



SK Legal Alert

16 June 2020

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SUBSIDIES FOR RENT PAYMENT, SUPPLEMENT OF TEMPORARY PROTECTION AND AMENDMENT TO THE LABOR CODE

The National Council of the Slovak Republic approved several amendments to laws in connection with the extraordinary situation caused by COVID-19, dealing with subsidies for rent payment, extending temporary protection of entrepreneurs and possibilities of concluding a fixed-term employment relationship summarized below.

SUBSIDY FOR RENT PAYMENT, SUPPLEMENT OF TEMPORARY PROTECTION

The approved amendment (“**Amendment 1**”) supplements Act no. 71/2013 Coll. on the provision of subsidies within the competence of the Ministry of Economy of the Slovak Republic and also Act no. 62/2020 Coll. on certain emergency measures in connection with the spread of the dangerous contagious human disease COVID-19 in the judiciary by implementing the following measures:

1) Introducing a subsidy for rent payment

The purpose of the subsidy is to provide payment of rent to an entrepreneur (i) who has been prevented from the use of a leased/subleased object by its closing or (ii) whose use of the leased/subleased object was substantially restricted by a public ban of presence of the public in the object of lease/sublease (“inhibited use”) in connection with prevention of the consequences of COVID-19 measures of state administration bodies in the field of public health care.

Only entrepreneurs in a rental/similar relationship with the beginning of use of the lease/sublease object from 1 February 2020 at the latest may apply for the subsidy; changes in the lease/similar agreement after 12 March 2020 are not taken

into account for the purposes of the subsidy.

The subsidy is provided in the amount in which the rent discount was provided on the basis of an agreement between the landlord and the tenant, but not more than 50 % of the rent for the period of inhibited use. Provision of the subsidy is conditioned upon the provision of a discount on rent by the landlord to the tenant. It is then possible to apply for the subsidy in the amount of the rent discount as long as it does not exceed 50 % of the rent for the period of inhibited use, otherwise not more than in this amount; any remaining part of the rent (if the landlord provides the tenant with a rent discount of less than 50 % and the subsequent subsidy would also be less than 50 % of the rent for the period of inhibited use) can be paid by the tenant in installments as described below.

It is not possible to include payments for services usually associated with rent (e.g. payments for energy supply) or a turnover component (if the rent is also determined by turnover) in the amount of rent for the purpose of calculating the subsidy.

If the tenant has paid rent to the landlord for the whole or part of the period of inhibited use, the rent subsidy may be granted for the same period, as the inhibited use, in the future (*pro futuro*), in the amount of the rent discount provided by the agreement between the landlord and the tenant, however, in an amount no higher than 50 % of the rent.

Whether the landlord and the tenant have agreed on the provision of a rental discount or not, the tenant may pay the remaining or the whole unpaid rent in a maximum of 48 equal monthly installments, unless otherwise agreed with the landlord.

The application for the subsidy is submitted by the landlord on behalf of the tenant on his own account (the tenant is to provide co-operation upon request). The beneficiary of the aid is then the tenant, who waives the performance of the



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subsidy in favour of the landlord in the application, so that the subsidy is actually received by the landlord. The application is submitted electronically using a form published by the Ministry of Economy on its website. The application authorized (especially by electronic signature) by the landlord and the tenant has the same effect as an agreement between the landlord and the tenant to provide a discount on rent.

The tenant must declare in the application that (i) no bankruptcy proceeding are in progress against him, he is not in bankruptcy, in restructuring and a petition to declare bankruptcy on him was not rejected for lack of assets and (ii) he is not subject to a final ban on receiving subsidies, grants or assistance and support from EU funds. If the required amount of the subsidy exceeds EUR 100,000, it is necessary to indicate the ultimate beneficial owner.

2) Supplementing temporary protection

Amendment 1 also complements the regulation of temporary protection of entrepreneurs, which we dealt with in our Legal Alert of 24 April 2020, in order to keep the operation of the entrepreneur's enterprise under temporary protection. If, according to an enforceable court decision, a person has a non-monetary obligation against an entrepreneur under temporary protection (to give something, to do something, to abstain from something or to bear something), the court of first instance that ruled on the case will decide on the motion of a temporary protected entrepreneur on reasonable satisfaction in cash (up to 10 % of the net turnover of the entrepreneur under temporary protection for the previous accounting period) if such an obligation is not fulfilled without serious reasons.

Payment of reasonable satisfaction from a legal entity may be requested jointly and severally also from members of its statutory body. An enforceable court decision on reasonable satisfaction is a decision on exclusion pursuant to Section

13a of the Commercial Code.

Amendment 1 is to come into force on the day of its promulgation and is currently awaiting the signature of the President of the Slovak Republic.

AMENDMENT TO THE LABOUR CODE

The National Council of the Slovak Republic also adopted an amendment to Act no. 311/2001 Coll. the Labour Code ("**Amendment 2**") extending the possibility of arranging a fixed-term employment relationship in order to maintain jobs and prevent an increase in unemployment due to the crisis caused by COVID-19.

According to Amendment 2, it will be possible to extend/re-negotiate a fixed-term employment relationship which is to end by expiration of an agreed period of time during an emergency situation, state of emergency or exceptional state declared in connection with COVID-19 or within two months from their recall and where the conditions for extension/re-negotiation of such employment contract according to the Labour Code are not met because:

- ▶ it has been agreed for a maximum duration of a fixed-term employment relationship, i.e. for two years; or
- ▶ it has already been extended or renegotiated twice within two years;

once more for a maximum of one year.

The extension/renegotiation of a fixed-term employment relationship must be discussed in advance with the employees' representatives; if this does not happen, the employment relationship will be considered to be concluded for an indefinite period.

Amendment 2 is to come into force on the day of its promulgation and is currently awaiting the signature of the President of the Slovak Republic.

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