

News Flash

March 2020



Coronavirus and the state of emergency in the Czech Republic – legal aspects of anti-crisis measures

Coronavirus and the state of emergency in the Czech Republic – legal aspects of anti-crisis measures

Following the issue of the state of emergency and the adoption of anti-crisis measures which significantly restricted retail sale of goods and services in establishments, we would hereby like to inform you of certain legal aspects of the measures taken.

1. Employment aspects

Certain employers will be able to use the institute of partial unemployment pursuant to Section 209 of the Labour Code. Partial unemployment is defined as the employer not being able to assign work to employees in the scope agreed as weekly working hours due to a **temporary decrease in the sales** of its products or in the demand for its services. Partial unemployment may concern employers who are still allowed to carry out their business activities, but are affected by the fact that, due to the current situation, the demand for their products or services has plummeted. On the other hand, partial unemployment will not apply to employers to whom the government ban applies directly.

In case of partial unemployment, employees are provided with compensation for salary of at least 60 % of their average earnings. The amount of compensation is set by the employer's internal regulation. Where there is a trade union, conditions for partial unemployment must be discussed and agreed with the trade union.

If employees are unable to work due to a temporary shortage in the supply of raw materials, this qualifies as "idle time" defined in Section 207 of the Labour Code. We believe that employers will be able to invoke idle time also when they do not have enough employees to carry out the work needed (for example due to mandatory quarantine). In case of idle time, employees are entitled to compensation for salary of 80 % of their average earnings.

Unfortunately, the current situation concerning the coronavirus epidemics and measures related thereto cannot qualify as natural disaster defined in Section 207b) of the Labour Code.

Please note that both situations described above will only apply to such employees who are ready and able to work (i.e. not employees who are in quarantine or on sick leave).

Situations when the employer will not be able to assign work to employees, but it will not be possible to invoke partial unemployment or idle time, will qualify as "**other obstacles on the part of the employer**". For the duration of such obstacles, employees will be entitled to compensation for salary of 100 % of their average earnings.

The government has announced that a set of measures (called Employment Protection Programme) is currently under preparation, under which losses suffered by employers could be at least partially compensated. This set of measures should be adopted in the form of a governmental decree, i.e. in a relatively fast legislative process. The exact form – in particular whether it will apply to specific groups of employers and the scope of the help provided – is not known yet.

2. Business aspects

The current situation may qualify as force majeure which may justify the non-performance of certain contractual obligations. We strongly recommend reviewing your supplier, lease and other business contracts for force majeure provisions. Invoking a force majeure provision may result in a temporary discount on rent, impossibility to charge penalties for delayed supplies, or, in extreme cases (such as package tours etc.) the impossibility to perform under the contract at all.

3. Compensation for losses

Under Section 36 of the Crisis Management Act, the state is obliged to compensate for damage incurred by legal entities and individuals as a direct consequence of the anti-crisis measures adopted by the government (e.g. the mandatory closing of establishments). The claim for compensation for damage must be raised within six months from ascertaining that a loss has been incurred and no later than five years from the occurrence of the loss. Since this period is rather short, it is recommended not to postpone the raising of such a claim.

4. Interest-free loans for businesses affected by the coronavirus epidemics

The [Czech-Moravian Guarantee and Development Bank](#) website published conditions under which businesses may apply for interest-free loans of CZK 500,000 – 15,000,000 for the term of two years. If you wish to get more information or assistance with your loan application, please do not hesitate to contact us.

We will be happy to help you find the right solution for any of the situations described above and we are of course available to discuss any other issues which may yet to appear in the dynamically developing situation.

Disclaimer

Please note that our publications have been prepared for general guidance on the matter and do not represent a customized professional advice. Furthermore, because the legislation is changing continuously, some of the information may have been modified after the publication has been released. Accace does not take any responsibility and is not liable for any potential risks or damages caused by taking actions based on the information provided herein.

Want more news like this?

Subscribe!

Contact

Karel Ryšavý

Legal Partner

E-Mail: Karel.Rysavy@accace.com

Phone: +420 222 753 480



About Accace

Originally established in Central and Eastern Europe in 2006, Accace ranks among the leading outsourcing and consultancy providers in this region. We have vast experience with handling small to large scale, multi-country outsourcing projects and providing comprehensive range of services to over 2 000 customers.

Accace operates internationally as Accace Circle, a business community of Accace branches and our reliable partners, that provides unified, expert services and streamlined processes under one account management and shared online platform.

Please visit www.accace.com and www.circle.accace.com for more information.

