

OVERVIEW OF FINANCIAL BUSINESS STIMULUS MEASURES IN COVID-19 SITUATION

17 April 2020



In this report we will review the main state support measures that are being applied for businesses affected by the COVID-19 outbreak:

FINANCIAL STIMULUS MEASURES FOR BUSINESS PROVIDED BY INVEGA

SIMPLIFIED ADMINISTRATION OF EU INVESTMENT PROJECTS DURING THE STATE OF EMERGENCY AND QUARANTINE

FINANCIAL MEASURES DESIGNATED TO MAINTAIN EMPLOYEES AND THEIR INCOMES

RELEVANT TAX BENEFITS FOR BUSINESS



FINANCIAL STIMULUS MEASURES FOR BUSINESS PROVIDED BY INVEGA

The national promotional institution UAB “Investicijų ir verslo garantijos” (“Investment and Business Guarantees”) (hereinafter - INVEGA) has announced new and improved existing financial stimulus measures designated to support businesses that have experienced negative impact of COVID-19.

MEASURES TO PROMOTE SMALL AND MEDIUM-SIZED ENTERPRISES (SMEs)

MEASURES TO PROMOTE LARGE BUSINESS ENTITIES



More information can be found on the INVEGA website
www.invega.lt

MEASURES TO PROMOTE SMALL AND MEDIUM-SIZED ENTERPRISES (SMEs)

If your company is very small, small or medium-sized (SME), i.e. your company has less than 250 employees and its annual income does not exceed EUR 50 million or the value of assets on the balance sheet does not exceed EUR 43 million, or you are an entrepreneur meeting the above criteria for the number of employees, annual income or value of assets, it is important for you to be aware of the following incentives for small and medium-sized enterprises (SMEs) affected by the COVID-19 outbreak that are being implemented / planned by INVEGA:

Interest compensation for deferred loan / leasing payments

Provision of soft loans with state funds

Guarantees for financial services provided by financial institutions

Grant for the promotion of SME listing on a stock exchange



Interest compensation for deferred loan / leasing payments

Who can apply for support under this measure	<p>SMEs, which from 16 March 2020 until 31 December 2020 has signed an agreement with a financial institution to defer repayment of financial liabilities in accordance with:</p> <ul style="list-style-type: none">▪ investment loan agreement▪ financial lease agreement▪ working capital loan agreement (except for credit lines to finance working capital)
Main terms of the measure	<ul style="list-style-type: none">▪ reimbursement of 100% up to 7% per annum on loans deferred from 16 March 2020▪ the compensation shall apply until 31 December 2020▪ compensation is paid monthly▪ the maximum deferral period for which compensation is applicable is 6 months▪ compensation may be applied up to a de minimis aid of EUR 200 000
Who provides this measure	INVEGA
When is it possible to apply for support	Aid is already being provided under this measure



Provision of soft loans with state funds

- **Soft loans to maintain liquidity**
- **Payable accounts loans**
- **Crowdfunding loans “Avietè”**
- **Risk-shared loans**
- **Open Credit Fund 2**



Soft loans to maintain liquidity

Who can apply for support under this measure	<p>SMEs operating in the most affected sectors, i.e.:</p> <ul style="list-style-type: none"> • whose activities are completely prohibited and no turnover takes place, or • whose turnover has decreased by more than 60% • which on 31 December 2019 were not considered as being in difficulties • which maintained at least 50 percent of employees compared to the number of employees on 1 March 2020 • which meets the minimum criteria of a reliable taxpayer
Main terms of the measure	<ul style="list-style-type: none"> • the loan will be provided to cover the company's daily necessary expenses (salary, rent, etc.) incurred from 16 March 2020 to 31 July 2020 • the maximum loan amount - up to EUR 100 000 • the loan will be provided on a monthly basis • the company, in order to obtain a loan, should contact the financial institution, which will calculate the company's need for funds within one month and will pay that amount • loans will be provided until 31 July 2020 and for a period not exceeding 24 months. This term may be extended for a period not exceeding 36 months from the date of conclusion of the initial loan agreement • the beginning of the loan repayment is 6 months after the loan disbursement date according to the schedule specified in the agreement
Who provides this measure	Financial institutions
When is it possible to apply for support	From 16 April 2020



Payable accounts loans

Who can apply for support under this measure	<p>Small and medium-sized enterprises (SME) – suppliers of goods and services:</p> <ul style="list-style-type: none"> • whose invoices have not been paid or have only been partially paid by the buyer company which due to the COVID-19 2020 outbreak suffered difficulties • which established no later than 31 December 2019 • which until announcement of the quarantine were not considered as being in difficulties • which have submitted reports to the Centre of Registers for the last 2 years
Main terms of the measure	<ul style="list-style-type: none"> • the unpaid invoice must be issued during the period from 16 January 2020 to 16 March 2020 • <u>the amount of the loan per recipient cannot exceed these limits:</u> <ul style="list-style-type: none"> - 25 % of company's sales revenue of 2019 - 85 % of outstanding values of confirmed invoices • maximum loan amount is EUR 100 000 • interest rate – 1 January 2020 the base rate + 0,5 % credit risk margin; the total interest rate may not be less than the applicable credit risk margin • the loan recipient and the buyer company cannot belong to the same group of companies • the loan is granted for a period of 24 months • the beginning of the loan repayment with interest is 6 months after the loan disbursement date
Who provides this measure	INVEGA directly
When is it possible to apply for support	From 10 April 2020



Crowdfunding loans “Avieté”

Who can apply for support under this measure	SMEs
Main terms of the measure	<ul style="list-style-type: none"> • „Avietés” loans are provided through crowdfunding platforms • the crowdfunding platform operator that has concluded a cooperation agreement with INVEGA will be able to use „Avietés” funds to finance business projects that meet the conditions of the measure by issuing loans • the maximum amount per loan is EUR 25 000 • funding can be provided up to 40 % of the loan amount (until 31 December 2020 – up to 100 % of the loan amount) • a maximum of 2 loans per loan recipient can be issued over a period of 6 months • loans to SMEs with additional conditions will be granted for a maximum period of 12 months • loans will be provided until 31 December 2020 <p>The total amount earmarked for financing of „Avieté” loans is EUR 4,615 million</p>
Who provides this measure	Crowdfunding platform Finbee
When is it possible to apply for support	The support under this measure is already being provided



Risk-shared loans

Who can apply for support under this measure	SMEs, whose turnover has decreased
Main terms of the measure	<ul style="list-style-type: none">• funding can be provided in the form of a loan and a credit line• the maximum amount of one loan for SME entity is EUR 4 million• the number of loans per SME entity is not limited• interest: 45 % of the loan/credit line is lent by applying the annual interest rate of 0 %, and 55 % of the loan/credit line is provided at the annual interest rate based on market conditions• may be used for investments intended to finance investments and/or circulating assets of SMEs• a loan may be granted for a period not exceeding 120 months and, in the form of a credit line, for 36 months
Who provides this measure	Šiaulių Bankas, AB Swedbank
When is it possible to apply for support	The support under this measure is already being provided



Open Credit Fund 2

<i>Who can apply for support under this measure</i>	SME entities
<i>Main terms of the measure</i>	<ul style="list-style-type: none">• the maximum amount of one loan for SME entity is EUR 600 000; the maximum amount may be increased depending on the percentage of own funds allocated by the bank• loans are subject to lower than market interest rates• funding (in the form of a loan and leasing) may be granted for a period not exceeding 120 months and, in the form of a credit line, for a period not exceeding 36 months• seeking to use this measure you need to apply to a credit institution with which a cooperation agreement is concluded for the provision of soft loans
<i>Who provides this measure</i>	AS „Citadele banka“ Lithuanian branch and UAB Medicinos bankas
<i>When is it possible to apply for support</i>	The support under this measure is already being provided



Guarantees for financial services provided by financial institutions

- **Individual guarantees for loans and leasing transactions**
- **Portfolio guarantees for loans and leasing transactions**
- **Portfolio guarantees for factoring transactions**
- **Portfolio guarantees for loans 2**
- **Portfolio guarantees for factoring 2**



Individual guarantees for loans and leasing transactions

Who can apply for support under this measure	SMEs
Main terms of the measure	<ul style="list-style-type: none"> • under this measure INVEGA guarantees the repayment of part of the first loan to the credit institution up to 80% of the amount, the remaining part is covered by the loan recipient's collateral • individual <u>loan guarantees</u> are provided for loans intended for investments in fixed assets and/or working capital to finance SME development • individual <u>guarantees for leasing</u> are provided to SMEs for acquiring new production equipment, i.e. • the maximum amount of guarantee is: <ul style="list-style-type: none"> - SMEs operating up to 3 years – EUR 750 000 - SMEs operating more than 3 years – EUR 1 500 000 • temporarily, until 31 December 2020, guarantees are provided for loans designed to support operating activities or to finance the completion of investments • temporarily, until 31 December 2020, there is no control for what purpose a guaranteed working capital loan is used • Allowed loan refinancing • companies whose activities are banned are not eligible
Who provides this measure	Financial institutions
When is it possible to apply for support	The support under this measure is already being provided



Portfolio guarantees for loans and leasing transactions

Who can apply for support under this measure	SMEs
Main terms of the measure	<ul style="list-style-type: none"> • under this measure INVEGA-selected financial institutions apply more favorable collateral requirements and lower interest rates to credit recipients • guaranteed repayment of up to 80 % of the loan/leasing transaction amount to financial institutions • the maximum guaranteed amount of a loan is EUR 1 875 000 (undertakings engaged in the carriage of goods by road – EUR 937 500) • funding may be granted for a period not exceeding 120 months and, in the form of a credit line, for 36 months • the maximum amount of the guarantee, including the residual of possessed guarantees, is: <ul style="list-style-type: none"> - SMEs entities operating up to 3 years – EUR 750 000 - SMEs entities operating more than 3 years – EUR 1 500 000 • currently, more guarantees are provided for working capital loans to strengthen the company's overall capital
Who provides this measure	Financial institutions (Šiaulių bankas, Swedbank, Citadele, Medicinos bankas, Unicredit Leasing)
When is it possible to apply for support	The support under this measure is already being provided



Portfolio guarantees for factoring transactions

Who can apply for support under this measure	SMEs
Main terms of the measure	<ul style="list-style-type: none">• under this measure, 80 % of guarantee is provided for each factoring transaction being in the financial institution's, implementing the measure, portfolio;• the maximum amount of limit per factoring is EUR 1 875 000 (undertakings engaged in the carriage of goods by road – EUR 937 500)• the maximum financing period of a factoring transaction is 12 months• upon expiry of the funding period of a factoring transaction, a new factoring transaction may be concluded with the enterprise• the guaranteed portfolio may include export and local factoring transactions with the right of recourse
Who provides this measure	Šiaulių bankas, SME Finance
When is it possible to apply for support	The support under this measure is already being provided



Portfolio guarantees for loans 2

Who can apply for support under this measure	<p>SMEs and large companies, which on 31 December 2019 were not considered as being in difficulties, but due to the COVID-19 suffered difficulties:</p> <ul style="list-style-type: none"> • decreased turnover by more than 40 % • financial flows are insufficient to meet existing liabilities • critical value of liquidity ratio < 1
Main terms of the measure	<ul style="list-style-type: none"> • INVEGA will guarantee financial institutions for the performance of already granted and new loans • loans included in the portfolio may take the form of a loan, a credit line or a leasing transaction • the guarantee takes effect automatically from the signing of the newly granted loan agreement by the administrator of the measure with the SME entity or a large company • loans whose performance can be guaranteed: <ul style="list-style-type: none"> - existing investment (including leasing transactions) and working capital loans (except reverse leasing transactions), whose reorganisations took place after 16 March 2020; - new working capital loans (including reverse leasing transactions), designed to support corporate liquidity, granted no earlier than 16 March 2020. • guaranteed up to 80 % of the loan amount • guaranteed loans can be granted for a maximum period of 6 years (72 months) • the amount of the guaranteed loan cannot exceed 5 mln. EUR • loans can be included in the guaranteed portfolio not later than until 31 December 2020.
Who provides this measure	Banks, CKU, Leasing companies, alternative funders
When is it possible to apply for support	From 16 April 2020



Portfolio guarantees for factoring 2

<i>Who can apply for support under this measure</i>	Micro, small and medium-sized enterprises
<i>Main terms of the measure</i>	<ul style="list-style-type: none">• this measure is designed to guarantee financial institutions for granted factoring limits to micro, small and medium-sized enterprises• up to 80 % of the factoring transaction limit amount will be guaranteed• the maximum amount of limit per factoring for one entity may not exceed EUR 1 875 000
<i>Who provides this measure</i>	Financial institutions
<i>When is it possible to apply for support</i>	The support under this measure is already being provided



Grant for the promotion of SME listing on a stock exchange

Who can apply for support under this measure	SMEs
Main terms of the measure	<ul style="list-style-type: none"> • a non-refundable grant is awarded, reimbursing up to 50% of the eligible costs • eligible costs are the costs of consultancy services (legal, financial, tax, etc.) that SMEs will incur in preparation for: <ul style="list-style-type: none"> - equity securities (shares) and/or - listing of debt securities (bonds) on the stock exchange • the grant will be paid under the following conditions: <ul style="list-style-type: none"> - SME is successfully listed or admitted to trade on the Nasdaq Vilnius stock exchange market or on the alternative First North platform - in the case of stock listing, SMEs have raised at least 500 000 EUR of additional capital on the stock exchange over a set period of time • in case of stock listing, the amount of the grant will reach up to 100 000 EUR and in the case of bonds – up to 50 000 EUR
Who provides this measure	INVEGA
When is it possible to apply for support	The conditions for the implementation of the measure are being prepared



MEASURES TO PROMOTE LARGE BUSINESS ENTITIES

If your company is large (at least 250 employees), you can use the following state support measures for large companies under the following conditions:

Business support fund

Individual guarantees for large companies

Portfolio guarantees for loans 2 and portfolio guarantees for leasing 2



Business support fund

<i>Who can apply for support under this measure</i>	Medium and large enterprises which have experienced financial difficulties as a result of the COVID-19 situation and which pose a risk to their business continuity, giving priority to: <ul style="list-style-type: none">• <u>companies of major economic importance</u>, the cessation of which may cause a chain reaction and affect other entities• companies <u>that meet certain "social" criteria</u>
<i>Main terms of the measure</i>	<ul style="list-style-type: none">• the fund would invest in the equity and debt securities of the above-mentioned companies, the fund would provide loans to companies in addition to other financing instruments already in operation• the fund is intended to be used only in cases when it is no longer possible to raise the necessary funds in other ways• it is invested directly through the fund and not through financial intermediaries• various instruments used in the financial market will be used for lending: loans, bonds, convertible bonds, shares, as well as funds of other investors• investment/loan price:<ul style="list-style-type: none">- in the case of loans and bonds - the market interest rate



Business support fund

	<ul style="list-style-type: none">- in the case of investment in shares, the value is determined on an individual assessment, but is 50% lower than normal market conditions- collateral is not applied• investments for one company may not exceed 20% of the total value of the company's assets• investment period – until 31 December 2020• investment duration – 1 to 6 years• the fund will be financed from state funds – in the initial stage it is planned to allocate EUR 100 million
<i>Who provides this measure</i>	A fund established by INVEGA
<i>When is it possible to apply for support</i>	From 1 May 2020



Individual guarantees for large companies

<i>Who can apply for support under this measure</i>	Large companies which are not in bankruptcy or undergoing restructuring
<i>Main terms of the measure</i>	<ul style="list-style-type: none">• guaranteed up to 80% of the loan amount• the maximum amount of the guarantee is 1 500 000 EUR• the guarantee can be provided for both investment and working capital loans• to use this measure, a large company must first contact a financial institution and agree on financing• the financial institution then applies to INVEGA for a guarantee
<i>Who provides this measure</i>	INVEGA
<i>When is it possible to apply for support</i>	The support under this measure is already available



Portfolio guarantees for loans 2

Who can apply for support under this measure	<p>SMEs and large companies, which on 31 December 2019 were not considered as being in difficulties, but due to the COVID-19 suffered difficulties:</p> <ul style="list-style-type: none"> • decreased turnover by more than 40 % • financial flows are insufficient to meet existing liabilities • critical value of liquidity ratio < 1
Main terms of the measure	<ul style="list-style-type: none"> • INVEGA will guarantee financial institutions for the performance of already granted and new loans • loans included in the portfolio may take the form of a loan, a credit line or a leasing transaction • the guarantee takes effect automatically from the signing of the newly granted loan agreement by the administrator of the measure with the SME entity or a large company • loans whose performance can be guaranteed: <ul style="list-style-type: none"> - existing investment (including leasing transactions) and working capital loans (except reverse leasing transactions), whose reorganisations took place after 16 March 2020; - new working capital loans (including reverse leasing transactions), designed to support corporate liquidity, granted no earlier than 16 March 2020. • guaranteed up to 80 % of the loan amount • guaranteed loans can be granted for a maximum period of 6 years (72 months) • the amount of the guaranteed loan cannot exceed 5 mln. EUR • loans can be included in the guaranteed portfolio not later than until 31 December 2020.
Who provides this measure	Banks, CKU, Leasing companies, alternative funders
When is it possible to apply for support	From 16 April 2020



SIMPLIFIED ADMINISTRATION OF EU INVESTMENT PROJECTS DURING THE STATE OF EMERGENCY AND QUARANTINE

If your company has received or plans to receive support from EU structural funds, it is important for you to know that the Minister of Finance of the Republic of Lithuania on 23 March 2020 approved the Interim procedure for simplification of project administration due to the COVID-19 situation. The Interim procedure will remain in force until the revocation of the state of emergency and quarantine.

The main changes in project administration under the Interim procedure:

- the deadline for the implementation of project activities may be postponed or extended at the request of the project developer
 - project activities may be carried out remotely if it is not possible to carry out the activities in the usual manner
 - an advance payment may be added or increased by amending the financing agreement
 - an advance payment may be granted, even if it is not provided for in the project agreement
 - the requirement to provide collateral for an advance payment shall not apply where the amount of the advance payment does not exceed EUR 10 000
 - payment requests may be submitted by project developers more often than provided for in the description of project financing conditions or financing agreement
 - the requirement to prepare or adjust an investment project is waived when medical equipment or other equipment necessary for the health sector is purchased
 - the deadline for the submission of applications is extended by 14 days for all announced invitations valid on the date of entry into force of the Interim procedure
 - at the request of the project developer the deadline for the implementation of the project activities may be postponed or extended when the project activities cannot be carried out and must be postponed, etc.
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FINANCIAL MEASURES DESIGNATED TO MAINTAIN EMPLOYEES AND THEIR INCOMES

WAGE SUBSIDIES PAYABLE AFTER IDLE TIME ANNOUNCEMENT

SICKNESS BENEFIT TO CHILDREN CARE

FLAT - RATE ALLOWANCES FOR THE SELF - EMPLOYED



Wage subsidies payable after idle time announcement

Under this measure, an employer who due to a declared state of emergency and quarantine is unable to provide to employees with the agreed work and, therefore, is forced to announce the Idle time may be paid a subsidy under the conditions set out below. On 8 April 2020, the Parliament of the Republic of Lithuania approved amendments according to which the employers who announced the Idle time due to the state of emergency and quarantine will be able to receive higher state subsidies than under the previous order:

The amounts of subsidies

According to the changed subsidy payment procedure, the employer may choose to receive a subsidy of the following amount:

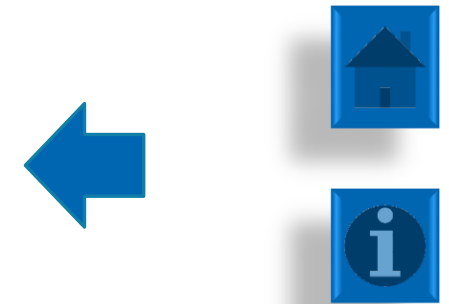
- 70 % of the employee's salary, but not exceeding EUR 910,5 gross for the entire month of Idle time, or
- 90 % of the employee's salary, but not exceeding EUR 607 gross for the entire month of Idle time

If the Idle time continues less than one month, the subsidy shall be reduced proportionately.

In order to receive the subsidy, the employer shall apply to the Employment Service, which makes a decision on granting the subsidy within 5 working days. The subsidy must be paid until the end of the current month.

Liabilities of the employer who received the subsidy

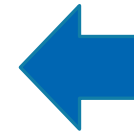
- To notify the State Labour Inspectorate about the Idle time announced to the employee;
- Do not require the employee to perform work functions during Idle time. Violation of this obligation will result in the employer losing the right to a further subsidy and will have to repay the part of the subsidy already paid within 2 months;
- To keep at least 50 % of employees for at least 3 months after the end of payment of the subsidy. Violation of this obligation will result in the employer not being able to participate in the implementation measures of the employment support, subsidising of job creation or adaptation, implementation of local employment initiative projects.



Wage subsidies payable after idle time announcement

Who will not be able to take advantage of the subsidies:

- budgetary institutions
- bankrupt, liquidated employers
- companies whose managers or responsible persons have received a fine in accordance with the Law on Employment of the Republic of Lithuania during the recent year prior to the application, for:
 - illegal work
 - undeclared work
 - violations of the procedure for employment of foreigners
- companies whose managers or responsible persons have received more than one administrative fine during the recent year for violations of labour laws, legislation on safety and health of employees, concealment of an accident at work, violation of the procedure for calculating and paying wages, etc.

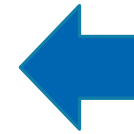


Sickness benefit to children care

Employees who do not have the opportunity to work remotely and for whom no idle time has been declared will be able to receive sickness benefit until the end of the announced quarantine.

The state covers the 65.94% of the salary.

Not only the child's parents (adoptive parents or guardians), but also grandparents, as well as employees caring for disabled relatives, suffering from serious chronic diseases and who are at risk of contracting a contagious disease at work, will be entitled to sickness benefit during the quarantine, in case they do not have a possibility to work remotely and if they are not on idle time.



Flat - rate allowances for the self - employed

Under this measure, self-employed persons who do not receive income from work can claim a flat-rate monthly allowance of € 257, which will be paid for the previous calendar month.

The benefit is available to self-employed persons who meet the following criteria:

- self-employment registered for at least 3 months in the last year
- self-employment was not deregistered until the date of declaration of emergency and quarantine (16 March 2020)
- unemployed, do not have a legal relationship equivalent to an employment relationship, do not receive income from employment
- a legal person cannot be bankrupt or liquidated

The benefit will be paid until the state of emergency and / or quarantine is revoked.



RELEVANT TAX BENEFITS FOR BUSINESS

CORPORATE TAX BENEFITS

TAX BENEFITS FOR SELF-EMPLOYED PERSONS



CORPORATE TAX BENEFITS

The State Tax Inspectorate (STI) has published a list of taxpayers whose activities have been directly terminated / restricted due to quarantine. The following aid measures / benefits will automatically be granted to these companies:

- exemption from interest on arrears applies
- no interest is accrued upon concluding a tax loan agreement
- exemption from recovery of declared taxes

A list of companies available [here](#).

Entrepreneurs whose company name is not on the list, but who have been adversely affected by COVID-19, can apply to the STI for assistance measures by providing relevant evidence.

It should be noted that the listed companies are also subject to similar measures to facilitate the payment of social security contributions.

For more information: www.vmi.lt



TAX BENEFITS FOR SELF-EMPLOYED PERSONS

The STI has published the lists of self-employed persons who will be subject to tax benefits:

- a list of residents who carry out activities under a business license
- a list of the population operating under the certificate

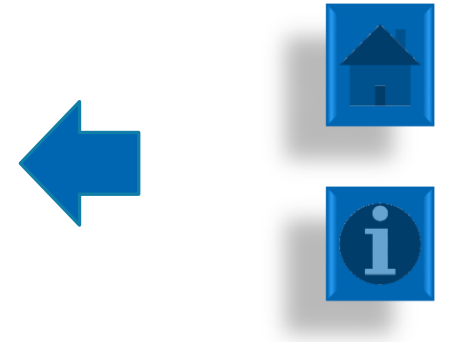
These lists indicate the economic activities in which the population is engaged:

- automatically exempt from default interest
- exempt from recovery of taxes
- interest-free deferral agreements are concluded (after the end of quarantine)

Residents whose activities are not included in the lists, but who are adversely affected by COVID-19, may apply to the STI for the application of benefits by providing relevant evidence.

All the aid measures referred to also apply to SODRA's contributions.

For more information: www.vmi.lt



About Eversheds Saladžius

Law firm Eversheds Saladžius is the member of Eversheds Sutherland Europe. Eversheds Sutherland – one of the largest full service business law firm in the world, providing quality, innovative and consistent legal services around the globe from 69 offices in 34 countries. Offices of Eversheds Sutherland are based in the largest cities of Europe, United States, Middle East, Asia and Africa. Eversheds Saladžius has more than 20 years of experience and provides full scope legal services to local and global clients on all aspects of business law.

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