

ECONOMIC MEASURES (COVID-19)

-

KURZARBEIT

and the adjustment of other State aid packages

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Dear client,

On April 14, 2020, the Government of the Slovak Republic approved a **Proposal to change the conditions of the project to support the maintenance of employment at the time of the extraordinary situation, state of necessity, or state of emergency and to mitigate their consequences** (hereinafter referred to as the "**Proposal**"), amending the original government Proposal to promote employment in the form of state contributions to employers.

The Proposal focuses particularly on:

- adjustment of the original two State contributions from 31.03.2020;
- support for employers through the *kurzarbeit* model
- support for selected groups of natural persons who have no other income at the time of the declared emergency

I. Adjustment of the original State contributions as of 31.03.2020

1. Contribution for employers who had to close or limit their operations as a result of a decision of the Public Health Authority of the Slovak Republic

In particular, the Proposal amends the overall limit of the contribution in such a way that it fully **abolishes the financial ceiling** for the contribution per employer, which was initially EUR 800.000.

At the same time, it will be possible to provide the contribution to compensate an employee's salary in the amount stipulated by a collective agreement or other written agreement with employees' representatives during the entire period of providing contributions.

2. Contribution for self-employed persons who lost their sales or had to close their operations based on a decision of the Public Health Authority of the Slovak Republic

In comparison with the Proposal of 14.04.2020, from the original government's Proposal were excluded employers, who should, together with the self-employed, be able to obtain a contribution if a decrease in sales was demonstrated.

In the current Proposal, only a self-employed person belongs to the eligible person, which at the time of the announced emergency limited the performance or operation on the basis of the Public Health Authority Measure or whose sales decreased.

The amount of the contribution was slightly adjusted, especially for the March period, and the percentages for identifying the decrease in sales has been specified.

decrease in sales (categories)	March 2020
less than 10%	EUR 0, -
from 10 % - 19,99 %	EUR 90, -
from 20 % - 29,99 %	EUR 150, -
from 30 % - 39,99 %	EUR 210, -
from 40 and more %	EUR 270, -

decrease in sales (categories)	April, May 2020
less than 20 %	EUR 0, -
from 20,00 - 39,99 %	EUR 180, -
from 40,00 - 59,99 %	EUR 300, -
from 60,00 - 79,99 %	EUR 420, -
from 80 % and more	EUR 540, -

The condition for providing the contribution is that the person:

- a) has been insured, covering sickness and pension insurance, until and after 31 March 2020; at the same time
- b) is taking the so-called "*levies holiday*"

However, the contribution is excluded for self-employed person:

- a) whose trade license has been cancelled or suspended; or
- b) that has an ongoing employment relationship.

II. Slovak model of „kurzarbeit“ - support of employers affected by emergency situation

The Proposal regulates the basic conditions of the state contribution, which is intended to support and help to maintain those jobs, which were not closed by measures of the Public Health Authority of the SR; however, due to the extraordinary situation, they have limited or interrupted their operations.

The scheme of the Slovak "kurzarbeit" model allows the employers to choose from two options

First option - 3A

The employer will be reimbursed the amount of 80% of the average earnings of the employee, to whom the employer cannot assign work due to obstacles on the part of the employer, but not more than the amount of EUR 880 per employee.

The basic condition is therefore **the existence of objective obstacles for which the employer cannot assign work to the employee.**

Second option - 3B

The employer will be provided with a flat-rate (fixed) contribution to cover part of the wage costs for each employee, assuming a **real decrease in sales** in the amount according to the following table:

decrease in sales (categories)	March 2020
less than 10%	EUR 0, -
from 10 % - 19,99 %	EUR 90, -
from 20 % - 29,99 %	EUR 150, -
from 30 % - 39,99 %	EUR 210, -
from 40 and more %	EUR 270, -

decrease in sales (categories)	April, May 2020
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from 60,00 - 79,99 %	EUR 420, -
from 80 % and more	EUR 540, -

The amount of sales decrease is compared with:

- a) the same period in the year 2019; or
- b) with an average of the year 2019; or
- c) the period of February 2020, if the applicant hasn't operated in the previous periods (points (a) or (b)).

COMMON CONDITIONS

Contributions 3A and 3B from the scheme of the Slovak "kurzarbeit" model **CANNOT BE COMBINED**; therefore, the employers must evaluate and recalculate the benefits of both alternatives. During the entire period of providing the contribution, it is thus possible to use only one of the above options.

EXAMPLE

The employer has 100 employees and each employee has average monthly earnings of 1000, - EUR. The employer had to leave 20 employees at home because of the obstacles on the part of the employer, and at the same time, in April 2020, the employer registered a 25% decrease in sales.

Under model 3A, the employer is entitled to a contribution of EUR 16,000 (20 employees x 80% of the average wage); Under model 3B, is the employer is entitled to a contribution of EUR 18,000 (all 100 employees x 180, -EUR flat-rate contribution)

Neither the 3A nor the 3B contribution may be granted to employees who receive social security benefits (sick leave or care for a family member) or employees on paid leave.

In addition to the basic conditions for individual contributions, the employer must comply with the obligation, that two months after the month for which the employer applies for the contribution:

- 1) the employer will not terminate the employment with the employee (s); or
- 2) will not take any legal action to terminate (in future) the employment relationship with the employee (s);

Specific criteria

In addition to the above conditions for obtaining the contribution, the applicant must also demonstrate that he:

- ✓ has fulfilled tax and levy obligations;
- ✗ has not violated the prohibition of illegal employment in the last two years prior to the application;
- ✗ has no payable financial liabilities towards the provider of the contributions;
- ✗ is not in bankruptcy, liquidation, forced administration or does not have to comply with a payment schedule under a special regulation,
- ✗ does not have unsatisfied claims of the employees resulting from the employment,
- ✗ has no legal penalty for the prohibition of receiving subsidies or subventions, or a penalty for the prohibition of receiving aid and support provided by European Union funds, if concerning a legal person;

III. Support for selected groups of natural persons who have no other income at the time of the declared emergency

The amendment to the Proposal also approved the conditions for financing and support of those groups of natural persons who are not in the position of employees or active self-employed persons, however, due to the extraordinary situation have no other income.

These are mainly natural persons who, since 13.03.2020, have no other income and are also:

- a) self-employed persons who have interrupted or limited their operation; or
- b) self-employed persons, who has since 13.03.2020 suspended the authorization to carry out their activities (in accordance with the provision of § 80af of the Act No. 455/1991 Coll. the Trade licensing Act); or
- c) employed under an agreement outside employment relationship in force during 2020, even during the declared emergency.

The following shall be considered as **income** for the purposes of this contribution:

- income from business and non-business activities,
- income from dependent activity,
- retirement pension,
- early retirement pension,
- invalidity pension, or
- retirement rent.

For the purposes of this contribution, a self-employed person is also considered

(1) **a sole shareholder of a company**, provided that he/she:

- is the CEO of this company,
- is not an employee of this company,
- is not a shareholder in another limited liability company, and at the same time
- the profit of this company for the year 2019 did not exceed EUR 9,600 after tax.

2) **self-employed person**, who does not meet the conditions for Contribution no. 2 for the self-employed, provided that:

- he/she has no obligation to pay sickness and pension insurance, and at the same time
- is not taking the so-called "*levies holiday*"

CONTRIBUTION AMOUNT

If the conditions are met, the eligible person is entitled to a flat-rate contribution to compensate for the loss of income from trade activity in the amount of:

- March 2020 = **105, - EUR**
- April and May 2020 = **210, - EUR**

CONCLUSION (UPDATED ON 16.04.2020)

The measures presented above, especially the contributions in the scheme of the Slovak "*kurzarbeit*" model are currently only in the form of government proposal (basic criteria), which will be defined in more detail in the approved project of the Ministry of Labour, Social Affairs and Family of the Slovak Republic or the Centre of Labour, Social Affairs and Family.

All information is available on our website www.prosman-pavlovic.sk

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