

News Flash

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State Subsidy for Entrepreneurs in Slovakia to Pay Rent

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On 9 June 2020, the Parliament approved an amendment to the Act on the Provision of Subsidies within the competence of the Ministry of Economy of the Slovak Republic, aiming to mitigate the negative effects of the restrictions related to the measures against the COVID-19 pandemic on **business entities** in the Slovak Republic.

As a result of these restrictions, many entrepreneurs lost their regular income either in full or to a significant extent, but on the other hand they were still bound by the obligation to pay rent for the premises in which they carried on their business. **Upon this amendment, the State intends to help resolve relations between lessors and lessees.**

Who can apply for the subsidy?

The subsidy to pay part of rent will be provided **upon the application submitted by the lessor** on behalf of the lessee and at his own expense if, in connection with the prevention of the consequences of the spread of dangerous infectious human disease COVID-19, the measures of the State administration bodies have resulted in the fact that the use of the subject of the lease has been:

- **prevented by closing the subject** of the lease;
- **substantially restricted by prohibiting the presence of the public** in the subject of the lease; or
- **prevented by interrupting teaching** in schools and school facilities.

The subject of the lease **means a room or part of it or a set of rooms** which, upon the decision of a building authority, is intended for **purposes other than housing** and in which the lessee sells goods or provides services to final consumers, including related service and storage areas, as well as a **market place**.

What will be the amount of the subsidy?

The amount of the provided rent subsidy will depend on the amount in which the lessor provided the lessee with a discount on rent upon an agreement, but **not more than 50% of the rent** for the period of difficult use. If such an agreement has not yet been concluded between the lessor and the lessee, it will be possible to do so directly when filling out and sending the electronic form containing qualified electronic signatures of the lessor and the lessee.

In this context, it should also be borne in mind that **the rent does not include** any other liabilities, such as **payments for services usually associated with the rent or a turnover component**, if the rent is also determined by turnover. If it is not possible to separate the amount of payment for services usually associated with the rent from the amount of the rent, the amount of payment for services usually associated with the rent will be considered to be 5% of the rent.

For a tax payer paying value added tax (VAT), **VAT will not be** considered to be **eligible expenditure** if he can claim a deduction of value added tax.

The lessee will then be obliged to pay the lessor the rent not paid for the period of difficult use, **reduced by the provided discount on the rent and the amount of the provided rent subsidy** paid to the lessor by the State.

It means that if the lessor has provided the lessee with a rent discount of 20%, he will be provided with a subsidy from the State in the same amount, and the lessee will be obliged to pay him only the remaining 60% of the rent.

In what period does the lessee have to pay the rent due?

In the event that the lessee was unable to pay the rent to the lessor during the period of difficult use, he may pay the rent due in a maximum of 48 equal monthly instalments payable on the 15th day of the respective calendar month, **commencing on the 15th day of the calendar month following the calendar month in which the emergency situation** related to the spread of the dangerous infectious human disease COVID-19 ended, unless the lessor and the lessee agree on a different due date.

During the payment of the instalments, the lessor or his legal successor shall not be entitled to unilaterally increase the rent, unless this right was agreed before 1 February 2020.

When and how will it be possible to apply for the subsidy?

For the purpose of submitting applications for the provision of subsidies, the Ministry of Economy of the Slovak Republic will publish a call together with a form that will need to be filled out.

The application shall then be submitted via the electronic mailbox on the slovensko.sk portal. **The expected date, from which it will be possible to apply for the subsidy, is 24 June 2020.**

However, the Ministry of Economy of the Slovak Republic will publish a schedule for submitting applications for individual regions.

What if the lessor does not provide the lessee with the discount on the rent?

The amendment to the Act on the Provision of Subsidies also refers to cases where the lessor does not provide the lessee with a discount on the rent. In such a situation, the lessee may pay the lessor the entire unpaid (due) rent for the period of difficult use in a maximum of 48 equal monthly instalments payable on the 15th day of the respective calendar month, commencing on the 15th day of the calendar month following the calendar month in which the emergency situation related to the spread of the dangerous infectious human disease COVID-19 ended, unless the lessor and the lessee agree on a different due date.

If the lessee has already paid the rent, he may decide to pay the next rents in this way for the same length of time as the use was difficult (i.e. for next months for which the rent has not yet been paid).

Even in such case, the lessor or his legal successor shall not be entitled to unilaterally increase the rent, unless this right was agreed before 1 February 2020.

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