

## Lex COVID-19 amendment - Suspension of enforcement proceedings, prohibition of lease agreements termination and temporary protection of companies - Slovakia



On April 22, 2020, Parliament approved an amendment to the so-called Lex COVID-19. In this package, Parliament approved the following measures:

### Suspension of enforcement proceedings

The law allows enforcement proceedings to be suspended if the debtor is a natural person, up to six months after notification of the suspension of the enforcement proceedings, however no later than December 1, 2020.

The bailiff decides on the suspension at the request of the debtor. Such application shall include a declaration by the debtor that his temporary income decrease was caused by the emergency situation due to the spread of COVID-19 and that an immediate enforcement proceeding could have particularly adverse consequences for him or his family members.

During the suspension of the enforcement proceedings, the bailiff may continue taking measures aimed at identifying and securing the property subject to enforcement proceedings.

### Prohibition of lease agreements termination

Prohibition of unilateral termination of lease agreements for real estate, including renting an apartment or a non-residential space, by the **landlord due to the tenant's delay in paying the rent, including payments for services usually related to the rental contract, that is due in the period from April 01, 2020 until June 30, 2020**, if such delay has occurred due to circumstances caused by the spread of the dangerous infectious disease COVID-19. The prohibition is valid until December 31, 2020.

Other claims such as interest on arrears or any contractual penalties are not affected.

### Extension of the ban on the exercise of liens, auctions, monetization of property and enforcement proceedings by sale of real estate

The ban on these legal transactions will be extended by another month; from the original period from April 30, 2020 the ban is extended to May 31, 2020.

### Temporary protection of companies

Temporary protection is only granted at the request of the company, which will be assessed by court.

Temporary protection lasts until October 01, 2020, unless the company has previously requested its termination or the court has decided on an earlier termination. The general duration of providing temporary protection may be extended by the Government of the Slovak Republic by a regulation until December 31, 2020 at the latest.

The court may also decide on the revocation of temporary protection on the basis of a qualified petition of a third party.

Should the temporary protection be granted, it will have the following effects:

#### Bankruptcy protection

- suspension of proceedings on creditor petitions for bankruptcy or bankruptcy proceedings opened on the creditor's petition, if no insolvency proceedings has yet been opened, provided the petitions were filed after March 12, 2020
- for the duration of the temporary protection, the company is not obliged to file for bankruptcy on its property

## Suspension of enforcement proceedings

Enforcement proceedings initiated after March 12, 2020 against company under temporary protection in order to satisfy a claim arising from its business activities shall be suspended for the duration of the temporary protection.

## Prohibition of the lien exercise

The exercise of the lien on an enterprise, thing, right or other property value belonging to the company may not be commenced against the company under temporary protection.

## Prohibition of related claims offsetting

A claim which arose against the company under temporary protection after the provision of temporary protection cannot be offset against a claim which arose against the company under temporary protection before the provision of temporary protection if it is a claim which belongs or belonged to a person related to it.

## Prohibition of withdrawal from or termination of the agreement

After granting temporary protection, the other party may not terminate the agreement, withdraw from the agreement or refuse performance under the agreement for the delay of the company under temporary protection, which arose from March 12, 2020 until the entry into force of this law and was caused the spread of dangerous contagious human disease COVID-19.

## Time limits do not expire

Time limits for exercising the right against a company under temporary protection (e.g. limitation period), including time limits for claims from contestable legal acts, do not run during the duration of temporary protection.

## Prohibition of profit distribution

In particular, the company may not distribute profits or other own resources and is obliged to refrain from disposing of the company's assets and assets that may belong to it, provided it could result in significant changes in the composition, use or purpose of these assets or in its not-negligible reduction.

## Preferential payment of liabilities

The entrepreneur under temporary protection is entitled, only for the duration of the temporary protection, to pay the liabilities which are directly related to the maintenance of the enterprise arising after the granting of temporary protection, in preference to previously due liabilities.

## Exceptions for related creditors

Loans and similar services that are economically equivalent to a loan provided to a company under temporary protection by a related party pursuant to the Bankruptcy Proceedings Code in a non-cash form for the duration of temporary protection and directly related to the maintenance of the enterprise are not assessed under the provisions of the Commercial Code on crisis and are not subject to the provision of bankruptcy proceedings regulation on their satisfaction in a subordinate order.



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