



CERHA HEMPEL CEE NEWSLETTER *Slovakia*

Measures to Address the Negative Economic Impact of COVID-19

The COVID-19 pandemic, which has come to characterize the first part of this year, is expected to have a negative impact on the Slovak economy. To mitigate this impact at the local level, the Slovak state has adopted several measures to support entrepreneurs and employees in particular. While affecting the economy as a whole, the current emergency situation has negative consequences in particular on entrepreneurs who have been forced by the public authorities to shut down their business operations, the majority of whom are providers of "non-essential services" (e.g. hairdressers, manicurists, etc.) and businesses active in the retail sector.

The difficulties experienced by such businesses consist mainly in the loss of a balance between income and expenses, since the absence or reduction in income caused by the shutdown is not necessarily compensated by a reduction in expenses, such as employees' wages and in some cases rent for leasing business premises.

To mitigate foreseeable liquidity problems, the Slovak state adopted measures to regulate the following aspects in particular during the COVID-19 state of emergency:

- labour relationships;
- drop in the revenue of sole traders or owners of "one person LLCs";
- adjustments to some financial relationships.

Labour relationships

Newly adopted COVID legislation classifies the inactivity of employees due to the forced shutdown of their employer as an obstacle on the employer's side, for the duration of which the employee is entitled vis-à-vis its employer to compensation of his wage in the amount of 80% of his average earnings.

Moreover, the Slovak state launched the so called "*Kurzarbeit*" program, consisting in State aid intended for employers who keep employees on their books instead of letting them go, many of whom are inactive due to the mandatory shutdown. This State support, provided on the basis of a written application made by the employer to the competent office of work, social affairs and family, consists in refunding employees' wages to the employer in the amount of 80% of the average earnings of each employee affected (mirroring the measure above), with an upper cap of EUR 1100 per employee.

Other measures introduced in the wake of the current situation include the possibility for the employer to unilaterally impose "home office" on employees and temporarily change the time limit to impose leave on the employee. Regarding the latter, the employer as a rule has to notify its decision to impose leave on an employee at least 14 days in advance, but this time limit was shortened to seven days for the duration of the pandemic.

Drop in the income of small and medium-sized entrepreneurs

Sole traders and owners of so-called "one person LLCs" (limited liability companies in which the only managing director is also the sole shareholder) are deemed to be one of the categories most affected by the current situation, which induced the State to

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include them in its pandemic State aid program as a separate category.

The eligibility criteria for these measures include the following:

- a decrease in or absence of revenue, in the case of sole traders;
- an absence of revenue, in the case of owners of one person LLCs (meaning that such person does not have any income at all, not only from the activity of the LLC).

The amount provided as financial support by the State is calculated with regard to the decrease in revenue expressed as a percentage for the month in question. Currently the months for which it is possible to apply for compensation for a drop in income are only March and April 2020. However, the upper cap of the monthly aid never exceeds the sum of EUR 540.

Adjustments to some financial relationships

Foreseeing that a decrease in liquidity may cause difficulties also in respect of the repayment of loans, the Slovak legislator made some adjustments with a view to reducing the financial pressure on borrowers.

The first remarkable measure in this regard is focused on financial consumers, who may apply to their lender for a postponement of the maturity of their instalments, for not more than nine months in case the lender is a bank and not more than 3

months in case the lender is not a financial institution. It is important to note that the lender is in general obliged to postpone the maturity of the instalments following the request of the borrower; an exception is made for a borrower who was previously in default with the repayment of the loan according to the parameters set by the law.

A similar measure with identical postponement deadlines applies to small and medium-sized enterprises and to sole traders who can also request that their lender postpone the maturity of their instalments.

Small and medium-sized enterprises borrowing from the "Exportno-importná banka Slovenskej republiky" or the "Slovenská záručná a rozvojová banka, a. s." (which are banking subjects founded for particular purposes) according to special regulations can also apply for State aid, by which the Ministry of Finance of the Slovak Republic may provide a guarantee for repayment of their loan or assume an obligation to pay the interest instead of the borrowers.

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