

BUSINESS BULLETIN – COVID SPECIAL

2/2020



We are still in very difficult times, but things are getting better and we hope that we will all be able to work on much more positive matters very soon. Following a recent decision of the Municipal Court in Prague, which cancelled several extraordinary measures of the Ministry of Health, the Government issued new emergency measures; the most important are changes of free movement restrictions. In this Business Bulletin we summarize measures, which we find the most important for businesses, and provide a timetable of easing of emergency restrictions. We inform you about the content of new acts, such as deferral of rents and loan moratorium and Lex Covid. Finally, we inform about the state aid to businesses in the areas of taxes, guarantees and subsidies.

Emergency measures change quite often, but we monitor the situation continuously and are ready to assist you in any way. Our website with valid measures, links and news related to the coronavirus (also in English) is available at:

<https://www.randls.com/koronavirus/>

<https://www.randls.com/en/coronavirus/>

Please feel free to contact us for a consultation.

NEWS IN THE AREA OF FREE MOVEMENT – EMERGENCY MEASURES OF APRIL 23, 2020

By its decision of April 23, 2020, the Municipal Court in Prague cancelled, with effect from April 27, 2020, four extraordinary measures of the Ministry of Health, which concern the prohibition of free movement of persons and the prohibition of retail sale. The government responded to this court decision by adopting the existing extraordinary measures of the Ministry of Health as governmental resolutions (i.e. it returned to the original system of issuing crisis measures under the Crisis Act).

In addition to the faster relaxation of the ban on retail sales, the government lifted the ban on free movement of persons and changed the conditions for entry and departure from the Czech Republic which, among other things, allowed departure from the Czech Republic and ordinary travel – mandatory quarantine can be avoided by submitting confirmation of passing the COVID-19 test with a negative result.

However, the wording of governmental resolutions is again not easy to understand (especially resolutions concerning the ban on entry into the Czech Republic), so it will again be necessary to wait for what additional information will be published by the relevant authorities (especially the Ministry of the Interior).

The emergency measures are available [here](#).

LOAN MORATORIUM

New Act No. 177/2020 Coll., on Certain Measures in the field of repayment of loans in relation to the COVID-19 pandemic allows to defer installments of loans during the protection period (from the first day of the calendar month following to delivery of a request made to the bank, until July 31, 2020 or October 31, 2020), based upon a written request sent to the lender. The statutory moratorium applies to mortgages, consumer and corporate loans, agreed and drawn before March 26, 2020. The moratorium does not apply to interests payable by legal entities – companies must pay interests as agreed in the loan agreement. The moratorium also does not apply to several specific types of loans, such as overdraft loans, revolving loans, operating leases, bank guarantees, deferred payments, utilities and ICT payments etc., as well as loans which were, as of March 26, 2020 already in default for more than 30 days. This act became effective on April 17, 2020.

The act No. 177/2020 Coll., on several measures in the area of loan repayments in connection with the COVID-19 pandemic is available [here](#).

LEX COVID

LEX COVID is the act No. 191/2020 Coll., on several measures to alleviate impacts of the SARS CoV-2 coronavirus epidemic on participants of court proceedings, aggrieved parties, victims of criminal offences and legal entities and amending the Insolvency Act and the Civil Procedural Act. The act is effective as of April 24, 2020 and is available [here](#).

The act brings a number of specific changes. The most interesting are listed below.

Temporary reliefs for legal entities (to make internal functioning easier)

- Corporate bodies may adopt decisions per rollam (i.e. remotely) or with use of electronic means, even if articles of associations do not allow it;
- Cooptation (election of corporate body members by remaining members of the same body) is permitted, even if articles of associations do not allow it;
- Prolongation of the term of office of members of corporate bodies (the term is prolonged until the expiry of 3 months after the expiry of governmental extraordinary measures; however, such prolongation may be refused by the body member);
- The deadline for approval of annual financial statement is prolonged until the expiry of 3 months after the expiry of governmental extraordinary measures, but no later than December 31, 2020.

Deadline relief

- It is possible to submit an application for relief, if a participant of proceedings missed a deadline for an excusable reason in connection with an extraordinary measure during the pandemic

Changes in enforcement proceedings

- Restriction on enforcement by sale of movable assets and real estate, in which the debtor has his permanent residence

Changes in insolvency law

- Debtor's obligation to file for its own bankruptcy is suspended until the expiry of 6 months after the expiry of governmental extraordinary measures, but no later than December 31, 2020
- Insolvency motions filed by creditors until August 31, 2020 shall be disregarded.

DEFERRAL OF RENTS – BUSINESS LEASES

On April 24, 2020, the President signed the act on certain measures to alleviate the impact of the SARS CoV-2 coronavirus epidemic on tenants of business premises. The act shall also apply to sublease, provided that the purposes of the sublease is pursuing of business activity in such premises.

According to the act the landlord may not, within the period of protection (until December 31, 2020) unilaterally terminate the lease only due to tenant's default, if such a default took place in the relevant period (from March 12, 2020 until June 30, 2020) and was caused by extraordinary measures adopted to fight the epidemic, which made tenant's business activity impossible or substantially more difficult. If the tenant fails to pay his debts within the period of protection, the lease can be terminated; the notice period is 5 days.

The tenant shall, within 15 days after his first default in payment of rent, present to the landlord documents evidencing that the default was caused due to the emergency measures, which made his business impossible or substantially much more difficult.

When the state of emergency expires, the landlord may demand termination of lease in court, if it cannot be reasonably requested of him to accept limitations of his rights related to the payment of lease.

The parliamentary print of the bill which should be published in the Official Journal is available [here](#).

DEFERRAL OF RENTS – HOUSING

On April 24, 2020, the President signed the act alleviating the impact of the COVID-19 epidemic on tenants of housing premises. The act shall apply to (sub)lease of premises of houses and apartments, provided that they are used to living. According to this act the landlord may not, within the protection period (until December 31, 2020) unilaterally terminate lease only due to tenant's default, if such a default took place in the relevant period (from March 12, 2020 until July 30, 2020) and was caused mostly by

extraordinary measures adopted to fight the epidemic, which made it impossible or substantially more difficult for the tenant to pay rent. If the tenant fails to pay all his debts within the period of protection, the landlord may terminate the lease without a notice period.

The tenant shall evidence the circumstances, which caused his default in payment of the rent, by presenting a certificate from the Labour Office of the Czech Republic.

When the state of emergency expires, the landlord may demand termination of lease in court, if it cannot be reasonably requested of him to accept limitations of his rights related to the payment of lease, especially if it may result in landlord's own poverty.

The act shall become effective within a couple of days (once it is published in the Official Journal). The parliamentary print of the bill which should be published in the Official Journal is available [here](#).

LIBERATION TAX PACKAGES

The Financial Administration has supported entrepreneurs by tax reliefs. The most important ones are listed below.

- Pardoning of accessories of income tax in order to tolerate late filing of tax returns and late payment of tax until July 1, 2020.
- Pardoning of penalties for late filing of inspection reports in the amount of CZK 1 000, accrued between March 1, 2020 and July 31, 2020.
- Pardoning of advances on road tax until October 15, 2020.
- Exemption from custom duties and VAT from import of goods from a third country in connection with the SARS-CoV-2 pandemic (more information [here](#))
- Suspension of electronic evidence of sales during the state of emergency + 3 months afterwards
- Pardoning of July advance on income tax for natural persons and legal entities
- General pardon of penalty for belated payment of (advance on) real estate acquisition tax belated filing of real estate acquisition tax return.

Several other tax reliefs have been still under discussion. See some proposals below:

- Loss carryback (a tax loss for 2020 can be deducted from a positive tax base for 2019 and 2018 by filing an additional tax return)
- Proposal for cancellation of the real estate acquisition tax and related cancellation of mortgage interest deductions from the income tax base

More information is available in the site of the [Financial administration](#) and in [Finanční zpravodaj](#).

FINANCIAL SUPPORT TO BUSINESSES – LOANS, GUARANTEES, SUBSIDIES, GRANTS

The most notable forms of support of entrepreneurs are currently the following programs:

- **COVID III** – guarantee of ČMZRB for loans of self-employed persons and entrepreneurs up to 500 employees; the program will be launched in the end of April (more information [here](#))
- **COVID Plus** – guarantee of EGAP for businesses with more than 250 employees up to the amount (together with the existing guarantees) of CZK 330 billion (more information [here](#))
- **Czech Rise Up** – program for support of introduction of smart solutions to fight the coronavirus (more information [here](#))
- **Technologie COVID 19** – support of SMEs to procure PPEs to fight the coronavirus (more information [here](#))
- **COVID-19 Innovation vouchers** – support of SMEs – a planned subsidy program to purchase advisory, expert and ancillary services from knowledge organizations and certified laboratories in the field of innovation, focused on fight with/prevention from COVID-19 (more information [here](#))
- **The Country for the Future** – a public competition – subsidy for introduction of organizational and procedural innovation in connection with the COVID-19 risks (more information [here](#))

BUSINESS BRUNCH – MAY 19, 2020

During the coronavirus period, the second Randls Business Brunch will take place ON-LINE. We will inform you about legal news related to crisis measures, new laws and changes directly affecting entrepreneurs. You may find more information [here](#).

TIMETABLE OF EASING OF THE COVID-19 EMERGENCY MEASURES (AS OF APRIL 24, 2020)

WHAT	WHEN	NOTES
craftsmanship with an establishment and similar works, markets and farmers' markets, sale of old and new cars, outside training activities of professional sportsmen, weddings up to 10 persons	20. 4. 2020	List of craftsmanship and similar works
universities	20. 4. 2020	individual activity in the last grade (and from April 27, 2020 also other grades), not more than five students (while adhering to the restrictions)
establishments up to 2500 m ² (including tourist and information centers, religious services, car schools, gyms and fitness centers, libraries, ZOOS / botanical gardens (exteriors only)	27. 4. 2020	not applicable to establishments in shopping malls up to 5 000 m ² and establishments to be opened in further stages gyms and fitness centers without locker's rooms and showers religious services under specified terms up to 15 persons
all establishments in shopping malls, establishments above 2500 m ² not located in shopping malls, restaurants, pubs, buffets, cafes, wineries, beer clubs selling from through the take-away windows and in restaurant gardens, hairdressers, pedicure, manicure, solaria, cosmetic, massage, regeneration and recondition services, museums and galleries, exhibitions, castles, exterior activities of professional sportsmen	11. 5. 2020	
secondary schools	11. 5. 2020	personal attendance of pupils and students of last grades of secondary schools, conservatories and higher professional schools, primarily in order to prepare for final leaving exams (other conditions)
all establishments in shopping malls, restaurants, pubs, buffets, cafes, wineries, beer clubs – interiors, hotels and other accommodation facilities (incl. camps), taxis, trades in which skin integrity is disrupted (tattoo, piercing), theatres, castles and other cultural activities, mass events (number of persons will be specified), rehabilitation events etc. for children up to 15 years, touristic events, weddings, ZOOS and botanical gardens (interiors)	25. 5. 2020	weddings under specific conditions theatres, castles and other cultural events under specific conditions
primary schools	25. 5. 2020	personal attendance of pupils of the first grades of primary schools to be performed in school groups; attendance will not be mandatory (other conditions)



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