

Business Incentives

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Tax Incentives



Special Economic Zones

There are five Special Economic Zones (SEZ) in Latvia – [Riga Free Port](#), [Ventspils Free Port](#), [Liepaja Special Economic Zone](#) and [Rezekne Special Economic Zone](#) and [Latgale Special Economic Zone](#) that were established to promote entrepreneurial activities within the regions. All of them offer very favourable business incentives. Some of benefits for companies operating in Free Ports and SEZ include rebate on real estate tax, corporate income tax, withholding tax for dividends, management fees and payments for usage of intellectual property for non-residents and others.

Main benefits for companies operating in Free Ports and SEZ are as follows:

- 80% rebate on real estate tax (1.5% in Latvia)*
- 80% rebate on corporate income tax*

** The maximum accumulated amount compensated to the company by these conditions collectively is 35% (45% for medium and 55% for small enterprises) of the company's total ongoing investment of up to 50 million Euros.*

*** Applies in case of withdrawal of dividends. Otherwise CIT in Latvia is 0%.*

Please note that this example is of informative nature only. Exact tax calculations are provided by respective divisions of State Revenue Service (www.vid.gov.lv).

Holding Company Regime

Once the company is established in Latvia it will be considered as tax resident in Latvia and entitled tax benefits according to holding company regime legislation. Holding company regime however does not apply on transactions with entities and individuals from tax-haven countries and territories.

More information on these incentives can be provided by [Investment Promotion Division](#).

N!B! Note that binding consultations on tax applications may be rendered only by [State Revenue Service](#).

Labour Related Incentives



Labour-related incentives play a significant role in finding the best personnel and training them. Labour related incentives are particularly important for businesses in labour-intensive industries. There are two agencies in Latvia offering labour-related incentive programmes. State Employment Agency administers programmes related to pre-hiring incentives and Investment and Development Agency of Latvia provides support for training organized in partnerships.

Vacancy registration and employee selection

Program is administered by [State Employment Agency](#).

State Employment Agency offers:

- Free of charge vacancy registration and employee search utilising the largest CV/Vacancy data base and provides access to the EU database EURES
- Support in finding suitable candidates
- Assistance in the first step of selecting the potential employees.

Training of the unemployed at employer's request

Program is administered by [State Employment Agency](#).

State Employment Agency offers training of the unemployed at the employer's request for professions in high demand.

Employer shall undertake to employ the trained person(s) for at least 6 months after the training has been completed.

No limit on the number of the unemployed participating in the training.

Maximum eligible costs for the training of one unemployed depend on the programme and qualification; it varies from 355-1547 EUR.

Application procedure:

- 1 The employer submits a request to The State Employment Agency;
- 2 The Agency organizes and covers the costs for the training of unemployed;
- 3 The Agency organizes selection of the unemployed (employer shall participate in the selection process);
- 4 The training can commence.

Measures for specified groups of persons

Program is administered by [State Employment Agency](#).

State Employment Agency offers:

- A grant of a 50 % of monthly salary to employers who employ unemployed persons from vulnerable groups (EU structural fund co-financed program):
 - grant can not exceed the national minimum monthly salary
 - grant is paid for a maximum of six months.
- A monthly grant to employers who employ disabled unemployed persons (state co-financed program):
 - grant of 100 % of national minimum monthly salary for each disabled person employed
 - a one-time grant for the acquisition of the equipment and facilities to adapt the workplaces for the disabled unemployed persons
 - the costs of the services of the sign language interpreter, companions, occupational therapists
 - grant is paid maximum for a two year period.

Eligible employers:

- Companies (except hospitals and certain education institutions)
- Self-employed persons
- Association and foundations (except political parties).

Duration – from 6 to 24 months.

Support for training organized in partnership

Program is administered by the Investment and Development Agency of Latvia (LIAA). Financial grants are available within the EU Structural Funds program, "Support for employees' training in partnership".

Training is organized in partnership with the sector associations. Employers contact the corresponding industry associations to register for available trainings and to arrange customized training. There are 15 participating industry associations.

Eligible costs:

- Trainers' salary incl. social tax
- Salary of employees for the time they are involved in training program (the costs shall not exceed the total amount of all other eligible costs)
- Study material costs (printed, audio, video) for materials which remain property of employees after training
- Rent of equipment and premises for training
- Consultation costs related to the pre-training measurement of employees' skills
- Certification and examination costs
- Business trip expenses for the trainer and employees (per diem, hotel costs, transportation costs) according with limits specified in respective regulations of the Cabinet of Ministers, costs for visas and work permissions
- Translators and interpreters services costs.

For more information on the labor related incentives email LIAA's [Investment Promotion Division](#).

Incentives for R&D ▼

Horizon 2020 programme

Horizon 2020 offers a large variety of funding opportunities for [research and innovation activities](#).

The beneficiaries of the program are Small- and Medium-sized Enterprises (SMEs); universities, research centres; government organizations; non-governmental organizations; and individual researchers.

Horizon 2020 is divided into 3 pillars corresponding to its main priorities:

- 1 [Excellent Science](#) - supports the world-class science in Europe, by developing, attracting and retaining research talent and supporting the development of the best research infrastructures.
- 2 [Industrial Leadership](#) - supports key technologies, such as microelectronics, advanced manufacturing, etc. across existing and emerging sectors. It also aims at attracting more private investment into R&I and supporting the increase of innovative SMEs in Europe.
- 3 [Societal Challenges](#) - supports R&I that target society and citizens (climate, environment, energy, transport, etc.). It supports the development of breakthrough solutions coming from multi-disciplinary collaborations, which include social sciences and humanities.

For small businesses:

SMEs are encouraged to participate across the whole Horizon 2020 programme. SMEs can engage in collaborative projects as part of a consortium, or seek support through a new dedicated SME instrument for highly innovative smaller companies.

Multi-participation or mono-participation?

Most of the Horizon 2020 themes support collaborative research projects where at least 3 organizations from different countries form a consortium. However, there are a number of opportunities also for mono-participant actions:

- European Research Council research grants – support frontier research by individual researchers and teams.
- Marie Skłodowska-Curie actions – support researcher mobility. Besides research funding, scientists have the possibility to gain experience abroad and in the private sector, and to complete their training with competences useful for their careers.
- SME instrument – supports both individual SMEs and SME groups.

Available funding:

Approximately 80 billion EUR over seven years

Maximum funding amount is 70% - 100% of total eligible project costs.

More information: [http://ec.europa.eu/programmes/horizon2020\(link is external\)](http://ec.europa.eu/programmes/horizon2020(link is external))

The EUROSTARS Programme

The Eurostars Programme is the first European funding and support programme (the EU-EUREKA joint funding programme) to be specifically dedicated to R&D performing SMEs, and co-funded by the European Communities and 33 EUREKA member countries.

It is fine-tuned to focus on the needs of SMEs, and specifically targets the development of new products, processes and services and the access to transnational and international markets.

There are some eligibility criteria to comply with in order to apply in the Eurostars Programme, a summary of the different criteria is following:

- The project must meet the EUREKA criteria: it can address any technology but must have a civilian purpose and be aimed at the development of a new product, process or service.
- The leading SME must be a R&D performing SME
- All the SMEs must fulfill the EU-adopted definition of an SME
- The leading SME must be based in Eurostars member state
- There has to be at least one other participant from a Eurostars country
- The R&D performing SMEs must undertake 50% of total project cost
- No partner or country is performing more than 75% of project total cost
- The project duration is ≤ 3 years
- Market introduction is foreseen within 2 years after project end

[EUREKA's Eurostars Programme](#) is open for funding applications on a continuous basis, with an average of two application submission deadlines each year. The registration and application process is currently closed and will open again in 2017.

In Latvia the financial support up to 80% of a participant's eligible costs is granted. The other amount of funding has to be

invested by the applying institution itself or from some other non-governmental source as a co-financing. Investment "In kind" is possible.

8 Contact Points for Technology Transfer

Technology transfer contact points (TPK) are research institutions or university departments that support and promote knowledge and technology transfer and which are responsible for establishing and maintaining external communication, providing information about the organization's research activities and experiences.

Currently there are 8 technology transfer contact points operating in Latvia.

Business Incubators

LIAA has established business incubators in Daugavpils, Jēkabpils, Jelgava, Jūrmala, Liepāja, Rēzekne, Valmiera and Ventspils, as well as in several other municipalities, while in Riga a major Creative Industries Incubator has been set up, accessible from anywhere within an approximately 100 km radius. In municipalities where no incubators are available, businessmen are able to use the 'virtual incubation' services, including co-funding for renting premises in any local government, and other incubator services.

Support for starting a business are available to microenterprises, small and medium-sized companies, and private individuals.

Seed Forum Latvia

The Seed Forum network is giving born global companies seeking capital a unique opportunity to pitch their investment proposal concepts to investors by facilitating global, national and local investor matchmaking forums. The companies pitching to investors are nominated, trained and selected in the Seed Forum process to secure that the companies are investor-ready when they are pitching to investors. The Seed Forum process is very important to reduce the risk on investments in start-ups. The mission of Seed Forum is to provide investor ready born global companies to investors and to educate companies in fundraising and reduce the risk of investment for investors.

Seed Forum Pitch Training seminar schedule: www.seedforum.org/academy

More information on these incentives can be provided by [Investment Promotion Division](#).

Credit Guarantees

The aim of the credit guarantee is to provide access to financial resources to entrepreneurs (registered in Latvia), for business development by receiving loans in situations when their own collateral is insufficient to attract the necessary amount of credit resources and business is considered too risky to receive funding from banks.

Credit guarantee covers up to 80% of the financial service, but one enterprise does not receive more than EUR 1 500 000.

Guarantee is issued by state-owned development finance institution [ALTUM](#).

More information on these incentives can be provided by [Investment Promotion Division](#).

Co-Financing (Mezzanine) Loans

A co-financing (mezzanine) loan can be used to cover investment expenses related to the diversification of products with new ones, extension of the capacity or a fundamental change in the overall production process, setting-up of a new establishment or extension of the capacity of an existing establishment.

The maximum amount of a co-financing loan is up to 5 mln EUR. and it cannot exceed 45% of the total project costs (for loans from 2 mln. EUR to 5 mln. EUR, the maximum amount cannot exceed 35% of the total projects costs). The minimum amount – 50,000 EUR.

The maturity of a co-financing loan is up to 15 years for investment projects related to the acquisition, construction or reconstruction of real estate. For other investment projects, maturity is up to 10 years.

Co-financing loan has a high credit risk and it is subordinated to the bank loan and low-ranking security (pledge) in relation to the bank.

Micro Loans

A small loan that can be easily obtained and issued to an enterprise that does not employ more than 10 employees, with the possibility to apply for a loan before the establishment of an enterprise. The aim of micro loans is to start or develop small businesses for micro entrepreneurs and business start-ups.

The maximum amount of the loan is 24,300 EUR for investments and up to 7,200 EUR for current assets.

The loan has a fixed annual interest rate of 5% to 8%.

The loan repayment period is 5 years.

To guarantee the loan the business owner has to invest at least 10% in projects whose total amount exceeds 7,200 EUR.

A private guarantee provided by the business owner, is necessary to receive a loan.

In order to apply for these loan, contact [ALTUM](#) (state-owned development finance institution).

European Investment Fund's JEREMIE initiative

[European Investment Fund](#) (EIF) is a specialist provider of risk finance to benefit small and medium-sized enterprises (SME) across Europe. EIF is a part of the [EIB Group](#). The shareholders of the EIF are the European Investment Bank (EIB), the European Union, represented by the European Commission, and a wide range of [public and private banks and financial institutions](#).

EIF is a leading financial institution in the European Private Equity market. Through the venture capital and private equity interventions, EIF plays a crucial role in the creation and development of high-growth and innovative SMEs by facilitating access to equity for these companies across the entire life cycle of corporate innovation.

[BaltCap Latvia](#) is the first venture capital fund manager to successfully complete private fundraising under EIF managed JEREMIE initiatives in Europe.

Another venture capital fund manager, which is under EIF managed JEREMIE initiatives in Europe is [Imprimatur Capital](#) seed and start-up capital fund.

Find more information in respective homepages or turn to LIAA [Investment Promotion Division](#).

Other Investment Funds

[AB.LV Private Equity Fund](#)

[AS "Eko Investors](#)

[NCH Advisors Inc.](#)

[SIA "Hanseatic Capital Latvia"](#)

[SIA "PriBalt"](#)

[SIA "Zaļās gaismas investīcijas"](#)

[Enterprise Investors](#)

[AMBIENT SOUND INVESTMENTS](#)

More information on these incentives can be provided by [Investment Promotion Division](#)

The aim of the program is to provide the support for training to facilitate the attraction of investors

The program is meant for companies who establish businesses in Latvia

Available funding:

- 1 Total available funding: 2.9 million EUR
- 2 Approximate amount of public financing provided to individual project ~250 000 EUR
- 3 Intensity: 60% for medium and 50% for large enterprises

Eligible trainings:

- All types of training organized by LIAA or provided by linked enterprise which are necessary for product, process,

marketing or introducing innovation in the organisation

The training has to be aimed at bringing about an innovation - product, process, marketing or organizational innovation!!!

Eligible costs:

1) For training organized by LIAA :

- 1 training course costs
- 2 transportation costs of employees
- 3 salaries of employees for training period

2) For training abroad provided by linked enterprise of company:

- 1 salaries of employees for training period
- 2 accommodation costs for training period
- 3 transportation costs of employees

Expected requirements for the company:

- 1 The company is registered in the Republic of Latvia
- 2 Total turnover for the linked enterprise group exceeds €5M in the last financial year
- 3 At least 10% if equity shares are controlled by foreign company
- 4 At least 15 jobs created or €1M invested in the equity (from the moment when the company will submit training project to the completion of the training project)
- 5 The trained persons employed directly in the newly established company

Companies are eligible to apply for support if their represented business sector (applied project) falls within one of the "Smart specialization strategy (RIS3)" identified priority areas:

- Knowledge-intensive bio-economy (research and creation of new products and services as well as improvement of quality and production efficiency of existing products and services in bio-sectors - agriculture, food production, forestry and fisheries sector)
- Biomedicine, medical technology and biotechnology
- Intelligent materials, engineering and technology (for example – smart communication with customers, smart resources monitoring system, high degree of automation, intelligent technologies in the transport flow control)
- Smart energy
- Information and Communication Technologies

Additional details

- The training organized by LIAA must be an outsourced service. Trainings abroad are eligible
- The training abroad must be provided by linked enterprise of the company- term "linked enterprise" is defined in European Commission regulation Nr.651/2014 Annex No.1, section 3 paragraph 3
- There will have to be a contract in place between LIAA and the investor
- The training program must have a clearly defined start and finish with highly predictable outcome

- The training will have to be aimed at bringing about an innovation of a sort; for example, training is expected to lead to a new product, process, marketing approach, organizational structuring, etc. (within the company)

Other



Seed Forum

Seed Forum is working with corporate and private consulting firms, investment banks and the world's largest law firms, providing practical services for investment attraction and business presentation, presenting investment projects in Seed Forum conferences.

Seed Forum capital investments in Baltic States are 0.05 to 3.00 million EUR, 0.2 to 5.00 million EUR in the Nordic countries, elsewhere 0.5 to 20.00 million EUR.

Seed Forum Pitch Training seminar schedule: www.seedforum.org/academy

Clusters

The program is designed to promote cooperation between entities, research, education and other institutions therefore increasing competitiveness, export and new product development. Already established clusters are open to welcome new members.

Supported activities:

- Clusters and cluster cooperation partner organized event coordination
- Promotion of cluster international cooperation
- Cluster marketing activities (including market research)
- Cluster coordinator and specialist training
- Actions that promotes collaboration with education and science institutions (including cooperation partner training, research and infrastructure requirement identifying)

More information on these incentives can be provided by [Investment Promotion Division](#).

<https://www.liaa.gov.lv/en/invest-latvia/business-guide/business-incentives>