the types and levels of available state aid measures and listing criteria taxpayers must meet to qualify.

Eligibility

State aid is available to employers and self-employed persons meeting the following criteria:

1. Carrying on a business in an industry that is totally or partially subject to the restrictions (see appendix);
2. Turnover during the aid period has dropped by at least 20% compared to the average turnover in August, September and October 2020.

A taxpayer can apply for both idleness benefit and wage subsidy, but a worker cannot receive both at the same time.

Idle workers' compensation

This compensation is payable to idle workers at 70% of their monthly average gross pay reported for the period from 1 August to 30 October 2020, or for any months after 1 August in which they actually worked. In the case of a micro-enterprise taxpayer, this compensation is payable at 50% of the monthly average gross pay for the third quarter of 2020.

Idleness benefit ranges from EUR 330 to 1000 per calendar month. This amount is exempt from national social insurance contributions and personal income tax, and is payable within five working days after the State Revenue Service ("SRS") decides to award it.

A worker will also be awarded EUR 50 extra for each dependent child aged up to 24 (registered with the SRS as a dependant).

The employer can opt for paying the difference between the idleness benefit and the worker's pay to ensure they receive 100% of their pay.

Part-time workers' wage subsidy

The aid to compensate part-time workers is paid to the employer as a wage subsidy equal to 50% of their monthly average gross pay reported for the period from 1 August to 31 October, capped at EUR 500 per calendar month per worker.

The employer is required to pay the difference between the aid received and the worker's pay to ensure

they receive 100% of their pay.

How to apply

We explained in the spring how taxpayers can apply for idleness benefit. A similar procedure is in place to apply for wage subsidy. In either case, along with an application, the employer must file the following statements with the SRS:

- The worker covered by the aid claim is not on sick leave;
- The emergency situation has suspended or downsized the employer's business, and the worker's employment would be terminated but for this aid (idleness benefit or wage subsidy); and
- The worker's employment will not be terminated during the period covered by the aid.

Ineligibility

- The employer has defaulted on his obligations to the SRS, e.g. outstanding debts or breaches causing the business to be restricted;
- The employer is insolvent;
- Members of the employer's council;
- Any calendar days for which sickness benefit is awarded;
- The employer has hired his labour out to another taxpayer;
- Persons employed by state-funded institutions or state-controlled entities.

This aid excludes any other benefits (e.g. it is illegal to receive both sickness benefit and idleness benefit or wage subsidy at the same time).

What mainly differentiates the two types of aid is that for idleness benefit, paying the difference is the employer's option, but for wage subsidy it is the employer's obligation.

A list of employers whose workers receive this aid is posted on the SRS website.