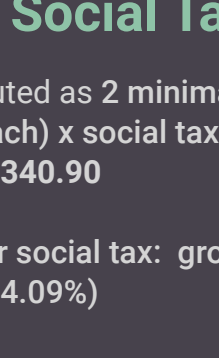


Startup Law

For **EARLY STAGE** startups unicorning in Latvia
Purpose of Law: decrease the biggest early-stage cost -
COST of bad*ss talent
Law offers TWO BENEFIT SCENARIOS

Benefit scenario A



Flat Social Tax

computed as 2 minimal gross salary (EUR 500 each) x social tax rate (34.09%)
 = EUR 340.90

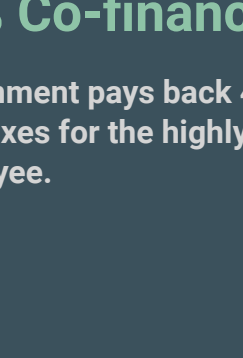
regular social tax: gross salary x social tax rate (34.09%)



0% Individual Income Tax

regular individual income tax:
 20%, 23%, 31% depending on your gross salary

Benefit scenario B



45% Co-financing of Talent

Government pays back 45% of the wage + paid taxes for the highly qualified startup employee.

Benefit scenario A

- Social tax paid (EUR 340.90) is basis for ALL your social welfare benefits
- Additional 10% from *gross salary minus 2 minimal gross salaries* -> contributions for pension fund
- If employee's income > EUR 62,800/year -> subject to [solidarity tax](#) (25% from excessive amount)
- The information about fixed social tax and contributions for the pension insurance shall be included in the employment contract
- No right to claim non-taxable minimum and relief for dependent persons

Benefit scenario B

- EU programme, special regulation [#692](#) applies -> more thorough compliance and reporting process
- Highly qualified employee receives higher-than-average-in-country salary (calculated by [Central Statistical Bureau](#))
- Must have at least masters degree in one of applicable studies
- OR**
- Has at least 3 year experience in area of work
- Must be directly involved in R&D activities

Criteria to Qualify for Startup Law Benefits

1. Your startup has an investment from a qualified investor
 Qualifying investment for parent or subsidiary company: equity, share premium, convertible loan, max 24 months old
 Qualifying investor: with track record, not related to startup
 - a) VC fund invests EUR 30,000
 - b) Accelerator invests EUR 15,000
 - c) Business Angel invests EUR 15,000
- OR**
- Your startup demonstrates evidence of the production, manufacturing or development of an innovative idea
2. Tax debt of your startup does not exceed EUR 150
3. No ongoing bankruptcy

How the benefits are granted?

Step 1

Check whether all criteria are in check!
 Avail of individual consultation with us to make sure all is good to go.

Step 3

Study carefully criterion #1. Check [list](#) whether your investor is qualified(*), **or** you pass requirements of innovative idea

Step 5

Decision will be made in 1 month. Understand the terms and conditions well. Discuss with us!

Step 1

Step 2

Do your homework and learn about the A & B benefit scenarios. Choose what benefits suit you best.

Step 3

Step 4

If **YES** -> Prepare YOUR application package and submit.

 * If you apply on basis of investment and your investor is **not** on the [list](#), prepare BOTH application packages and submit

Step 5

After benefits are granted



- The 3 criteria have to stay valid throughout the whole support period.
- The support is given for 1 year (or 2*). You can extend support if all criteria are still valid for whole support period. The application process is the same.
- You don't have to inform anyone (Register of Enterprises, SRS, etc.) about support you are receiving. Include EU support programme logo into your web page and tell that you receive the support.
- * If investment from qualified investor is at least EUR 150,000

Benefit scenario A

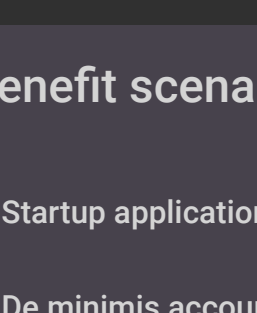
(you don't expect money from government)

- We inform [SRS](#) about your status and low taxes
- You start paying EUR 340.90 social tax and EUR 0 individual income tax for your employee(s) straight away
- You submit monthly Appendix 3 of Regulation [#827](#) (all companies do!) which reflects the actual paid taxes
- Submit end report [status/progress report](#) to LIAA: Filled in Excel Sheet + additional documents

Benefit scenario B

(you expect money from government)

- You pay salary and taxes as a regular company
- Quarterly you submit [status/progress report](#) to LIAA and request to reimburse the 45%: Filled in Excel Sheet + additional documents + provide EU support programme logo visibility
- LIAA takes 20 working days to evaluate your report and pay you the money



Startup Application Package

Benefit scenario A

1. Startup application [form in Latvian](#)
2. De minimis accounting form filled in via [Electronic Declaration System \(EDS\)](#)

Benefit scenario B

1. Startup application [form In Latvian](#)
2. De minimis accounting form filled in via [Electronic Declaration System \(EDS\)](#)
3. Free form confirmation that restrictions of the EU Structural Funds and the Cohesion Fund do not apply (as per [Law On Management of European Union Structural Funds and the Cohesion Fund for the 2014-2020 Programming Period, Section 23](#))
4. At least one of these documents regarding the employee applied for the aid programme:
 - a) copy of the relevant higher education document
 - b) CV

Additional documents (for BOTH benefit scenarios)

If you apply on the basis of investment:

1. An acknowledgment signed by startup and qualifying investor that:
 - the investment of required minimal amount has happened
 - this investment was made within the last 24 months
 - the investment purpose was related to the underlying startup core process or product/service
 - parent or subsidiary company applies to criteria set for startups, if investment is made for company
5. Bank Statement which shows qualifying investment amount
6. If your investor hasn't qualified yet, additionally INVESTOR APPLICATION PACKAGE

OR

If you apply on the basis of the production, manufacturing or development of an innovative idea in a Startup:

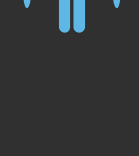
1. You must describe it and show evidence in "Startup application form"

Criteria for Investor Qualification



Venture Capital Fund or Fund Manager

- ✓ Must be registered as an alternative investment fund or fund manager with the state authority equivalent to Latvian [FKTK \(Financial and Capital Market Commission\)](#)
- ✓ Within the past 3 years has made at least 2 investments in early-stage startups of at least EUR 30,000 each and not taking more than a 30% share of the company



Accelerator

- ✓ Within the past 3 years has implemented 3 short-term acceleration programmes, investing in at least 10 startups, each investment being at least EUR 15,000, and not taking more than a 15% share of the company



Business Angel (legal entity or natural person)

- ✓ Has entrepreneurship experience (for natural person)
- ✓ Is part of a business angels network
- ✓ Within 5 years has made at least 2 investments in early-stage startups, each investment being at least EUR 15,000, but not less than EUR 60,000 in total, and not taking more than a 30% share of the company

Investor Qualification Application Package

1. Investor qualification application [form](#).
2. One of these document sets:



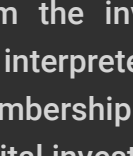
Venture Capital Fund or Fund Manager

- ✓ A copy of the document attesting that the investor has been registered as alternative investment fund or fund manager.



Accelerator

- ✓ Confirmation about the 3 programmes which happened over the last 3 years.



Business Angel (natural person)

- ✓ Description of work experience as a company manager or a member of the board of directors (CV).
- ✓ Bank statement confirming that the investments have been made from the investor's own funds. Loans received are not interpreted as own funds.
- ✓ Declaration of membership in an international network of venture capital investors.



Business Angel (legal entity)

- ✓ Declaration of membership in an international network of venture capital investors.