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NEWSLETTER SLOVAKIA

SETTING FOUNDATIONS

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→ Law

Act on support in the times of short-time working (kurzarbeit)

The National Council of the Slovak Republic has adopted the Act No. 215/2021 on the support in the times of short-time working, which will extend the Slovak social security scheme to include the system known from Germany or Austria as *kurzarbeit*.

The aim of the scheme will be to provide support in the form of payment of employee's wage or wage compensation at times when the employer is unable to assign work to employees to the agreed extent. The new law will take effect from 31st December this year, however some of its provisions will come into force from 1st January 2022 or 1st January 2023.

Operation of the *kurzarbeit* scheme

Employers will pay a new type of insurance premium to finance support during short-time working. For this purpose a new insurance fund will be created in the Social Insurance Institution. Contributions will not be increased, as unemployment insurance premiums will be reduced in direct proportion. If the conditions for granting support are met, the employer will apply for support from the Office of Labour, Social Affairs and Family during the short-time working period, which will be provided by the Social Insurance Institution.

In this way, the employer will be granted support for one employee in the amount of 60% of his average hourly earnings (the new law also determines the maximum amount of support, the calculation of which is based on the amount of the average monthly wage of the employee in the Slovak economy) . However, the employee will be entitled to wage compensation of at least 80% of his average hourly earnings for the duration of the obstacle to work on part of the employer. Therefore, the employer will still have to pay the employee 20 % of the employee's average hourly earnings from his own resources.

Support will be granted for a maximum of six months in total over 24 consecutive months. However, the Government may, by regulation, provide for a longer period of support from the short-time working scheme in an extraordinary situation, state of exception, state of emergency or extraordinary circumstance, or provide for support to be granted for a period of two months after the

end of such a period. The employer will have to maintain the job for which the support was granted for at least two months after the month for which the support was granted.

The application for support shall be submitted electronically and signed with a qualified electronic signature. The institution concerned has to decide within ten days.

Claiming of the support

Employers will only be able to draw support during so-called "short-time working" period. This will be the time between the restriction of the employer's activity due to an external factor and the end of the restriction of the employer's activity. By restriction of the employer's activity, the law means an obstacle to work on the part of the employer to such an extent that the employer will not be able to assign work to at least one third of the employees to at least 10 % of the established weekly working time.

An external factor means a temporary factor, which the employer was not able to influence or prevent and which will have an adverse effect on work assignment. This means pursuant to the new act in particular an extraordinary situation, state of exception, state of emergency or extraordinary circumstance or a circumstance of force majeure. War, state of war, the seasonality of the activities performed, restructuring, planned shutdown and reconstruction, shall not be considered as such external factor.

Further requirements to be met

Conditions to be met by employer to receive support :

1. As mentioned above, the employer must be in the period of short-time working.
2. He must have paid social insurance contributions and compulsory contributions to old-age pension savings for the entire period of the obligation to pay contributions, at least 24 months before he applied for the benefit. This obligation shall also be fulfilled by an employer who has deferred payment of social insurance contributions and compulsory contributions to old-age pension insurance,

the due date of which is set after the date of application for support during the period of short-time working.

3. The employer has not violated the prohibition on illegal employment in the two years prior to the application.
4. In accordance with the Labour Code, the employer shall enter into a written agreement with the employees' representatives (or, if the employer does not have employees' representatives, with the employee) that he or she may apply for support, or replace this agreement with the arbitrator's agreement to submit an application for support.
5. The employer shall apply for support no later than by the end of the calendar month following the calendar month for which the support is applied for.



Conditions to be met by employee to receive support:

1. Support may be granted for a position of an employee who cannot be assigned work in the extent of at least 10 % of the established weekly working time.
2. The employment relationship of the employee has lasted at least one month on the date of the application for support.
3. On the date of the application for support, the employee is not in notice period.
4. The employee has taken leave for the previous calendar year and has a positive working time account (if the employer has a working time account) as of the date of the application for support.

5. The employer cannot reassign the employee to another job within the agreed type of work that is not affected by the employer's activity limitation.
6. The employer does not receive a contribution to the employee's job for the same eligible costs or purpose.

Advantages of kurzarbeit

The following benefits can be expected from the introduction of *kurzarbeit*:

- Employers will not have to resort to redundancies if they have to operate in a restricted mode, as part of the costs of their employees will be covered by social security. Employers will thus retain skilled and trained employees and return to full production when the situation improves. Should the restricted mode be the result of a national or global crisis, as in the case of the Covid-19 pandemic, the *kurzarbeit* scheme will help to speed up the re-start of the whole economy.
- Employees will receive most of their income regardless of the actual time worked and will therefore not have to leave. In the event of a macroeconomic crisis, the rise in unemployment will be much lower.
- Unlike the various forms of state aid for the affected entrepreneurs, which were intended to mitigate the economic consequences of the Covid-19 crisis, the system of support in the form of special social security during the period of short-time working will be permanent and predefined.

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Duty to add identification data into the Commercial Register

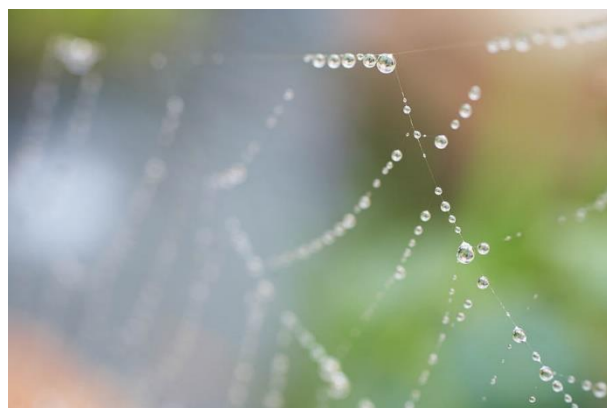
The Act No. 390/2019 Coll. amending and supplementing the Act No. 513/1990 Coll. Commercial Code, valid since 1st October 2020, stipulates that companies are at their incorporation into the Commercial Register obliged to compulsorily state in case of natural persons alongside their date of birth also their personal identification numbers or other identifiers (foreigners state instead of their personal identification number mostly the number of their ID card) and in case of legal entities the company registration number, or in case of foreign legal entities another identification number assigned in the state of registration.

These are identification data concerning the following persons:

- partners (including sole shareholders of joint-stock companies),
- statutory bodies or members of statutory bodies,
- managers of organizational units of companies,
- proxy holders,
- members of the supervisory body,
- liquidators,
- administrators for the execution of forced administration and their agents and
- managers of companies or organizational units of companies of foreign legal entities.

Companies incorporated into the Commercial Register prior to 1st October 2020, must ensure the additional entry of identification data. In case a company fails to enter all identification data of persons active in the company till 30th September 2021, and such a company applies for the entry of a change of any other data, the court shall call upon the company to enter the missing identification data within 15 days. In case the company fails to do so, the entry of a change of other data shall not be taken into account, i.e. the registration court will not register the change of data.

However, identification data must be added into the Commercial Register till 30th September 2022, at the latest, irrespective of whether the company will apply for the entry of other changes. In case these data will not be registered within this period, the person authorized to act on behalf of the company may be awarded a fine in the amount of up to 3 310 EUR.



In order to unburden entrepreneurs from further duties and fees they have incurred in this respect, the government is currently preparing another amendment that will introduce the automated completion of identification data. Naturally, we will inform you of these changes.

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Obligation to confirm recorded data on the organisational unit until 30th September 2021

Pursuant to Section 15g(6) of Act No. 530/2003 Coll. on the Commercial Register, entrepreneurs are obliged to confirm the registered data on the

organisational unit in the Commercial Register or to apply for a change of the registered data in the Commercial Register on the organisational unit of

a Slovak or foreign legal entity, if the registered data are not up-to-date.

The obligation to submit a proposal for confirmatory registration or a proposal for amendment must be fulfilled by 30th September 2021. Confirmation of the data is free of charge.

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→ Tax

Tax bonus per child and „free lunches“

Act No. 595/2003 Coll. on income tax in the current wording stipulates the amount of the tax bonus per child depending on the age of the child, introducing for the period from 1st July 2021 to 31st December 2021 an increased rate of the tax bonus for children aged from 6 to 15 years in the amount of 1.7 times the basic rate compared to the previous situation. From 1st January 2022, this increased rate for children aged 6 to 15 years increases slightly to 1.85 times.

At the same time, the introduction of this increased rate of tax bonus abolished the subsidy to foster healthy nutritional habits in children - the so-called free lunches (hereinafter referred to as the "subsidy for children's meals"), which was intended to compensate parents for the increased expenditure on children's meals. However, the abolition of the subsidy for children's meals and its replacement by a tax bonus has had an impact on the financial situation of parents who do not qualify for the tax bonus. These are mainly non-working parents, parents in receipt of a pension and parents with incomes below 6 times the minimum wage per year.

Starting from 1st August 2021, Amendment No. 257/2021 Coll. reintroduced the subsidy for meals for selected categories of children. At the same time, this amendment to the Income Tax Act

limited the possibility of concurrent receipt of the subsidy for meals for these categories of children and the tax bonus. Currently, the application of the tax bonus and its amount depend not only on the age of the child, but also on whether the parent (employee) claims the subsidy for meals for children.

Employers are thus obliged to assess the tax bonus also in relation to the application of the subsidy for children's meals. For these purposes, employees who wish to claim the meals subsidy and are affected by the restriction on entitlement to the tax bonus are required to notify the employer of the change in entitlement to the tax bonus on the appropriate form.

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