

Latvia

Lithuania

Estonia

Tax

Suspension of payment of the so called current taxes (all or specific) till (for how long) and to which or any industries?

Regulation in force:

- *Taxpayer* – can request suspension (or division) of an existing tax debt if the tax debt has arisen because of *force majeure* circumstances (e.g. epidemic, state of emergency);
- *Period* - up to 1 year;
- *Tax authority* - has the right to suspend (*divide*) the payment of tax debt;
- *Industry* - any;
- *Tax* - any (listed in Article 20 of the Law “On Taxes and Duties”).

Planned regulation (based on existing information) to overcome the financial difficulties created by COVID 19:

- *Taxpayer* – can request existing debt payment suspension (*or division*), if the financial difficulties were incurred as a result of the effects of Covid-19 (*decrease in turnover, disruption of supply chains, disruption of export supplies, direct effects of the emergency situation*);
- *Period* - up to 3 years;
- *Tax authority* – has the right to suspend (*divide*) the payment of tax debt. In this period late payment charge is not calculated;
- *Industry* - will cover the sectors most affected by the Cabinet regulations, such as tourism, etc. (according to the information provided by Ministry of Finance, the sectors are currently specified by the Ministry of Economics in cooperation with industry associations;



- *Tax* - any (listed in Article 20 of the Law “On Taxes and Duties”).
- The Ministry of Finance has been instructed to develop the Planned regulation by 24.03.2020. An additional meeting is also scheduled for 19.03.2020. Accordingly, the content of the regulation adopted may differ.

At the moment a draft law is in process, which will be referred to the Parliament as a matter of urgency and will enter into force on 12 March this year- when the State declared state of emergency.

In addition, it is intended that the Personal income tax (PIT) payers who carry out economic activities may not perform PIT advance payments in 2020 (late payment charge will not be calculated).

Tax holiday:

The existing regulation stipulates that extension, suspension, division of the term of late tax payments do not release the taxpayer from the obligation to make full payments of regular tax payments.

Currently also it is not intended that certain taxes in current circumstances may not be paid at all.

Tax holiday:

Since some companies now face business challenges due to COVID-19, the State Tax Inspectorate recently announced that:

- *Taxpayers* may be exempt from tax declaration or submission of other documents required by the laws, in case a taxpayer does not carry out its activities temporary, i.e. does not enter into or carry out any transactions; fails to settle accounts with other undertakings; does not receive any income other than interest on the funds held in the bank accounts of the taxpayer;
- *Period of such exemption* – temporarily, for 2 weeks i.e. from 16 March until 30 March
- *Tax authority* also has the right to exempt the taxpayer from tax declaration or submission of other documents required by the laws;
- *Industry* – any;
- *Tax* – advance income tax.

Tax holiday:

The calculation of late penalty interest on tax arrears has been stopped retroactively as from 1 March 2020 until 1 May 2020. The tax declarations must still be submitted on time.

The tax authority has committed to be flexible in debt proceedings and not to apply enforcement measures during the emergency situation period. The Government is working on more extensive tax stimulus package, which has not been announced yet.



Idle Time

If due to the extraordinary circumstances and decision of the government on the state of emergency, the business of the employer is affected or interrupted, the idle time incurs with regard to the employees in this situation - the employer is not able to provide the work to an employee. Pursuant to provisions of the Labour Law, in case of an idle time, employee is entitled to receive the salary throughout the duration of the idle time. The employees shall be informed on the idle time in the company. However, the employer is entitled to impose more radical measures, and to perform the procedure of reduction of the number of employees in the company or even collective redundancy.

On 17 March 2020, by taking into account the emergency situation and quarantine announced on a state level, the Lithuanian Parliament allowed persons to defer or structure the payment of tax arrears of calculated Personal income tax (PIT) according to the same order applicable to payments of tax arrears of other taxes. The President's approval is already in place and the relevant laws came into force on 19 March 2020.

On 18 March 2020, it was decided to facilitate tax payments to the State Tax Inspectorate and payment of social insurance contributions to the State Social Insurance Fund. The State Tax Inspectorate soon will announce a list of tax payers which will be subject to the following measures: suspension of recovery of declared taxes; exemption from default interest payment; in case of conclusion of the tax instalment agreement, interest will not be calculated against them. These measures will be applicable in respect to both, taxes to the State Tax Inspectorate and contributions to State Social Insurance Fund.

Idle Time

As of 16 March 2020 until 30 March 2020 quarantine regime is announced in Lithuania. All educational facilities are closed, education is organized remotely, as well as the activities of public sector. All public events are forbidden, activities of catering facilities are prohibited (except for take-out service and food delivery). Only shopping venues that sell food products, pharmacies, veterinary offices and optician's stores are allowed to be open during the quarantine period.

Since businesses in Lithuania have basically stopped their activities and not all of them are able to organize operations remotely, employers started considering announcements of idle time. Taking this into account, on 17 March 2020 the Lithuanian Parliament approved

Responsibilities for both employer and employee during the emergency period:

Employers have an obligation to ensure that the working conditions correspond to the occupational health and safety requirements. Therefore, if possible, the employee should enable to work remotely from home.

Employees arriving from abroad are required to stay home for two weeks and monitor their health. If the employee has returned from a risk area the employer and the employee must come to an agreement on the subsequent way of working. The suggested solution is to enable the employee to work remotely from home. If this is not possible, both sides must reach an alternative agreement. If the employee and



Currently there are active discussions on state support to be granted for the entrepreneurs which face the idle time due to the state of emergency declared in the country. However, until this moment, there is no valid applicable regulation adapted in this regard.

Today (19.03.2020.) the Cabinet of Ministers reviewed a temporary draft law prepared by the Ministry of Finance regarding measures for the prevention and management of State threats and the consequences thereof in relation to the spread of Covid-19, hereinafter "the Law".

According to the Law, if the employer of the sectors affected by the crisis does not employ the employee or is in idle (does not perform the activities necessary to assume the performance of the employee), the remuneration of the employee, which is up to 75% of the remuneration specified in the Labour Act, but no more than EUR 700 per calendar month, shall be compensated in accordance with the procedures specified by the Cabinet of Ministers. The idle allowance shall not be a subject to personal income tax and the mandatory state social insurance contributions.

It is planned to grant such support only to certain industries. The Ministry of Finance plans to develop the list of such industries together with Latvian Employers Confederation, Free Trade Union Confederation of Latvia, Latvian Chamber of commerce and industry and other partners.

Such support could be applied since March 12, when the Cabinet of Ministers announced the state of emergency.

Taking into consideration current extraordinary circumstances, which is unexpected for both the employers and employees, both involved parties are invited to agree on terms which would allow to preserve the employment relationship in this situation.

amendments to the relevant laws and allowed employers to announce idle time in case of emergency situation or quarantine on a national level.

Since these amendments have already come into force, the employees from now on will be ensured with income amounting to not less than the minimum monthly salary (MMS) during the idle time, since, in order to maintain job positions, the state undertook to provide businesses with subsidies for such maintenance consisting of 60 or 90 percent of MMS (but not exceeding EUR 607 gross). On 17 March 2020 the Lithuanian Parliament also decided that during the national quarantine or emergency situation such subsidies to employers will be provided for up to 3 months. The President approved all of the amendments related to the above-stated, which came into force on 19 March 2020.

Employers in Lithuania are prohibited from forcing their employees to take unpaid or paid annual leave.

Some employees have been granted sick leave before quarantine regime, when the schools and kindergartens were closed.

On 17 March 2020 the Lithuanian Parliament made some amendments to the Labour Code: it was supplemented with Part 31 Article 49 thereof, according to which, in the event of an emergency situation or quarantine regime announced by the Government, the employer is obliged to offer to work remotely to its employee whose health threatens the safety of other employees. If an employee refuses to work remotely or does not provide an answer to the employer in this regard, the employer shall remove him/her from work duties and is entitled not to pay respective remuneration. The President approved the amendment stated above and it came into force on 19 March 2020.

the employer do not reach an agreement, the employer has to pay the employee an average earning. The employment law does not permit compulsory leave.

No sickness leave is paid, if a person only suspects illness. Sick leaves are issued only to patients who are actually ill.

The all educational institutions including comprehensive schools, vocational schools, higher educational institutions, youth centres and free time centres are closed, except for kindergartens and day care centres. Education is organized remotely, as well as the activities of public sector.

If the parent has to stay at home with a child, who cannot be left home alone, the employer shall pay the employee average wages for a reasonable period when the employee cannot perform work. However, this situation is permitted only for a reasonable period within which the employee could be expected to arrange for the care of their children.



Do employers have any incentive not to fire their employees?

This aspect should be assessed individually by each employer. Currently, it is challenging for any employer to predict for how long the current suspension will be into force and therefore how significantly its economic activity will be affected.

If State aid will be approved at national level and if it will be applicable in the relevant employer's industry, then the employer must assess whether by receiving this aid, the he/she is able to survive without taking any radical steps.

For those employers who are not eligible for State aid should assess whether the costs and administrative burdens that will arise in the event of employee reduction (in the termination period of one month the salary is payable and the employee shall also receive a severance pay) and the costs that may appear while seeking for new employees won't be higher than the expenses expected for maintaining the employment relationships with the existing employees.

Sick leave payments – for those who re self-isolated, babysitting their children (in schools are closes) – which party finances these sick leaves – state, employer (for what duration),

Is that applied for specific industries or for anyone, what are the preconditions?

Sick-leaves are issued for:

- Adults having sickness caused by Covid-19 (if the person has symptoms or sickness is established);

Do employers have any incentive not to fire their employees?

According to amendments to the relevant laws, which already came into force, the state shall provide respective financial support to the employers with respect to idle time remuneration (up to 60 or 90 percent, but not more than minimum salary).

In respect to support from the Government, by implementing the plan for economy stimulation and reduction of consequences caused by COVID-19 adopted on 16 March 2020, as well as by seeking to ensure proper financing to areas that suffer the most from COVID-19 – health protection and employment, as quickly as possible, on 19 March 2020 the Government decided to allocate additional EU funding to the Ministry of Social Security and Labour – EUR 42 m. These funds will be used to support persons in idle time due to emergency situation related to COVID-19.

For this purpose, the Ministry of Social Security and Labour will allocate EUR 20 m in addition to EU funds already in place.

Apart from what is mentioned above, no other governmental support currently is approved specifically in this regard. Since the provision of abovementioned support is related to national quarantine regime / emergency situation, all companies should be subject to it.

Do employers have any incentive not to fire their employees?

For companies whose turnover and revenues have fallen sharply the Unemployment Insurance Fund compensates the wages for two months in amount of 70 percent of the average gross salary of the previous 12 months, but not more than 1000 euros.

The employer is obliged to pay the employee at least EUR 150 in addition, as well as the labour taxes.

The cost of the support measure is expected to amount up to EUR 250 million.



- Adults which have returned from abroad and are employees in educational institution, which is visited by children, medical institution or social care institution and their position requires close contact with recipient of service, client or patient – sick leave is issued for 14 days calculating the term from the day when he person has left the country abroad. These industries are exception!
- If the epidemiologist of Latvian Centre for Disease Prevention and Control has recognized this person as a contact person and isolation is required;

Parents are able to receive the sick leave B (paid by the state) in following cases when having children below 7 years who:

- Have returned from Covid-19 affected territories;
- whose family member has returned from Covid-19 affected territories;
- have been in contact with people having Covid-19 or their contact persons, and to whom special precautionary measures are applied and home quarantine is determined for 14 days since leaving the affected territory or since contact with person having Covid-19 or its contact person.

If the adult has self-isolated (upon own discretion or if the person has returned from risk territories or has been in contact with persons having Covid-19 or their contact persons), but the adult has no symptoms and has not a positive result of Covid-19 test, sick-leave is not issued.

Sick leave is not issued if an adult stays home due to necessity to babysit children. Currently schools are closed but kindergartens are opened.

If the child is 7 or more years, then it is a choice and responsibility of parent to stay home – in such case, it is not considered as justified absence from work.

If the child is under 7 years, and kindergartens are still open pursuant to government's decision, it is not justified absence from work as well.

Pursuant to the currently applicable regulation, in cases when the sick leave A (for the first 10 days of sickness) is issued for the employee, it is paid by the employee. For next days of sickness, sick leave B is issued which is paid by the state.

The state plans to urgently adopt merits in order to support employers. In government meeting, amendments to law On Maternity and Sickness Insurance were adopted which foresee that the sick leave in emergency situation, which is issued in relation to spread of Covid-19, shall be paid by the state starting from the second day of sickness, and the sick leave B will be issued in these cases respectively. However, these amendments are yet to be approved in parliament.

Information on TOP 4 banks regarding the current developments during the emergency:

Swedbank: Companies and individuals will be able to apply for postponement of repayment of the basic amount of credit for up to 6 months and in the case of property credit for up to 12 months of credit holidays. In order to apply for credit holidays, companies and individuals can send their applications in the form of a notification for the bank in Internet Banking. Credit holidays relate to basic payments, while interest payments will still have to be made. During the credit holiday, the unpaid principal amount will be divided into the remaining maturity of the loan. Customers will be able to terminate their credit

Credit holiday:

On 17 March 2020 the Lithuanian Parliament decided to extend the list of cases for "credit vacation" in case of emergency situation and quarantine announced on a state level. Respective changes to the Law on Consumer Credit stipulating that the debtor is granted with a right to defer credit payments if he/she or his/her spouse loses at least 1/3 of income were adopted. The mentioned law also establishes that creditors from now on upon the debtor's request will be statutory obligated to consider these difficulties and apply deferrals to debtors for up to 3 months (general rule). However, during this deferral period the borrower shall maintain the obligation to pay interest. The above mentioned

Credit holiday:

Although there have been talks about credit vacations and some banks have announced the possibility to agree on vacation, no credit vacations imposed by the Government have been announced.

holidays at any time and return to the normal payment schedule. Swedbank has decided not to make any other changes to the contracts and not to apply the fees of the Commission for the modification of the credit, neither at the beginning nor on the expiry of the credit holidays. At present, all customer service centres are working in normal mode. Customers are invited to use remote services.

SEB Bank: from Thursday, March 19, in all branches of the SEB Bank, customers will only be able to receive services with pre-registration while confirming that they have not been abroad in the past 14 days. SEB Internetbank, mobile app, payments with billing cards and ATMs are still working as customary. On the other hand, advice on credit and savings can be made quite simply by applying for video consultations in their Internet banking.

Citadele: there is a possibility to receive a simplified procedure for repayment of the basic amount of credit for 3 months or up to 6 months, individually considered on a case-by-case basis. Citadele has already been negotiating with the affected companies since the beginning of the last week, to assess each situation individually.

Seniors are offered to handle their payments via telephone. (reduced Commission).

Luminor: all customer service centres are currently working in normal mode. Customers are invited to use remote services.

Cabinet regulations regarding guarantees for performers of economic activities affected by the prevalence of Covid-19.

These Regulations prescribe the conditions for granting of aid in the form of guarantees to performers of economic activities who have been affected by the prevalence of Covid-19.

amendments are approved by the President and came into force on 19 March 2020. All banks shall comply with the amended regulation. In addition, see below information regarding TOP banks operating in Lithuania:

Swedbank: due to quarantine declared in Lithuania from 16 March 2020 till 30 March 2020, the branch will service only the customers who have registered in advance and will only provide the following essential services: delivery of payment cards; issuance of authentication tools for the Internet Bank; other essential operations that cannot be performed remotely.

SEB Bank: Due to the two-week nationwide quarantine from 16 March 2020 till 30 March 2020, SEB branches in Lithuania accept only pre-booked visits for the necessary services.

Luminor: bank services are provided as usual but the number of persons in the physical consultation centres is limited to 5 clients at once. The bank recommends consultation via phone, video or conversation apps. From 16 March 2020 the branches are open only for the transactions that cannot be carried out remotely.

Danske Bank: From 16 March 2020 till 30 March 2020 the Lithuanian offices are closed but consultants can be contacted remotely.

Guarantees for performers of economic activity will be available in situations where Covid-19 affects (discontinued supply contracts, significant drop in sales volumes, delayed production due to delays of supply etc.) and the performer of economic activity is unable to make credit payments in full or in part as the credit institution agrees to postpone only payments of the principal amount of credit or leasing.

The guarantees will be granted by the public limited company "Development Finance Institution "Altum"". The support may be received by legal persons- small, medium and large performers of economic activity.

The guarantee shall be granted for the following financial service:

- 1) loan for the performance of investments
- 2) loan for financing of work assets, including credit limits (credit lines and overdrafts)
- 3) financial leasing, financial leasing limits
- 4) the factoring in which the customer (performer of economic activity) in accordance with the entering into factoring contract is liable to the factor (credit institution or its subsidiary) regarding the security of the transferred or transferable claim;
- 5) bank guarantees (tenders, advance payments, payment execution or time guarantees), bank guarantee limits, credit letter.

The aid shall be granted:

- 1) for existing financial services, if the credit institution extends the term of operation, the performers of economic activity shall postpone payments of basic amount for pre-entered loans for the performance of investments and financial leasing.

The guarantee shall be granted if the economic operator is economically viable, as well as the credit institution has indicated that liquidity support is necessary as a result of the impact of Covid-19.



The guarantee covers up to 50% of the amount of the financial service.

The guarantee period is 2 years thus the term of the aid shall not exceed 3 years.

The maximum amount of the guarantee per performer of economic activity is eur 5 million.

The maximum subsidy equivalent for one economic operator shall be eur 500 000.

The annual premium rate of the guarantee per year for the performer of economic activity is set at 0.5%.

A guarantee shall not be granted to an economic operator if it has entered into financial difficulties on the basis of its last financial year report.

The aid shall not be granted for the following sectors and activities:

- 1) for trade in weapons and ammunition;
- 2) for the production and marketing of tobacco products;
- 3) for alcohol trade;
- 4) gambling and betting;
- 5) for financial and insurance activities;
- 6) operations with immovable property;
- 7) for development of immovable property which is to be registered in the State cadastre information system of the immovable property as a residential house or a multi-apartment residential house;
- 8) for the purchase of goods road transport vehicles for performers of economic activities performing commercial transport by road;
- (9) undertakings active in the fisheries and aquaculture sector,
- 10) enterprises active in the primary production of agricultural products;
- 11) enterprises active in the processing and marketing sector of agricultural products;
- 12) activities related to exports to third countries or Member States.



While applying for aid, the performer of economic activity shall provide information regarding the de minimis aid received previously, observing the laws and regulations regarding the procedures for the accounting and allocation of de minimis aid and the models of accounting forms.

The aid shall be provided until 30 September 2021.

In accordance with the special terminated special draft law prepared by the Ministry of Finance regarding measures for the prevention and management of State threats and the consequences thereof in relation to the spread OF COVID-19, the Law provides that:

1) State and local government authorities, as well as capital companies, shall, for the period of validity of the Law, exempt merchants of the sectors affected by the crisis from the rental fee or decide on the reduction of the rental fee. It will also be possible to exclude interest and penalties for late payment, with the exception of money for services consumed – electricity, thermal energy, water supply and other property maintenance services;

2) by 1 September of this year, in an emergency situation, the Board of Members of a capital company, co-operative society or association, the activities of which are regulated by Commercial Law and other special laws, shall have the right to call a meeting of members (shareholders) or general meeting of members, providing that the members (shareholders) or members have the right to participate in it and vote by electronic means. The meeting of participants (shareholders) or the general meeting of members will only be able to take place electronically. The draft law also provides for an extension of the deadline for the submission of accounts and the

On 16 March 2020 the Government approved the package of measures for economy stimulation and aid for businesses suffering from COVID-19 outbreak. The adopted plan stipulates to:

- 1) In order to save job positions and income, designate up to EUR 500 m and to: provide support for downtime and partial downtime; extend the provisions of the Social Security Program of Artists; provide sickness benefits to persons taking care of children and persons with disabilities during quarantine in educational facilities or social care and employment centres; provide support to self-employed persons who paid social security contributions and are unable to carry out their activities due to quarantine; extend the deferral period for mortgage loan payments to persons who lost their employment; recommend to municipalities to create opportunities for deferring or structuring of payments for utilities and heating in instalments.
- 2) In order to help the business to maintain liquidity, designate up to EUR 0,5 milliard and to: provide opportunity to conclude tax instalment agreements by deferring or structuring the payments in instalments in accordance with the agreed schedule and without interest; within the scope of



procedures for allowing shareholders to express their treatment in a written procedure;

3) the draft Law also includes issues in the field of the Ministry of Justice regarding delays in civil liability.

reasonableness to stop the recovery of tax arrears; exempt taxpayers from fines and penalties; create opportunity to defer or to structure PIM arrears in instalments; increase the limit of the Agriculture Credit Guarantee Fund and INVEGA guarantees by EUR 500 m and to broaden the conditions for guarantee provision; create opportunity for business to defer or structure in instalments the payments for electricity and natural gas to UAB "Ignitis"; recommend to municipalities to exempt taxpayers from commercial real estate tax, land tax.

3) In order to stimulate the economy, to designate up to EUR 1 milliard and to: accelerate the investment programs by fastening payments and increasing the intensity of funding; reallocate EU investment funds to areas of health, employment and business; accelerate the use of government budget appropriations for current expenses; allow the use of all funds from the Climate Change Programme and the Road Maintenance and Development Programme, to accelerate the renovation of apartment buildings; establish the fund for COVID-19 consequences reduction, which could be funded by natural and legal entities; determine supplementary state guarantee limit; recommend to the Bank of Lithuania to take specific regulatory measures in order to increase the lending potential of banks to EUR 2 milliard.

N.B. Even in such extreme circumstances, assessment of each situation has to be individual. We are at your disposal should you have any further questions or need assistance. **We work online.** Please do not hesitate to contact us directly by e'mail estonia@derling.ee | riga@primus.legal | vilnius@primus.legal or via any platform: WebEx | RingCentral Meetings | WhatsApp | Microsoft Teams | Viber.

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