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The current COVID-19 situation affects companies and businesses worldwide. [In the night of 9 April, the EU Finance Ministers definitely approved](#) a generous **EUR 500 bn package**, including EUR 100 bn aimed at the introduction of the short-time work scheme ("Kurzarbeit") in selected EU states. This is good news. To prevent the abuse of funds for other budget holes, the requirement is that the aid be used to cover "direct and indirect costs related to COVID-19 pandemic". More details on the EU package can be found at this [official EU website](#).

At the time of the pandemic outbreak, parliamentary elections took place in Slovakia. Our new government, the members of which stand for a healthy and corruption-free business environment, was created on 21 March. As early as on 2 April, it managed to approve the **First Aid Package**, focused mainly on SME, the dynamic origination of which was summarized by us at several [webinars \(presentations in 3 languages can be found on our website\)](#).

Further packages will contain also measures to help larger companies, including the introduction of Kurzarbeit to the Slovak law and the use of the special EU aid above. All the measures approved in Slovakia until now are referred to as "LEX CORONA" and are made public on a step-by-step basis as aid packages. The Spring issue of our Newsfilter focuses exclusively on this topic. So far, the [first and the second aid packages have been introduced](#).

A summary of legislative conditions approved or proposed as at 15 April 2020 can be found below. *Conditions which have not been officially approved yet are italicized in the text below.*

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TOP 1: FINANCIAL SUBSIDIES AIMED AT MAINTAINING JOBS

A. Financial contribution to settle labour costs of closed operations

The project falls under the First Aid Measures to support employment and maintain jobs during the extraordinary situation. Applications for contributions can be filed since 6 April 2020 and first funds should be paid out after 15 April 2020. The financial contribution is paid out through Labour Offices.

This contribution enables employers who had to close their operations mandatorily under the Measure of the Public Health Authority to receive a refund of 80% of the average earnings of an employee, max. EUR 1,100 per employee.

The applicant has to be an employer (including self-employed persons) paying out its employees a wage compensation amounting to 80% of their average earnings in the period for which it claims the contribution. The contribution may be granted only for employees whose employment contracts were concluded no later than on 1 March 2020 and is granted only for the days on which obstacles on the part of the employer existed (employees on sick leave and taking care of a family member not eligible). Only taxpayers that were established and started doing business no later than on 1 February 2020 may apply. Another condition is that the employer may not terminate employment of an employee for whom the contribution was granted, for the period of 2 months after the contribution was paid out.

Application forms can be found at www.pomahameludom.sk

The prescribed form of the application is mandatory. A declaration of honour as well as a statement of employees are to be attached. Due to the EU state aid rules, the total aid amount may not exceed EUR 800,000 per applicant for the whole project duration (expected duration max. until 31 December 2020). Contributions will be provided based on an Agreement on financial contribution. Given the pandemic, the authorities prefer electronic communication.

B. Support of employers with decreased sales

The condition of a decrease in sales revenues by a minimum of 20% (for March 10%) is applicable. The sales revenues are to be compared to the previous periods (the same month of the previous period/ average sales of the previous period/ sales for February 2020).

The contribution differs depending on the % of sales decrease (decrease by 20%/40%/60%/80%) and amounts to EUR 180/EUR 300/EUR 420/EUR 540, respectively. For March, 50% values apply. The total aid amount may not exceed EUR 200,000 per month and applicant.

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The date on which the application forms should be available to employers has been postponed until after 13 April 2020 (originally 8 April), as it is planned that also *Kurzarbeit subsidies, a possible alternative to this contribution, would be available soon (Part C)*.

The application is available at www.pomahameludom.sk.

As regards both financial contributions described above, once the pandemic is over, there will be retroactive audits organized in cooperation with the tax administration focused on the verification of the amounts granted. Illegitimate use of funds can be classified as a criminal offence (fraud or subsidy fraud) and, besides, the applicant would have to return the contribution.

The employer may change the form of contributions applied for in the particular months. According to the information published on the website, the form for which the employer classifies by a higher number of days should be applied for.

If you receive another form of state aid (including the aid received before the pandemic), we recommend consulting the new aid form with the competent authority.

C. Support of employers through the new Kurzarbeit scheme

The term Kurzarbeit comes from German speaking countries and looks back on a long history. During the 2008 – 2009 financial crisis, Kurzarbeit proved to be very successful. Early April 2020, also the European Commission (EC) supported this scheme at the European level. Through its SURE initiative, the EC intends to support the introduction and the funding of Kurzarbeit in particular EU states. Within the package of measures against the Corona crisis, the EC made available EUR 100 bn for short-time work measures. https://ec.europa.eu/info/live-work-travel-eu/health/coronavirus-response/overview-commissions-response_de#economicmeasures

To be able to introduce Kurzarbeit in Slovakia, the legislative background has to be prepared first. To put it simply, Kurzarbeit is a measure under which the state agency (Labour Office), which creates relevant provisions in the long-term, takes over the employer costs of salaries in the amount of 60 %. Conditions under which this scheme can be used are defined in detail (objective economic difficulties). Both small and large employers are entitled to claim the use of the scheme. An important condition is that the employer has to agree that once the stipulated period is over, all jobs will be preserved.

Thanks to the measures applicable during the pandemic, we have the option to lower the salaries to 80 % in Slovakia. However, these costs are borne by the employer.

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The Slovak government has already announced certain measures which will be based on the Kurzarbeit scheme. Currently, a general scheme is being discussed containing a state contribution in the share 60/20/20 (state/employee/employer).

Also in relation to the measure adopted by the EC, we recommend monitoring the development in this field closely.

TOP 2: LIQUIDITY SUPPORT: EXTENDED TAX RETURN FILINGS AND TAX PAYMENTS

The measures are specified mainly in the Act No. 67/2020

- **Income tax returns** with filing deadlines from 12 March 2020 until the end of the pandemic are being extended and the new "ordinary" filing deadline is uniform: the end of the calendar month following the end of the pandemic.

To prevent the negative retroactivity in the case of overpayments, this provision should be specified in more detail, stating that if the tax return is filed any time during the pandemic, the deadline will automatically originate at the end of such a month. The tax will be due within the extended deadline, too. The tax administrator is obliged to return the tax overpayment within 40 days of this deadline. Where amended tax returns lead to the reduction of overpayments at a later point in time, stricter sanctions are proposed.

- The filing deadlines for the **report and the annual reconciliation for an employee issued by the employer** are being extended, too – until the lapse of the second month after the end of the pandemic. The tax will be due within this deadline, too, or the employer will return the tax overpayment within the same period.

• Refund of corporate income tax overpayment

As stated above, corporate and personal income tax (of entrepreneurs) overpayments should be refunded within 40 days after the end of the month in which the tax return filing deadline lapses. *This approach has been confirmed both by the Finance Ministry and the Finance Directorate for the tax returns already filed until the end of March. A similar legal regulation is expected for the remaining period during the pandemic.*

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• Suspension of income tax advances

This measure has been published within the second aid package and should have been provided automatically during the pandemic based on a declaration of honour if the sales fall by more than 40%. This aid form has not been approved and made to law yet. However, it will be included in the third aid package. The stricter condition of sales decrease by over 40% should be applied through submission of a declaration of honour.

In any case, it is also possible to apply for adjustment of tax advances payable and request the change of the due amounts (also the option to stipulate EUR 0). These requests will be handled individually, depending on the reasoning provided. According to our experience, the tax administrator applies a forthcoming approach. There is no filing fee for the request.

TOP 3: LIQUIDITY SUPPORT: DEFERRAL OF INSURANCE CONTRIBUTIONS

The measures are specified mainly in the Act No. 68/2020

There is an option to defer the social and health insurance contributions for employers and self-employed persons for the period 3/2020 until 31 July 2020. This deadline applies also to the payment. A precondition is reporting the decrease in net turnover or the decrease in business income and in income from other self-employment activities. The employer is obliged to file monthly statements with the social and health insurance providers within the standard deadline.

The government may extend the period by further months through a regulation. According to the informal information of the Labour Minister, it also plans to do so. The model notification of the decrease in sales is already accessible at the websites of some authorities. Currently, it is available only in form of a declaration of honour.

TOP 4: LIQUIDITY SUPPORT: CREDITS AND GUARANTEES

The measures are specified mainly in the Acts No. 67 and No. 75/2020

Financial aid to support and maintain operation in SME in form of a guarantee for a credit granted by a bank (liability of the Finance Ministry) and/or payment of interest on a credit granted by a bank. Financial aid will be provided by the Export Import Bank of Slovakia and by the Slovak Guarantee and Development Bank.

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To be provided the guarantee, SME have to meet conditions such as non-existence of social and health insurance arrears, non-existence of bankruptcy or restructuring proceedings, the company cannot provide employment agency services, the company may not be a temporary employment agency, and other conditions stipulated by a bank. If payments are made by the Finance Ministry based on the guarantee, the company will be obliged to repay the payments including the interest (liability towards the Finance Ministry).

A precondition for the **payment of interest** on a credit is maintaining jobs and the non-existence of social security liabilities as at the end of the period. Currently, also the amount of this aid is limited, namely by EU Regulations 1407/13 and 1408/13 (<https://eur-lex.europa.eu/legal-content/SK/TXT/PDF/?uri=CELEX:32014R0651&from=SK>). However, it is expected that EU will loosen the conditions.

Measures in the field of deferrals of credit instalments

SME and natural persons - entrepreneurs

Deferral of credit repayment includes the deferral of credit amount instalments, of credit amount and interest or deferral of the credit due as a one-time payment. Deferral of instalments is to be requested by the debtor (applies only to the pandemic duration, max. 9 months bank, 3 months other creditors, filed requests can be extended).

The creditor is obliged to inform the debtor on the outcome of the request within 30 days. If the deferral request is refused, the creditor must give reasons.

The creditor may not request additional securities for the credit, payment of fees, costs or other charges (except for interest for the deferral period) and may not condition the deferral by further conditions.

The deferral of credit repayment has no impact on failure features, does not deteriorate the credit quality of the debtor and is not considered to be default.

We recommend verifying the conditions with the particular creditor prior to filing the request. Banks have to publish the information on this amendment and draw up a model request.

Individuals – credits granted to consumers

These include mortgages (including those granted before the Act No. 90/2016 came into effect) and consumer credits. Deferral of instalments is to be requested by the debtor (applies only to the pandemic duration, max. 9 months bank, 3 months other creditors, filed requests can be extended).

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The creditor is obliged to inform the debtor on the outcome of the request within 30 days. If the deferral request is refused, the creditor must give reasons. The creditor has to inform the debtor about the impacts of the deferral (settlement of the interest, repayment continuation and other facts) within 2 months after the deferral request is approved.

The creditor may not request additional securities for the credit, payment of fees, costs or other charges (except for interest for the deferral period) and may not condition the deferral by further conditions.

The deferral of instalments under this measure will not be classified as payment default (no register entry).

We recommend verifying the conditions with the particular creditor prior to filing the request. Most banks have published their conditions and if proof of the deterioration of the financial situation is submitted, banks apply a forthcoming approach.

TOP 5: IMPACTS OF COVID-19 ON THE FINANCIAL STATEMENTS

Under section 7 (3) of the Act on Accounting No. 431/2002, companies have to apply the same accounting methods and principles during the accounting period. **If the company finds out that the current accounting methods and principles do not provide a true and fair view of the facts, it is obliged to reconsider them.** Of course, this concerns also the impacts of COVID-19. Based on our experience, we recommend that non-financial companies analyse mainly depreciation plans and the going concern principle.

A. Depreciation plan

If production is interrupted or operation suspended, it is advisable that the company reconsider its current depreciation plan. Under the Act on Accounting and the Accounting Procedures, the company depreciates non-current assets taking into regard the physical and moral wear and tear. The depreciation period should correspond to the consumption of future economic benefits of the non-current assets.

Even though the Act on Accounting does not enable the suspension of accounting depreciation if the production or operation is interrupted and the assets cease to be used, there is a possibility to reconsider the depreciation plan and to adjust the depreciation rates or the remaining depreciation period of non-current assets under section § 20 (5) of the Accounting Procedures.

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New accounting principles and methods have to be applied by the company from the first day of the accounting period in which the change was made. Information on these changes must be included in the Notes to the financial statements. Under IFRS (IAS 16), it is possible to apply e.g. a performance-based depreciation method, when the amount of costs is based on the expected use of non-current assets. This means that the depreciation charges may amount to zero if the company interrupts its production and the assets cease to be used.

B. Going concern

When preparing the financial statements, the company should follow the going concern principle, meaning that the financial statements have been prepared under the assumption that the company will continue its activities without interruption for at least further 12 months after the balance sheet date. Due to COVID-19, numerous companies may not be able to assess this assumption, but it is necessary to consider this fact when preparing the financial statements and to discuss possible ways how this uncertainty is reflected in the financial statements with the auditor or advisor.

Companies are obliged to inform on any doubts in relation to the going concern also in a separate paragraph in the Notes to the financial statements.

If the financial statements have not been approved before the pandemic outbreak, the rule applies also to the year 2019.

Deadlines

During the pandemic, the deadlines resulting from the Act on Accounting are considered to be met if the company meets the obligations it failed to meet until the end of the third calendar month following the end of the pandemic or until the end of the tax return filing deadline under section 21 (1), depending on which of the deadlines lapses first.

TOP 6: VAT AND CUSTOMS DUTIES

In the VAT area, the state has taken a cautious approach. The deadlines for filing VAT returns and paying VAT remain unchanged. According to the interpretation of the Finance Ministry, late payment of VAT (section 10 Tax arrears, Act No. 67/2020) can be currently classified as sanctionable.

According to the information available to us, the legal regulations should be specified in more detail in this respect. We certainly do not recommend an unapproved deferral of VAT without consulting the tax administrator and without filing a request.

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The law enables (and enabled also before the pandemic outbreak) filing a request for the remission of a missed deadline. This request brings a certain level of uncertainty, as the request is not filed in advance.

The taxpayer is first in default and the request is filed subsequently. This means that the taxpayer does not know whether sanctions will be imposed or not. In such a case the tax administrator handles each request individually and considers how serious the reasons are. Therefore, we recommend late payments only in justified cases, e.g. if the customers do not settle the invoices and there are no financial means available. Filing fees for the request have been abolished.

Excessive VAT deductions are refunded in the standard deadline without any delay.

*Also the possibility to include the **general shortening of the standard deadline for the excessive VAT deduction refund to 30 days** as part of the third package is being discussed (currently, this option is available only under certain conditions and the standard deadline is 60 days).*

In the field of customs duties, the life of entities has been made as simple as possible in terms of cash flow, considering the fraud risk. The approved measures include the suspension of enforcement procedures when collecting arrears and remission of sanctions for some violations of the customs law.

The proposed but still not approved measures include also the suspension of the maturity periods.

TOP 7: OPTION TO DEDUCT UNUTILIZED LOSSES

This measure is still being discussed by experts and once the comments are processed, the measure will be applicable in an adjusted form. It can be expected that the maximum amount of one-time tax loss deduction in the 2019 tax return will be limited to EUR 1 million. The deduction of tax losses would be applicable only to the part of tax loss which did not expire in the previous periods and will apply only if it is more favourable for the taxpayer than the current legal regulations.

TOP 8: FAILURE TO MEET DEADLINES AND SUSPENSION OF TAX PROCEEDINGS

Failure to meet deadlines

If the taxpayer fails to meet the deadline which lapsed during the pandemic, the deadline will be met if the missed act is performed by the end of the calendar month following the end of the pandemic.

WARNING: Not applicable to tax returns and tax payment.

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Suspension of tax audits

Upon the request of the taxpayer, the deadline for the performance of the tax audit which started to lapse before the pandemic outbreak will be suspended. The request may be made by phone, too.

If the tax audit was suspended before the pandemic outbreak, it remains suspended also during the pandemic, even if the reasons for the suspension cease to exist. If an audit focused on the legitimacy of the excessive VAT deduction is performed, the tax administrator can issue a partial protocol and refund the undisputed part of the VAT. The audit is suspended through issuing the partial protocol.

In all cases, the deadline will start running after the end of pandemic and the period of suspension due to the pandemic will not be included into the period for the audit performance.

Suspension of the tax proceedings

The tax proceedings (e.g. assessment proceedings) which started before the pandemic may be suspended upon the request of the taxpayer. The request may be made by phone, too. The proceedings which started during the pandemic are suspended automatically after their opening date.

An exception are tax proceedings in which decisions on the refund of tax overpayment or claims under special regulations are made, e.g. refund of corporate income tax overpayment, refund of excessive VAT deduction, refund of VAT overpayment. These proceedings are not suspended.

TOP 9: STATUTES OF LIMITATION AND RIGHT TO COLLECT TAX

Time limits stipulating the period until which the tax administrator may start tax proceedings including audits, request additional tax etc. are frozen during the pandemic period.

TOP 10: ASSIGNING OF % OF PAID TAX

The deadline for employees is being extended and the employee can submit a statement on assigning the part of the paid tax until the end of the second calendar month after the end of pandemic.

During the pandemic, recipients of 2%/3% can use the part of the paid tax received for 2018 also to help lessen the negative impacts of the pandemic.

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Also the extension of the deadline for using the 2%/3% is being considered:

- funds received in 2019: until the end of 2021
- funds received in 2020: until the end of 2022

Overview of approved and published laws:

1. Act No. **67/2020** on some extraordinary financial measures in relation to COVID-19 outbreak, published on 4 April 2020 and amended by the Act No. **75/2020**, published on 9 April 2020
2. Act No. **63/2020** on changes and amendments to the Act No. 461/2003 on social insurance as amended, published on 27 March 2020
3. Act No. **68/2020** on changes and amendments to the Act No. 461/2003 on social insurance as amended, published on 6 April 2020
4. Act No. **66/2020** on amendments to the Act No. 31/2001 Labour Code as amended, published on 4 April 2020

USEFUL LINKS

<https://www.consilium.europa.eu/en/press/press-releases/2020/04/09/report-on-the-comprehensive-economic-policy-response-to-the-COVID-19-pandemic/>

<https://www.etrend.sk/ekonomika/katarina-hoppe-pomoc-velkym-firmam-je-obmedzena-europskymi-pravidlami.html>

<https://e.dennikn.sk/1848909/mozno-uz-opatrenia-zacat-uvolnovat-odpovedaju-miklos-kazimir-vasakova-novysedlak-a-10-dalsich-ekonomov/?ref=be&qa=2.70967952.1225195398.1586796857-1896209176.1586796857>

<https://www.pomahameledom.sk>

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