Text consolidated by Valsts valodas centrs (State Language Centre) with amending laws of:

12 April 2018 [shall come into force on 10 May 2018];

3 September 2020 [shall come into force on 16 September 2020].

If a whole or part of a section has been amended, the date of the amending law appears in square brackets at the end of the section. If a whole section, paragraph or clause has been deleted, the date of the deletion appears in square brackets beside the deleted section, paragraph or clause.

The *Saeima* 1 has adopted and

the President has proclaimed the following Law:

**Law on Aid for the Activities of Start-up Companies**

**Chapter I**

**General Provisions**

**Section 1. Terms Used in this Law**

The following terms are used in this Law:

1) **early stage venture capital investment** – an investment that is made in the equity capital of a capital company during the first five years since the registration thereof in the Commercial Register and which may also include capital share premium or can materialise in the form of a loan the terms of issue whereof are more favourable to the borrower than those according to which such loan would be issued by mutually unrelated merchants and which provides for the right of the lender to convert the non-paid part of the loan into the corresponding number of the equity capital shares (stock) of the capital company (borrower). This investment is intended for at least one of the following purposes:

a) the establishment of a capital company, including development, research, assessment, and approval of a product or economic activity model,

b) the growth of a capital company, including development of a product or economic activity model,

c) the development of activity of a capital company;

2) **aid programmes** – a set of State aid measures that promote the development and research of innovative product and is implemented as:

a) an aid programme for making the fixed payment by applying the personal income tax reliefs in accordance with the procedures laid down in this Law,

b) an aid programme for attracting highly qualified employees in accordance with Section 7 of this Law;

3) **fixed payment** – a final monthly payment of the mandatory State social insurance contributions (hereinafter – the mandatory contributions) made by a start-up company for an employee into the State social insurance special budget;

4) **innovative product** – a product or service with a high added, *inter alia*, technological value, which ensures development of a specific new product or service, or a significant improvement of the existing product or service;

5) **start-up company** – a capital company with a high growth potential the basic activity of which is related to the development, production or improvement of scalable business models and innovative products;

6) **committee for the assessment of activities of start-up companies** – a collegial decision-making body that has the rights and obligations laid down in this Law.

[*12 April 2018*]

**Section 2. Purpose of this Law**

The purpose of this Law is to promote establishment of start-up companies in Latvia, thus promoting research as well as use of innovative ideas, products or processes in the economic activity (commercialisation of research products).

**Section 3. Scope of the Application of this Law**

This Law prescribes:

1) the aid programmes, their granting criteria, as well as procedures for administering the aid granted to a start-up company;

2) the conditions for qualification of the venture capital investors;

3) the procedures for establishment of a committee for the assessment of activities of start-up companies (hereinafter - the Committee) and its competence.

**Section 4. Criteria for Granting Aid Programmes**

(1) Aid programmes may be granted to a start-up company, which on the day of submission of an application and during the entire period of the aid programme complies with the following criteria:

1) a qualified venture capital investor who is not a person related to the start-up company within the meaning of Section 184.1 of the Commercial Law (a qualified venture capital investor who repeatedly makes an investment in one and the same start-up company shall not be regarded as a related person) has, within the last 24 months from the day when the application for participation in an aid programme has been submitted, made an early stage venture capital investment in the amount of at least EUR 30 000 for the implementation of the submitted business idea in accordance with Section 5, Paragraph one, Clause 1 of this Law or an investment in the amount of at least EUR 15 000 in accordance with Section 5, Paragraph one, Clause 2, 3 or 4 of this Law:

a) in a start-up company;

b) in a parent undertaking or a subsidiary of a start-up company which meets the criteria laid down in Paragraph two of this Section;

2) tax debt of the start-up company does not exceed EUR 150;

3) insolvency proceedings have not been proclaimed for the start-up company.

(2) The following requirements shall apply to a parent undertaking or a subsidiary of the start-up company referred to in Paragraph one, Clause 1, Sub-clause “b” of this Section:

1) the company and the start-up company engage in their activity or in part of their activity in the same market or in adjacent markets;

2) tax debt of the company does not exceed EUR 150;

3) insolvency proceedings have not been proclaimed for the company.

(3) If a start-up company meets the criteria laid down in Section 4, Paragraph one, Clauses 2 and 3 of this Law but has not received an early stage venture capital investment, it may apply for aid in the aid programmes laid down in this Law, provided that information certifying the development, production or improvement of an innovative product is submitted. The Committee may request an opinion from the organisations representing start-up companies on the conformity of a start-up company with the requirements of Section 1, Clause 5 of this Law. The Cabinet shall determine the procedures by which the Committee shall request and evaluate the abovementioned information.

[*3 September 2020*]

**Section 5. Conditions for Qualification of Venture Capital Investors**

(1) A qualified venture capital investor (hereinafter – the investor) is a person or an aggregation of property which complies with one of the following conditions, i.e.:

1) a person or an aggregation of property which has been registered as an alternative investment fund or a fund manager in Latvia in conformity with the Law on Alternative Investment Funds and Their Managers or in another country in accordance with equal regulatory framework regarding the registration and licensing of alternative investment funds and their managers and which during the past three years from the day of submitting an investor application has made an early stage venture capital investment either directly or, if the investor is a fund manager, through the fund administered by it in at least three capital companies and in the amount of at least EUR 30 000 in each, provided that the participation of the investor does not exceed 30 per cent of the equity capital of the capital company;

2) a legal person that during the past three years from the day of submitting the investor application has implemented an aggregate of at least three such short-term (not more than 12 months) measures and actions as part of which expert consultations have been ensured for the attraction of buyers, suppliers, partners, and investors for the purpose of developing, researching, assessing, approving, and improving a product or service, or a business model, facilitating entry into market (acceleration programme) and has made an early stage venture capital investment in at least 10 capital companies and in the amount of at least EUR 15 000 in each, provided that the participation of the investor does not exceed 15 per cent of the equity capital of the capital company;

3) a natural person who has gained commercial activity experience and from funds owned by him or her has, during the past five years from the day of submitting the investor application, made an early stage venture capital investment in at least two capital companies – if it is not a person related to these capital companies within the meaning of Section 184.1 of the Commercial Law – in the amount of at least EUR 15 000 in each, but overall not less than EUR 60 000, provided that the participation of the investor does not exceed 30 per cent in the equity capital of the capital company;

4) a legal person from whose capital shares more than 50 per cent are held by such persons who each of them during the past five years from the day of submitting the investor application has made an early stage venture capital investment in at least two capital companies – if it is not a person related to these capital companies within the meaning of Section 184.1 of the Commercial Law – in the amount of at least EUR 15 000 in each, but overall not less than EUR 60 000, provided that the participation of the investor does not exceed 30 per cent of the equity capital of the capital company.

(2) Persons whose investments have been recognised as proceeds of crime within the meaning of the Law on the Prevention of Money Laundering and Terrorism Financing may not be qualified venture capital investors.

[*12 April 2018*]

**Chapter II**

**Aid Programmes**

**Section 6. Aid Programme for Fixed Payments**

(1) A start-up company may apply for fixed payments for an employee inthe amount of two minimum monthly salaries laid down by the Cabinet, applying the mandatory contributions rate which is laid down in accordance with Section 18 of the Law On State Social Insurance.

(2) A start-up company shall make a fixed payment for an employee for a calendar month also in the case when the income calculated for the paid work of the employee has reached the maximum amount of the object of mandatory contributions.

(3) A fixed payment shall not be applied proportionally to those calendar days of the taxation year on which an employee is on the parental leave or on which the employee (child's farther) has been granted a leave in relation to the childbirth, and also for the calendar days of temporary incapacity for work, prenatal and maternity leave for which the sick-leave certificate "B" has been issued to the employee.

(4) If the income calculated for the paid work of the employee by a start-up company in a calendar year exceeds the maximum amount of the object of mandatory contributions, the start-up company has an obligation to additionally make solidarity tax payments in accordance with the Solidarity Tax Law.

(5) If a start-up company makes a fixed payment for an employee, then the employee shall make additional mandatory contributions for the State pension insurance or contributions in a private voluntary pension scheme through intermediation of the employer. The abovementioned contributions shall be made in the amount of at least 10 per cent of difference between the gross income calculated for the paid work of the employee (which does not exceed the maximum amount of the object of mandatory contributions per year) and the object of a fixed payment laid down in Paragraph one of this Section. The employee shall inform the employer regarding his or her choice to make either additional mandatory contributions for the State pension insurance or contributions in a private voluntary pension scheme. Such choice during an aid period. shall be made by the employee once.

(6) A start-up company shall make a fixed payment and solidarity tax payments and submit information regarding employees in accordance with the procedures and within time periods laid down in the Law On State Social Insurance.

(7) If a start-up company plans to make a fixed payment for an employee, it shall, upon entering into an employment contract, inform an applicant in writing that the employer is a start-up company, that a fixed payment is being made for the employee and that the employee of the start-up company has an obligation to make additional mandatory contributions for the State pension insurance or contributions in a private voluntary pension scheme. This information shall be included in the employment contract.

(8) A start-up company may adjust the employee's income, mandatory contributions and contributions for the State pension insurance or contributions in a private voluntary pension scheme for the previous month before a reporting month in accordance with the procedures laid down by the Cabinet.

(9) The Cabinet shall determine the following:

1) the procedures for submitting a report by a start-up company regarding income calculated for paid the paid work of employees;

2) the procedures for making a fixed payment, State entrepreneurial risk fee payment, making mandatory contributions for the State pension insurance or contributions in the private voluntary pension scheme by a start-up company;

3) The procedure for switching to the general procedures for payment of taxes and fulfilling other obligations after a start-up company has lost the right to make a fixed payment.

**Section 7. Aid Programme for Attracting Highly Qualified Employees**

(1) A start-up company has the right to apply for an aid programme for attracting highly qualified employees.

(2) [3 September 2020]

(3) The Cabinet shall issue regulations regarding aid programme for attracting highly qualified employees by determining the procedures for granting the aid to start-up companies.

[*3 September 2020*]

**Section 8. Tax Relief Related to Aid Programmes**

(1) During the aid period, when a start-up company participates in one or both aid programmes laid down in Sections 6 and 7 of this Law:

1) an employee of the start-up company is exempt from the personal income tax if regarding him or her a fixed payment has been made for the income subject to a payroll tax obtained in the start-up company;

2) [12 April 2018].

(2) If an employee does not pay the personal income tax for the income subject to a payroll tax obtained in the start-up company during the taxation period in which he or she has been an employee of the start-up company, then this employee is not eligible for the annual non-taxable minimum (it may be applied only to a pension income) and a relief for a dependent person, as well as he or she may not be himself / herself a dependent person in accordance with the Law On Personal Income Tax. The employee of the start-up company, if he or she gains other income subject to the personal income tax, is not entitled to include the State social insurance payments and solidarity tax payments, which are made from the paid work income obtained in the start-up company, and also eligible expenditure of the taxation year in eligible expenditure in accordance with Section 10, Paragraph one, Clauses 3, 5, 6 and 8 of the Law On Personal Income Tax.

(3) [12 April 2018]

(4) [12 April 2018]

(5) [12 April 2018]

(6) [12 April 2018]

[*12 April 2018*]

**Section 9. State Aid Conditions Applicable within the Framework of Aid Programmes**

(1) Aid measures laid down in Section 6, 7 and 8 of this Law shall be implemented as *de minimis* aid in accordance with Commission Regulation (EU) No 1407/2013 of 18 December 2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to *de minimis* aid (Text with EEA relevance) (Official Journal of the European Union, 24 December 2013, No. L352/1) (hereinafter – Commission Regulation No 1407/2013) and the laws and regulations regarding the procedures for accounting and granting of *de minimis* aid and sample forms for accounting of *de minimis* aid. The decision to grant *de minimis* aid in accordance with Commission Regulation No 1407/2013 may be taken until the end of operation of this Regulation.

(2) The amount of *de minimis* aid together with *de minimis* aid granted in the relevant fiscal year and previous two fiscal years shall not exceed the maximum amount of *de minimis* aid on the level of a single undertaking – EUR 200 000 laid down in Article 3(2) of Commission Regulation No 1407/2013. A single undertaking is such undertaking which complies with the criteria referred to in Article 2(2) of Commission Regulation No 1407/2013.

(3) By complying with the conditions of Article 5(1) and (2) of Commission Regulation No 1407/2013, the aid which is provided within the framework of this Law, may be cumulated with other *de minimis* aid up to the relevant ceiling laid down in Article 3(2) of Commission Regulation No 1407/2013, and may be cumulated with other State aid in respect of one and the same eligible costs or other State aid for the same risk finance measure if such cumulation does not exceed the relevant maximum aid intensity or aid amount laid down in the State aid programme, individual aid project or the decision of European Commission.

(4) A start-up company is responsible for complying with the amount of maximum permissible aid laid down in this Section on the level of a single undertaking.

[*3 September 2020*]

**Section 10. Aid Programme Period**

(1) Aid programme period, except for the case referred to in Paragraph 1.1 of this Section, is twelve months, counting from the day when the decision of the Committee to grant the aid programme has come into effect.

(11) Aid programme period is 24 months if the start-up company, upon submitting an application for participation in the programme, has requested it and a qualified venture capital investor has made an early stage venture capital investment in the start-up company in the amount of at least EUR 150 000 within 24 months from the day when the referred to application has been submitted.

(2) In the cases referred to in Section 19, Paragraph three of this Law the aid programme period shall be counted from the day when the decision of the Committee to grant the aid programme has come into effect up to the day when the start-up company loses the right to use the aid programme.

(3) The day when the Committee has taken the decision to grant the aid or has provided an opinion on meeting the conditions in accordance with the procedures laid down in Section 16, Paragraph one of this Law shall be regarded as the moment when the aid is granted.

[*12 April 2018; 3 September 2020*]

**Section 11. Restrictions to Use Aid Programme**

(1) A start-up company is not entitled to receive aid for an employee for which the aid referred to in this Law has been granted to this or another start-up company within the aid period.

(2) During the aid period a start-up company may apply for additional aid laid down in Sections 6 and 7 of this Law, but cannot use it longer than until the end of the aid period of which the Committee has decided previously.

(21) A start-up company may re-apply for the aid if it has fulfilled all the obligations laid down in this Law in the previous aid receipt period.

(22) If a start-up company re-applies for aid, the Committee shall evaluate the conformity of the start-up company with the requirements of Section 4 of this Law and Commission Regulation No 1407/2013.

(23) When re-applying for the aid, a start-up company may justify its conformity with the requirement of Section 4, Paragraph one, Clause 1 of this Law for the early stage venture capital investment with which it has previously qualified for the aid if the aid is requested for a period not exceeding 24 months from the day when the previous decision to grant the aid was taken.

(24) If a start-up company re-applies for the aid programmes, the aid period shall not exceed five years from the day when the first aid was granted.

(3) The aid laid down in Sections 6, 7 and 8 of this Law shall not be provided to sectors and activities referred to in Article 1(1) of Commission Regulation No 1407/2013. If the start-up company concurrently operates in one or several sectors or carries out other activities covered in the field of activity of Commission Regulation No 1407/2013, the recipient of *de minimis* aid shall ensure separation of these sectors and activities or their costs in accordance with Article 1(2) of Commission Regulation No 1407/2013.

[*3 September 2020*]

**Section 12. Sequence of Application of Aid Programmes**

Within the framework of aid programmes, the aid shall be granted in the following sequence:

1) the aid programme for attracting highly qualified employees;

2) the aid programme for making a fixed payment;

3) the personal income tax relief;

4) [12 April 2018].

[*12 April 2018*]

**Section 13. Institution Administering Aid Programmes**

(1) The institution administering aid programmes shall be the Investment and Development Agency of Latvia.

(2) The Cabinet shall determine the procedures by which the administering institution administer aid programmes, including action for the implementation of the decision of the Committee, granting *de minimis* aid, determination and control of the amount.

**Chapter III**

**Committee and Its Competence**

**Section 14. Committee**

(1) The composition of the Committee and its by-laws shall be approved by the Cabinet. The composition of the personnel of the Committee shall be approved by the Minister for Economics.

(2) The functions of the Secretariat of the Committee shall be ensured by the Investment and Development Agency of Latvia.

**Section 15. Competence of the Committee**

(1) The task of the Committee is to take:

1) a decision on whether to grant or refuse aid programme, as well as to revoke a decision to grant aid programme to a start-up company;

2) a decision regarding conformity or non-conformity of an investor to the conditions for the qualification of venture capital investors laid down in this Law and inclusion or non-inclusion in the list of qualified venture capital investors accordingly, as well as a decision to exclude an investor from the list of qualified venture capital investors.

(2) The Committee is entitled to:

1) invite experts and other professionals to participate in its meetings and present their view or express opinion;

2) request from the body of a public person the information the Committee requires to fulfil its tasks, including, but not limited to the concerns of security regarding the origins of the funds of the investor;

3) request from a start-up company, investor or qualified venture capital investor the information related to its commercial activities necessary for the performance of the tasks of the Committee;

4) request opinion regarding professional practice of investors from foreign public administration institutions and professional unions in order to take a decision regarding conformity of an investor with the conditions for qualification of venture capital investors laid down in this Law;

5) request an opinion from the organisations representing start-up companies on the conformity of a start-up company with the requirements of Section 1, Clause 5 of this Law.

[*3 September 2020*]

**Section 16. Taking, Notifying and Contesting a Decision of the Committee**

(1) A decision of the Committee to grant aid programme shall be made within a month from the day of receipt of the documents referred to in Section 17, Paragraph one and Section 21, Paragraph one of this Law. If it is not possible to comply with the abovementioned time period due to objective reasons, the Committee shall take the decision in conformity with Section 64, Paragraph two of the Administrative Procedure Law.

(2) The Secretariat of the Committee shall notify of the decision by sending it to the addressee.

(3) The Secretariat of the Committee shall notify a decision to grant the aid programme or to withdraw such decision to the State Revenue Service.

(4) The decision of the Committee may be contested to Ministry of Economics.

**Chapter IV**

**Application of a Start-up Company for Participation in the Aid Programme and Legal Effects of Granting the Aid Programme**

**Section 17. Submission of the Application of a Start-up Company**

(1) A start-up company which wants to use an aid programme shall submit the following documents to the Committee:

1) an application for participation in the aid programme;

2) certification of an early stage venture capital investment made by a qualified venture capital investor;

3) a business plan for the business idea stated in the application.

(2) The form and content of the documents referred to in Paragraph one of this Section shall be determined by the Cabinet.

[*12 April 2018*]

**Section 18. The Register of State Aid for the Start-up Companies**

(1) Information regarding the granting of the aid programme or the loss of right to use aid programme shall be published in the Register of State Aid for the Start-up Companies.

(2) The Register of State Aid for the Start-up Companies shall be maintained by the Secretariat of the Committee.

(3) The following information shall be entered in the Register:

1) the name, registration number, legal address of the start-up company;

2) the date of taking the relevant decision of the Committee and its number;

3) the aid programme indicated in the decision of the Committee.

(4) The Register of State Aid for the Start-up Companies shall be published on the website of the Secretariat of the Committee.

**Section 19. Obligations of a Start-up Company**

(1) A start-up company, which uses or wishes to use aid programmes, has an obligation to provide true and clear information and documents to the Committee, which:

1) attest its conformity with the criteria laid down in Section 4 of this Law;

2) are related to changes in criteria laid down in Section 4 of this Law, not later than ten working days after emerging of changes;

3) are related to the course of implementation of the business plan of a business idea;

4) are related to commercial activity performed by the company and use of the aid programme granted to it;

5) apply to cumulation of the aid laid down in this Law with the aid other than provided for in this Law;

6) [3 September 2020];

7) attest the restrictions for use of aid laid down in this Law do not apply to the company.

(2) A start-up company which has lost the right to use the aid programmes referred to in Sections 6 and 8 of this Law during the aid programme period shall, not later than one calendar month after the loss of the right, make recalculation and pay all taxes in accordance with the general procedures regarding the aid programme period, including late payment in accordance with the provisions of the law On Taxes and Fees. When carrying out payment of taxes in accordance with the general procedures, a previously made fixed payment and additionally made mandatory payments made additionally for the State pension insurance shall be taken into account.

(3) A start-up company shall not make the recalculation referred to in Paragraph two of this Section if it has lost the right to use the aid programme due to the fact that it has submitted an application for the withdrawal of its participation in the aid programme because it has exceeded the maximum permissible *de minimis* aid amount.

[*3 September 2020*]

**Section 20. Losing the Right to Use the Aid Programme**

(1) The Committee shall revoke the decision to grant an aid programme, if a start-up company:

1) submits an application requesting revocation of its participation in the aid programme;

2) has not complied with the requirements of Sections 9 and 11 of this Law;

3) fails to comply with the criteria laid down in Section 4 of this Law;

4) has not submitted the information, related to the changes in the criteria laid down in Section 4 of this Law to the Commission within the time period laid down in this Law;

5) upon repeated request of the Committee, has not provided a true and clear information and documents which attest its conformity with the criteria laid down in this Law or information regarding the commercial activity carried out by the company and use of the aid programme granted to it;

6) has not met the conditions for use of the aid programmes;

7) [3 September 2020].

(2) A start-up company is not entitled to apply for the aid repeatedly, if it has previously lost the right to use the aid programme due to failure to provide the information laid down in this Law or has provided false information to the Committee.

[*3 September 2020*]

**Chapter V**

**Application of the Investor and Legal Effects Arising from Recognition of the Investor to be a Qualified Venture Capital Investor**

**Section 21. Submission of the Application**

(1) If the investor wants to be included in the list of qualified venture capital investors, he or she shall submit a relevant application to the Committee, by appending a certification to it regarding his or her conformity with the requirements of Section 5 of this Law.

(2) If the investor is not included in the list of qualified venture capital investors, the application referred to in Paragraph one of this Section may be submitted by appending it to the application of the start-up company for participation in the aid programme (Section 17, Paragraph one of this Law).

(3) The form and content of the application and certification referred to in Paragraph one of this Section shall be determined by the Cabinet.

[*3 September 2020*]

**Section 22. List of Qualified Venture Capital Investors**

(1) The information regarding the conformity of the investor to the conditions for qualification of venture capital investors or exclusion from the list of qualified venture capital investors shall be published in the list of qualified venture capital investors.

(2) The list of qualified venture capital investors shall be maintained by the Secretariat of the Committee.

(3) The following information shall be entered in the list:

1) name, registration number and legal address of the qualified venture capital investor, name and surname thereof (for a natural person) and contact information;

2) the date of taking the relevant decision of the Committee and its number.

(4) The list of qualified venture capital investors shall be published on the website of the Secretariat of the Committee.

[*3 September 2020*]

**Section 23. Obligations of Qualified Venture Capital Investors**

A qualified venture capital investor has an obligation to provide true and clear information and documents, which attest its conformity with the requirements of Section 5 of this Law, to the Committee.

**Section 24. Exclusion from the List of Qualified Venture Capital Investors**

(1) A decision of the Committee to exclude the investor from the list of qualified venture capital investors shall be taken if he or she:

1) fails to comply with the requirements of Section 5 of this Law;

2) upon repeated request of the Committee, has not provided a true and clear information and documents which attest its conformity with the criteria laid down in this Law;

3) has requested to be excluded from the list of qualified venture capital investors.

(2) An investor is not entitled to apply for inclusion in the list of qualified venture capital investors repeatedly if it has been previously excluded from the list due to failure to provide the information laid down in this Law or having provided false information to the Committee.

(3) If the investor is being excluded from the list of qualified venture capital investors, a start-up company is entitled to receive the aid laid down in this Law until the end of the aid programme period, except for the case when the requirements of Section 5, Paragraph two of this Law have been infringed.

**Transitional Provisions**

[*12 April 2018*]

1. A start-up company shall submit information regarding payment of taxes, contributions for State pension insurance or contributions in a private voluntary pension scheme provided for in this Law during a time period until 1 April 2017, reports of the start-up company regarding income calculated for the paid work of the employees and information regarding the employees to the State Revenue Service until 15 April 2017.

[*12 April 2018*]

2. The Ministry of Economics shall evaluate the progress and results of the practical implementation of this Law, including in relation to the number of work places newly created by a start-up company and the amount of investments attracted thereby, and shall also submit a relevant report and, where necessary, proposals for amendments to this Law to the Cabinet by 31 December 2021.

[*3 September 2020*]

This Law shall come into force from 1 January 2017.

This Law has been adopted by the *Saeima* on 23 November 2016.

President R. Vējonis

Rīga, 10 December 2016