

State aid

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What is state aid?

State aid is any advantage granted selectively by the state, local government or other public authority from state or local government resources to any economic operator (undertaking), where such aid could potentially distort competition or have an effect on trade in the European Union. The definition of state aid is very broad, since the “advantage” can be expressed in different ways.

State aid and its control is one of the areas defined in Treaty on the Functioning of the European Union. Article 107(1) of the Treaty on the Functioning of the European Union, further interpreted in the case-law of the courts of the European Union, defines the criteria for which a state measure qualifies as state aid. And only measures implemented by the state which simultaneously fulfil all the conditions of Article 107(1) of the Treaty are subject to the control of state aid. And state aid can only be granted applying an appropriate state aid rules. The obligation to control state aid equally applies to all Member States of the European Union (and countries of the European Economic Area).

Additional information on state aid is available on the [European Commission's](#) website.

Not all financing from public resources and not all state budget financing or funding granted by the local government shall be regarded as state aid. In order to qualify as state aid, the following four criteria must be met at the same time:

Support is provided from public resources (State, local government or European Union funds etc.).

The beneficiary gains economic advantage which it would not have enjoyed under normal market conditions.

The measure is selective by its nature.

State aid has an impact on competition and trade between Member States of the European Union.

Useful: For a more detailed understanding of what constitutes state aid:

The European Commission has produced a document on the notion of state aid explaining the cases where state aid rules need to be applied. The information is available on the [European Commission's website](#). (Taking into account the development of EU case law, the document does not cover the most outstanding state aid cases.)

The Ministry of Finance has developed State aid guidelines. The information is available [here](#) (in Latvian).

Which authorities in Latvia are responsible for state aid control?

The Ministry of Finance and the Ministry of Agriculture are responsible for the policy of state aid at national level.

The competence of the Ministry of Agriculture in the field of state aid control covers those cases where aid is planned for activities in the fishing, aquaculture, agriculture and forestry sector, in accordance with the provisions of the Law on State Aid Control.

The competence of the Ministry of Finance in the field of state aid control covers all other sectors, according to the Law on State Aid Control.

Laws and regulations

The legislative framework for the functioning of state aid control system in the context of the internal market of the European

Union consist of (1) European Union level acts, including judgments of the Court of Justice of the European Union and (2) National laws and regulations.

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The legal framework for state aid control at European Union level is:

Articles 107 and 108 of the Treaty on the Functioning of the European Union;

EU legislation as directives, regulations, guidelines, frameworks, communications, etc. and European Commission decisions.

These documents can be found on the [website of the Directorate-General for Competition of the European Commission](#).

Judgments by the Court of Justice of the European Union.

Judgments in specific State aid cases can be consulted on the [webpage of the Court of Justice of the European Union](#)

(2) National laws and regulations

[Law on State Aid Control \(Law on Control of Aid for Commercial Activity\)](#)

Act was adopted on 19 June 2014 and entered into force on 1 July 2014 (L.V., 27 June, No 123)

Law on State Aid Control determines the national competences and ensures effective application of State aid control norms.

- in order to ensure effective control of state aid and to avoid the negative impact on competition in the EU internal market, which may result from the granting of unlawful aid to commercial companies, Member States should be guided by the most up-to-date interpretation of state aid control rules. Since the interpretation of the rules on the control of state aid can be found not only in the legislative acts issued by the European Union, but also in the judgments of the courts of the European Union, as well as in the documents issued by the European Commission in accordance with its competence in order to achieve the objectives set by the European Union, the law provides for the possibility of directly applying European Union law, judgments of the European Union and others and other documents in the field of State aid;
- includes the national division of competence between the Ministry of Finance and the Ministry of Agriculture;
- includes procedural rules for the assessment and notification of state aid;
- establishes procedures for the recovery of illegal (and incompatible) state aid;
- establishes financial accounting conditions for national and local authorities by granting state aid to commercial companies resulting from [Commission Directive 2006/111/EC of 16 November 2006 on the transparency of financial relations between Member States and public undertakings as well as on financial transparency within certain undertakings](#).

[Cabinet Regulations No. 715 of 21 November 2018, Regulations Regarding Procedures for the Accounting and Granting of de minimis Aid and Samples of de minimis Aid Accounting Forms](#)

Regulations determine:

- the arrangements for the accounting and granting of de minimis aid using the de minimis aid accounting system (hereinafter - system);
- the content of the system, the procedures for establishing and maintaining the system, the use of system data, updating and the circulation of information;
- roles and rights of users in the system;
- procedures for granting, blocking and revoking rights to use the system;

- the procedures for access of users to the system;
- samples of forms.

[Cabinet Regulations No. 386 of 21 June 2016, Procedures for publishing the information regarding the provided commercial activity aid and granting and revoking the right to use the electronic system](#)

Regulations prescribe the procedures by which a State or local government institution or a legal person authorised by such institutions publishes information regarding the provided commercial activity support and by which the user rights are awarded to *Aid Award System Application (State Aid Transparency Award Module (TAM))* under the responsibility of the European Commission. The rules are designed to ensure compliance with the requirements for publishing/ transparency requirements in European Union acts in the field of state aid control.

[Cabinet Regulations No. 759 of 16 December 2014" Procedures for the Submission of Support Programmes and Individual Aid Projects Notifications and Summary Information to the European Commission and Procedures for Granting and Voiding the Rights of Use of the Electronic System](#)

Regulations determine the procedures for notifications of aid programmes and individual aid projects, as well as summary information, to the European Commission, as well as include the procedures for granting and revoking the user rights to the electronic system.

[Cabinet Regulations No. 777 of 16 December 2014, Procedures for the Submit to the European Commission of Annual Reports on Expenditure on Aid for Commercial Activities and Procedures for Granting and Withdrawing Rights for Use of the Electronic System](#)

Regulations lay down the procedures for the annual reports on the state aid expenditures to be submitted electronically to the European Commission and the procedures for granting and revoking the user rights of the electronic system.

[Cabinet Regulations No. 776 of 16.12.2014, Procedures by which Commercial Companies declare their conformity with the status of a small \(small\) and medium commercial company](#)

Regulations prescribe the procedures by which a commercial company declares its conformity with the status of a small (small) and medium-sized commercial company, as well as approve declarations regarding the conformity of a commercial company with a small (small) or medium commercial company and annexes regarding the status of the a sample of the conformity of a commercial company with a small (small) or medium commercial company.

[Cabinet Regulations No. 729, Regulations Regarding Regional Development Aid in the Republic of Latvia until 2027](#)

Regulations lay down the procedures for the granting of regional aid in the Republic of Latvia, i.e. the rules define the regions (areas) in which regional aid intensities may be granted in Latvia and respective maximum aid intensities in accordance with the [Communication from the Commission Guidelines on regional State aid 2021/C 153/01](#). The Latvian regional aid map for 2022-2027 has been notified to the European Commission and European Commission has taken a positive decision (State aid case registered in the European Commission under number SA.100587).

Contacts

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<https://www.fm.gov.lv/en/state-aid>