

SK: With the "temporary protection" safely through the crisis

Originally healthy companies, which are threatened with economic problems due to the effects of the COVID 19 crisis, can apply for "temporary protection" in Slovakia as of 12 May 2020 and thus protect themselves from bankruptcy, insolvency proceedings, executions or from the lack of supplier or contractors until autumn 2020.



Who can apply for the "temporary protection"?

- company with registered seat in Slovakia
- applicable to "self-employed" as well as legal persons who were entrepreneurs before 12 March 2020
- not applicable to businesses defined by law (banks, insurance companies, financial institutions, stock exchanges, etc)

Procedure

- decided by court (DC Trnava, DC Banská Bystrica, DC Žilina and DC Prešov)
 - no court hearing
- granted on application (form provided by the Ministry of Justice)
 - legal entities: Submission only electronically
 - individuals also in person or by post
 - confirmation is issued (whether the application is approved or rejected)
 - publication in the Commercial Gazette (if granted)
 - objections may be filed if refused (decided by the judge)
 - procedural codes do not apply

Conditions for the "temporary protection" granting

- negative impact of the COVID-crisis (increase in liabilities, decrease in sales)
- no insolvency
- not in bankruptcy or restructuring proceedings
- absence of execution from business activities
- no exercise of the lien on the company
- prohibition of profit distribution in 2020
- proper management
- proper bookkeeping (filing of financial statements)

Effects of the "temporary protection"

- protection from bankruptcy proceedings
 - suspension of bankruptcy proceedings after 12 March 2020
 - protection against bankruptcy filings filed by creditors after 12 March 2020
 - the debtor is not obliged to file for bankruptcy in the event of over-indebtedness
- suspension of execution proceedings initiated after 12 March 2020
- prohibition of exercising the lien on the company
- prohibition of offsetting related receivables

Effects on contractors and creditors

- prohibition of termination, withdrawal from the contract or refusal of performance
 - for the company's default in the period from 12 March 2020 to 12 May 2020
 - defaults caused by the COVID-crisis
 - does not apply if the other party would directly jeopardize the operation of its business
- resting of limitation and other periods
- obligation of preferential satisfaction of creditors
- right to preferential satisfaction of certain later operational obligations

Termination of the "temporary protection"

- after the deadline
 - until 1 October 2020
 - the government may extend the regulation (up to the end of 2020 at the most)
- request for termination
 - application on the form of the Ministry of Justice
 - published in the Commercial Gazette
- cancellation by court decision
 - on the own initiative or qualified initiative of any person
 - if the legal conditions have not been met
 - the court decides without ordering a hearing



We will come
through this together
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