

LEGAL UPDATE

Measures to improve business environment



With effectiveness as of 21 July 2020 more than a hundred of legislative measures to improve business environment have been adopted by Act No. 198/2020 Coll. amending approximately 50 laws regulating various business sectors. Below is an informative overview of the most relevant changes applicable in the selected areas.

Commercial Code. In relation to the increase of the registered capital in a limited liability company from retained profits, from other own resources, the use of which is not restricted by law or other own resources reported in the separate financial statements in equity and in a joint stock company from retained profits, from funds created from profits, the use of which is not restricted by law or other own resources reported in the separate financial statements in equity of a company, the requirement for financial statement to be audited has been waived. The increase of the registered capital will be possible on the basis of approved regular financial statement provided that the financial statement is compiled from data obtained to the date from which no more than six months have elapsed until the date of the general meeting. The audit of the financial statement in case of a limited liability company is not required if retained profits that could otherwise be paid to the shareholder are used to increase the registered capital and the value of the increased capital does not exceed the value of the registered capital before the its increase.

Act on Commercial Registry. Obligation of natural persons authorised to act on behalf of entities registered with the Commercial Registry to harmonize the registered identification data on shareholders, partners, statutory body or members of statutory body, heads of business units, procurists, members of the supervisory body, liquidators, administrators for forced administration and their representatives, heads of enterprises or organizational units of foreign legal entities enterprises according to regulations effective until 30 September 2020, with the submission of the next application for registration of changes to registered data after 1 October 2020 with originally set deadline until 30 September 2021 was postponed by one year, i.e. with the applications for registration of change after 30 September 2021, but no later than 30 September 2022.

Act on Criminal Records. Validity of the power of attorney to submit application and take over an extract from the criminal record was extended from 30 days to 90 days.

Act on Accounting. Conditions for regular or extraordinary financial statements to be mandatorily audited will gradually change for each accounting period as presented in the table below.

Conditions for the respective accounting period beginning as of			
	1.1.2020	1.1.2021	1.1.2022
Value of assets exceeding	EUR 2 000 000	EUR 3 000 000	EUR 4 000 000
Net turnover exceeding	EUR 4 000 000	EUR 6 000 000	EUR 8 000 000
Average number of employees	30	40	50

As regards the change of conditions with gradually shifted effectiveness, the following transitional conditions were adopted. For the accounting period beginning on 1.1.2020, the conditions effective until 31.12.2020 shall apply. If the accounting period of an entity is a financial year, for a financial year beginning in the course of 2021 the conditions effective as of 1.1.2021 shall apply and for a financial year beginning in the course of 2020 the conditions effective until 31.12.2020 shall apply. For the accounting period beginning on 1.1.2021, the conditions effective until 31.12.2021 shall apply. If the accounting period of an entity is a financial year, for a financial year beginning in the course of 2022 the conditions effective as of 1.1.2022 shall apply and for a financial year beginning in the course of 2021 the conditions effective until 31.12.2021 shall apply.

Act on Social Insurance. The deadline for submission of records about employees kept for social insurance purposes in case of an employee whose employment with the employer was terminated was prolonged until the end of the calendar month following the month in which the employment relationship ended. Obligation to submit a written report on the implementation of the measures taken to remedy the deficiencies found as a result of the inspection and on the consequences for the employees responsible for those deficiencies to the chief inspection officer was abolished.

Several notification and registration obligations of an employer are abolished. With effectiveness as of 1 January 2021 the obligation of the employer to deregister from the register of employers if it has no employees within 8 days is abolished as the registration should terminate automatically upon deregistration of the last employee from the register

of employees and the register of policyholders and savers of old-age pension savings. The Social Insurance Company shall not impose a penalty for breach of the obligation to register persons concerned in the register of policyholders and savers of old-age pension savings if the liable person fulfils this obligation within seven days of the expiry of the period stipulated by law. The employer will not have to inform the Social Insurance Company about changes related to certain personal details of employees, including a name, a surname, a date and place of birth, an address of permanent residence, a social security identification number, information whether an employee is a statutory body of the employer (or its member) and has at least a 50% share in the employer's assets. The employer will not have to notify the date of commencement and termination of employment or other legal relationship with the employer as well as the beginning and the end of maternity leave or parental leave of an employee.

Employment Services Act. Abolition of the obligation of the employer to notify the vacant job position and its characteristics to the labour office in whose territorial district the job position is located.

Occupational Health and Safety Act. Obligation of the employer to evaluate and update the concept of a policy on occupational safety and health setting out the fundamental objectives to be achieved in the field of safety and health at work and a program, the means and manner for implementing that concept on a regular basis is reduced to evaluation and update of such policy only as necessary. There is a change in obligation to appoint employee representatives for safety at work. The employer has this obligation only if employs at least ten employees or its code according to the statistical classification of economic activities is listed in the annex to the Occupational Health and Safety Act. For other employers is this obligation only voluntary option.

Act on Labour Inspection. Based on the results of the labour inspection and the seriousness of the findings, the labour inspector is entitled to order the elimination of the identified deficiencies within a reasonable time (in contrast to previous regulation when he was entitled to order such elimination immediately or within deadline determined by the labour inspector). Upon request of the controlled person deadline for elimination of deficiencies may be prolonged in justified cases.

Act on Certain Extraordinary Measures as Regards Financing in connection with COVID-19).

The obligation of payment of the special levy payable by certain financial institutions (banks, branches of foreign banks) for the 3rd and 4th quarter of 2020 has been waived. This obligation for the 1st and 2nd quarter of 2020 remained unchanged (including potential appurtenances).

Act on Promotion of Small and Medium-sized Enterprises. A possibility for a micro-entrepreneur, a small entrepreneur and a medium-sized entrepreneur to request a subsidy from the budget chapter of the Ministry of Economy of the Slovak Republic for the relevant financial year was added in order to compensate for damages caused as direct or indirect consequences of measures taken to mitigate the negative consequences of a pandemic caused by COVID-19. In addition to meeting mandatory statutory requirements for granting of subsidy, the applicant must declare that:

- is not subject to bankruptcy proceedings,
- bankruptcy or restructuring has not been declared,
- petition for declaration of bankruptcy has not been rejected due to lack of assets,
- is not banned to receive grants or subsidies,
- is not banned to receive aid and support provided from the EU funds.

Depending on the amount of requested subsidy the application may contain an identification of the ultimate beneficial owner. The application approval procedure by the Ministry is simplified in this case, while the application does not have to contain some (standardly required) annexes or information (e.g. planned amount of own funds intended for project implementation and purpose of their use, project plan, etc.).

Income Tax Act. Introduction of possibility to automatically increase demonstrably incurred fuel consumption costs. The average fuel consumption, stated in vehicle technical documentation or in additional information provided by the manufacturer or the seller can be increased by 20% without an obligation to document such higher consumption for the purpose of determining tax deductible fuel costs incurred by a taxpayer.

Tax Administration Act. The minimum time period for responding of an audited entity to findings identified in the tax audit protocol performed by the tax administrator was extended from 15 working days to 30 working days following the delivery of the protocol.

Act on Prices. Abolition of the obligation to keep records of prices including cost and profit calculations three years after the sale of the goods for sellers who sell goods not subject to price regulation.

Act on Unfair Practices in Food Retail Sector. Filing an appeal against the decision imposing a fine will have a suspensive effect. The fine will be due within 30 days from the date of entry into force of the decision imposing the fine, in contrast to the previous regulation under, which the fine was payable already within 30 days from the delivery of the decision imposing the fine. Proceedings that commenced and were not ended before 21 July 2020 will be completed in accordance with the new regulation.

Act on Food. Abolition of the obligation to conclude an agreement on donation of food after expiry date with a charitable organisation for an operator who markets food in a shop with a sales area of more than 400 sqm. Filing an appeal against the decision imposing a fine will have a suspensive effect (in contrast to the previous regulation).

Act on Administrative Fees. Reduction of the administrative fee for the notification on the composition and labelling of nutritional supplements or new foods to be placed on the market from EUR 50 to EUR 30.

Act on Tours, Tourism Related Services and Conditions in Tourism Business. Possibility of verifying entrepreneurs not residing in the Slovak Republic (from the other EU Member States or outside the EU) by the Slovak Trade Inspection was introduced. The respective data should be submitted to the Slovak Trade Inspection upon request by a travel agency that intermediates the sale of tours in the Slovak Republic. The obligation of an entrepreneur not residing in the Slovak Republic to provide an officially certified translation of its business permit according to the state of its registered office was cancelled and changes in the content of notes to the financial statements in order to include revenues from the sale of tours were introduced.

Act on Thermal Energy. In cases where the heat suppliers are obliged to perform energy audit under Act No. 321/2004 Coll. on Energy Effectiveness, the below listed mandatory obligations previous applicable under Act on Thermal Energy (Act No. 657/2004 Coll., as amended) were abolished:

- obligation to ensure a verification of the economy of the heating system operation to the point of consumption every three years;
- obligation to ensure a verification of the economy of operation of the heat production plant using solid or liquid fossil fuels every two years;
- obligation to ensure a verification of the economy of the heating system to the point of consumption within 12 months following a significant change in the technical parameters, installed capacity, actual consumption or organization of the heating system operation to the point of consumption;
- obligation to ensure that the condition for an efficient centralised heat supply is demonstrated when verifying the economy of the operation of energy systems in the above cases.

Act on Energy Efficiency. A possibility of so-called simplified energy audit in form of an update was introduced for so-called large enterprises. A large enterprise may, after a period of four years following the performance of the regular energy audit, request an issuance of the certificate of the energy audit in form of an update for the following four years from an organisation designated by the Ministry of Economy of the Slovak Republic, provided the large enterprise demonstrated energy savings of at least 8% of its final energy consumption over a given four-year period through the implementation of the energy audit measures and submitted description of such measures to the designated organization. If the conditions were proved and verified, the designated organization will issue the certificate of energy audit in form of an update for the following four years, within six months from delivery of the application. Should the large enterprise not meet the conditions for issuing the certificate of energy audit in form of an update, a reasonable time period for carrying out the regular energy audit will be set by the designated organisation. Applying this procedure will be possible following a regular energy audit only once, thus, enabling the large enterprise to perform a regular energy audit every eight years. A large enterprise whose total energy consumption in the last four years has been less than 10 MWh will notify the designated organization of this fact, resulting in a certificate of compliance with the energy audit obligation being issued within 30 days of the receipt of the notification. The lower limit of fine that could be imposed on a large enterprise for failure to perform an energy audit was decreased from EUR 5,000 to EUR 500, i.e. a fine can now range from EUR 500 to EUR 30,000.

Act on Regulation in Network Industries. In relation to the publication of price decisions on the website of the Regulatory Office for Network Industries (the “RONI”), effective as of 1 September 2020, also the price proposal, the price change proposal, the appeal and all their

amendments shall be published on the website of the RONI in the respective price proceedings in electricity and gas sector (except for supply of electricity and gas to vulnerable customers). This regulation does not apply to regulated entity in the heat energy sector that supplied more than half of the heat for thermal energy use other than for heating and preparation of hot service water in the previous calendar year. Compliance with these conditions is to be demonstrated by the regulated entity when submitting the price proposal or the price change proposal at the latest. This new regulation should apply also to price proceedings commenced and still not effectively resolved before 31 August 2020.

Consumer Protection Act. Calculation of time limits for handling the complaint shall be possible also from the date when the seller took over the object of the complaint provided that such object was taken over later than the complaint was lodged (e. g. in case of complaints by e-mail). In case of a minor breach of an obligation under the Consumer Protection Act, the supervisory authority may, prior issuance of decision on imposition of fine, request to refrain from the unlawful conduct and to remedy the consequences of such unlawful conduct in a given time period. If the conditions are met, the fine shall not be imposed.

This legal summary was prepared in August 2020 exclusively for the purpose of providing general information and should not be viewed as legal advice. The aforementioned overview is not comprehensive, but only provides a brief summary of the relevant legislative changes. If you are interested in more detailed information on the aforementioned legislative amendments, please do not hesitate to contact any of your contact persons at Čechová & Partners.