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Review of state measures and aids to support the economy

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Benefits in tax legislation
Tax payment in up to 24 monthly installments or deferral for a period of 24 months Payment in installments or deferral of tax with insurance Payment in installments in the event of preventive financial restructuring or simplified compulsory settlement Request to change the amount of monthly or quarterly installment of tax prepayment Extension of the deadlines
Measures arising from the intervention laws
Measures to assist the self-employed Subsidized waiting for work at home Subsidized salary compensation in the event of ordered quarantine Compensation for sick leave during the epidemic Compensation for parents Deferral of loan payments Extension of the deadline for submission of tax returns and payment of taxes Payment of all contributions to the pension scheme Measures to ensure corporate liquidity
Other measures and aids
Loans of SID Bank Measures of the Slovene Enterprise Fund (<i>»Slovenski podjetniški sklad«</i>) Subsidies of the Slovenian Tourist Board (<i>»Slovenska turistična organizacija«</i>) Suspension of judicial and administrative deadlines

BENEFITS PROVIDED FOR BY TAX LEGISLATION

In order to help entities that are facing financial difficulties in the current situation, the Financial Administration of the Republic of Slovenia ("FURS") presented 4 benefits provided for by tax legislation to entrepreneurs and companies. These are:

- Tax payment in a maximum of 24 monthly installments or deferral for a period of 24 months, which is allowed if the taxpayer is threatened with serious economic damage (due to more permanent illiquidity or loss of earning capacity) and deferring the payment or installment payment of tax would enable him to prevent serious economic damage.
- Payment in installments or deferral of tax with insurance (maximum of 24 monthly installments or 24 months deferral of payment), without determining the criteria for causing serious economic damage, whereas it is necessary to submit the appropriate security instrument or allow the lien to be entered in the appropriate register.
- Payment in installments of tax in the event of preventive financial restructuring or simplified compulsory settlement (maximum of 60 monthly installments), the basis for which is the court's final decision approving the financial restructuring agreement or the order on approved simplified compulsory settlement.
- Request to change the amount of monthly or quarterly installment of tax prepayment due to decrease of the tax base in the current year from the previous period because of lower

expected business result of the current year, by which the taxpayer can ensure that he / she will pay the income tax prepayment every 3 months, and not every month.

The above measures are possible in connection with the payment of an annual tax return, the calculation of VAT, inspection decisions, but they are not allowed for tax prepayment, withholding taxes or social security contributions.

For the time for which tax is deferred or payed in form of instalments, 2% interests per annum for deferred taxes or unpaid taxes (including default interest) are generally charged.

On 19 March 2020, the Act Regulating Intervention Measures in Public Finance (ZIUJP) was adopted which introduces some additional measures to support corporate entities. The Act regulates extension of the deadline for submitting tax return for the prepayment of business income taxes and the corporate income tax return, as well as the deadline for declaring the tax base with flat rate expenses from 31 March to 31 May 2020. The setting of a new insurance base in 2020 is also postponed to May. Furthermore, formulation and submission of the indicative calculation of personal income tax for the year 2019 can be submitted in June.

Article 62 of the Intervention Measures Act to curb the COVID-19 epidemic and mitigate its consequences for citizens and the economy (“Megalaw”), provides for the exemption from payment in regard to instalments of preliminary prepayment of personal income tax from the performance of corporate activities and instalments of prepayments of tax from the income of legal persons for 2020, which are due during the legal validity of this act (at least until 31 May 2020). Unpaid instalments are not considered accrued.

POSSIBILITY OF PAYMENT OF THE CONTRIBUTIONS FOR SELF-EMPLOYEES

A self-employed person is entitled to a deferred payment of contributions, if:

- he or she is included in compulsory insurance on the basis of the pursuit of activity,
- he or she does not qualify for compulsory inclusion in compulsory insurance on any other insurance basis,
- he or she does not have other employees.

The beneficiary is entitled to **deferral of payment of contributions due in April, May and June 2020** directly by law. Since this is only a deferral and not exemption, the outstanding contributions must be paid by the beneficiary by 31 March 2022 at the latest.

Based on the new intervention measures, self-employed persons who are unable to carry out their business or are unable to carry it out fully, will be **exempt (under certain conditions) from the payment of contributions for April and May 2020 and entitled to extraordinary assistance in the form of a monthly basic income** of EUR 350.00 for the month of March and EUR 700.00 for April and May 2020.

OPTION TO SUBSIDIZE WAITING FOR WORK AT HOME

Subsidizing compensation in the event where the employee is instructed to wait for work at home is one of the measures presented in the Intervention Measure of Partial Reimbursement of Payment Compensation Act («ZIUPP»). By partial reimbursement of payment compensations to employers who, due to deteriorating business conditions, are temporarily unable to provide work to employees, it seeks to temporarily prevent redundancies for business reasons and thus limit the adverse consequences of this exceptional event.

The respective issue is also included in the new Intervention Measures Act to curb the COVID-19 epidemic and mitigate its consequences for citizens and the economy (“Megalaw”), which in regard to subsidizing compensation replaces the provisions of the ZIUPPP during the validity of the measures provided by the “Megalaw”. Accordingly, **during the period of validity of measures under the “Megalaw” (i.e. from 13 March 2020 to (at least) 31 May 2020) social security contributions for employees who were ordered to temporary wait for work at home or who cannot work because of force majeure, will be paid by the state** (up to the amount of the average salary in the Republic of Slovenia), and no longer by the employer. Under the new “Megalaw”, **the state will also cover the full cost of salary compensation** (80% of the salary base) up to the amount of the average salary in the Republic of Slovenia. In no case the salary compensation can be lower than the minimum wage. Furthermore, **at the request of the employer, the employee is obliged to return to work for up to seven consecutive days** during the current month.

To receive reimbursement for the abovementioned contributions, an employer must estimate that in the first half of the year 2020, revenue will decline by more than 20% in comparison to the same period in 2019 and in the second half of the year 2020 they will not achieve more than 50% revenue growth over the same period in 2019. If this condition is not met when submitting the Annual Report for 2020, the employer will have to return the received aid. Furthermore, the direct and indirect budget users whose share of public sources revenue in 2019 was higher than 70 % and employers pursuing financial or insurance activity are excluded from these measures.

Employer can request the reimbursement of salary compensation by filing an application with Employment Service of the Republic of Slovenia within 8 days after the employee is instructed to wait for work at home, but no later than on 31 May 2020. In case the employees were already waiting for work at home before “Megalaw” was enforced, the employer will be entitled to reimbursement of salary compensation also for the previous period (from 13 March 2020 on). In such case the employer must file the application within 8 days after “Megalaw” enters into force.

Measures under the “Megalaw” are expected to be valid until the end of May 2020 (with a possible extension until the end of June 2020). After this period, the institute of waiting for work at home will again be subject to the provisions of the ZIUPPP (if not otherwise regulated by the subsequent state measures). In such case the state will borne the salary compensation in a proportion of 40%, while the remaining 60% will be borne by the employer.

With regard to the measure of subsidizing waiting for work, the measure of exemption from the payment of contributions and extraordinary aid in the form of basic income, it should be further emphasized, that the aid beneficiary will have to repay such aid (together with interests), if he will

share profit or pay salary premiums related to business performance or rewards to the management in 2020.

FULL SUBSIDIZATION OF SALARY COMPENSATION IN THE EVENT OF A QUARANTINE ORDER

Quarantine may be ordered by the decision of Minister of Health. The confirmed Act allows employers to claim reimbursement of full salary compensation in these cases as well, and employees will be entitled to **salary compensations at the same rate as employees who are waiting for work at home, i.e. 80% of the salary, which will be fully borne by the state.** The employer will only be able to claim the right to reimbursement of paid salaries once and for the maximum period specified by the decision of the Minister of Health.

COMPENSATION FOR SICK LEAVE DURING THE EPIDEMIC

Compensation for all sick leaves during the epidemic will be covered by the Health Insurance Institute of Slovenia and not by the employer.

COMPENSATION FOR PARENTS AND EMPLOYEES WHO CANNOT WORK BECAUSE OF FORCE MAJEURE

One of the measures taken by the state is the closure of kindergartens, schools and other educational institutions, which in some families has caused parents to stay home and look after their children. According to the "Megalaw", those who are absent from work because of parental obligations are **equated with the status of workers who are waiting for work at home.**

The same applies to other employees who are unable to perform work because of "force majeure".

PAYMENT OF ALL CONTRIBUTIONS TO THE PENSION SCHEME

All contributions to the pension scheme that are due in the time of the validity of the "Megalaw" for those employed in the business sector (employers and employees), who are working in these exceptional circumstances, will be the paid by the state. Employees and employers will retain all the rights and incomes from this scheme. The direct and indirect budget users and employers pursuing financial or insurance activity are excluded from this measure.

Employees who remain at work during this period are entitled to a **"crisis allowance" of EUR 200.00** during this period. The crisis allowance is paid by the employer monthly to all employees who work and whose last paid wage did not exceed three times the minimum wage (EUR 2,821.00 gross).

ENFORCEMENT PROCEEDINGS, FINANCIAL MANAGEMENT OF COMPANIES, INSOLVENCY PROCEEDINGS AND PROCEEDINGS DUE TO COMPULSORY WINDING-UP

The package of intervention measures included in the new “Megalaw” also provides for certain solutions in the field of enforcement proceedings, in regard to the rules governing the financial management of companies, and in insolvency and compulsory winding-up proceedings. In addition to the proposed legislative measures, which are described below, this topic has already been radically affected by an order issued by the President of the Supreme Court. According to it, the already narrow set of procedures, which qualify as emergency procedures and are ongoing at the time of the declared epidemic, is further narrowed. The order of 30 March 2020 suspended (with certain exceptions) the security proceedings when the personal contacts of executors, participants and other entities are required, as well as bankruptcy and compulsory settlement proceedings. The order also interfered with proceedings in connection to bills of exchange and checks.

According to the new “Megalaw”, the **enforcement of the decisions issued in proceedings under the Claim Enforcement and Security Act (ZIZ) is suspended and the enforcement of the orders of execution issued in tax enforcement proceedings under the Tax Procedure Act (ZdavP-2) is withheld.** The exemption from suspension of enforcement applies only in regard to executions arising from child support cases and cases connected with the compensation for lost child support due to the death of the person who was paying it.

Furthermore, the “Megalaw” provides that, at the time of the COVID-19 epidemic and three months after the cessation of measures (after 31 May 2020), the management of the companies will be **relieved of their duty to file a compulsory settlement or bankruptcy against the company** if the insolvency occurred as a result of the COVID-19 epidemic. Moreover, the deadlines for the implementation of other actions and measures that should be implemented by the management in the event of the company's insolvency are extended. To facilitate the use of the new rule, the “Megalaw” provides the presumption, that the insolvency of a company is the result of declaring an epidemic if the company pursues an activity that has been temporarily suspended or substantially restricted by a compulsory regulation or act.

In addition, the “Megalaw” introduces a conclusive presumption regarding the insolvency of a legal person, entrepreneur or private individual, which is included in the scheme of national aid in the form of reimbursement of salaries and contributions under the laws governing interventional measures. If such entity is more than one month late (the deadline starts when the employer receives the reimbursement from the state) with the payment of salaries and contributions to its employees, the act provides for the conclusive presumption of long term illiquidity and consequently insolvency of the company. Such presumption will apply from when the law enters into force and 4 months after the expiry of the measures.

The “Megalaw” also regulates the possibility of postponing the decision on the creditor's petition for bankruptcy and extends the period during which the debtor must justify his request for postponement. The proposed 4-month deadline is important if the insolvency of the company is the result of the epidemic. The described measure is intended for use in connection with bankruptcy proceedings arising from the creditors' request, which is filed no later than two months after 31 May 2020.

OTHER MEASURES UNDER THE “MEGALAW”

The new "Megalaw" proposes that the **deadline for payments** of direct and indirect users of the state budget to private entities is temporary **reduced to 8 days**.

Furthermore, it establishes the possibility to extend the payment period to 60 days if the creditor acts on behalf of a public authority. The abovementioned change will apply for the duration of COVID-19 outbreak and one year after the end of the epidemic.

In regard to the public procurement, the “Megalaw” proposes the **increase of the limit above which the rules of Public Procurement Act (ZJN-3) apply**. This measure will be valid until 15 November 2020. In connection to the public contracts concerning products, services or design contests, the new threshold is EUR 40.000 or more and EUR 80,000 in the field of public works contracts.

During the epidemic, the contractual penalties for the delays in connection with deadlines for fulfillment of obligations arising from contracts for the supply of goods, services or the execution of works concluded between private entities and public authorities, self-governing local communities or other public law entities, shall not apply. However, the contractually agreed deadlines shall be extended from the time limit set for the fulfillment of the contract until the announcement of the end of the COVID-19 epidemic.

MEASURES TO ENSURE CORPORATE LIQUIDITY

In order to deal with liquidity, the Government is expected to propose additional measures to establish a guarantee scheme and to facilitate the purchase of claims of Slovenian companies. In addition, the State is expected to provide sufficient funds for recapitalization or a guarantee for implementation on the basis of these measures.

BANK LOANS

Old and new clients of SID Bank will be offered loans from SID Bank's own funds at a favorable interest rate and a *de minimis* scheme for the purpose of liquidity financing for companies, with a program quota of EUR 50 million and possibility to use it for six months.

Within the framework of loan funds, where they, in cooperation with the Ministry of Economy, offer direct financing to companies of all economic sectors, SID Bank will expand the implementation of programs aimed at abandoning the maximum capitalization of companies, which will enable SMEs to obtain a loan for financing tangible and intangible assets as well as working capital or business. The amount of each loan will be from one hundred thousand to five million euros with a favorable interest rate, which will mean *de minimis* aid, a credit period of between two and 12 years, and the possibility of appropriate necessary moratoriums on the repayment of the principal value.

As part of indirect financing, banks and savings banks, as intermediaries, can also offer SID Bank funds on tailor-made terms to companies facing the negative effects of COVID-19 and to companies requiring liquidity to provide for supply of products and services.

At the same time, the introduction of portfolio guarantees is being prepared, which the participating banks and savings banks will be able to use to finance SMEs' investment and day-to-day operations. Companies will thus be able to improve their access to financing sources, even under more favorable borrowing conditions, as under the Fund of Funds, managed by SID Bank, the latter will primarily provide to given companies coverage for the risk of loss on loans under the terms of the instrument.

The Government of the Republic of Slovenia has also prepared a proposal of an intervention Act Regulating the Intervention Measure of Deferred Payment of Borrowers' Liabilities (ZIUOPOK), which was approved by the National Assembly of Republic of Slovenia on Thursday, March 19, 2020. The Act provides the possibility of deferred payment of loans for companies, cooperatives, natural persons who employ other people, self-employed and any agricultural holdings, which are established or domiciled in Slovenia and have loans at banks, branches of the bank and savings institutions of Republic of Slovenia. Borrowers will agree to reschedule the payment with the bank after proving that they will not be able to pay the installments due to the effects of the coronavirus epidemic.

The state offers debtors of credit or other obligations made under the Act Governing Rescue and Restructuring Aid for Companies and Cooperatives in Difficulty (ZPRPGDZT) and the Act Governing the Rescue and Restructuring Aid for Companies in Difficulty (ZPRPGDT) the possibility of deferring the payment of liabilities from a credit or other contracts for a period of 12 months, if the individual obligations under the credit or other contract for which the debtor requests a deferral of payment have not yet been paid before the virus epidemic was declared. The competent ministry and the debtor may also agree on a different deferral and other conditions in terms of the maturity of claims, which are more favorable for the latter, if the debtor is threatened with insolvency and its existence due to the consequences of a virus epidemic.

MEASURES OF THE SLOVENE ENTERPRISE FUND

According to publicly available information, the Slovene Enterprise Fund is about to launch new calls for proposals to mitigate the effects of the spread of coronavirus, with one already published. Some measures are adjustments to existing financial incentives and instruments, and a new liquidity facility has been introduced. A total of € 115 million is currently foreseen for the package of measures.

SUBSIDIES OF SLOVENIAN TOURIST BOARD

In order to mitigate the effects of the new virus COVID-19, the Slovenian Tourist Board has launched a call for proposals for co-financing the promotion of the Slovenian tourist offer, which this time is also available for promotion on the domestic market and not only on foreign markets.

A total of EUR 430,000 is tendered under the call for tenders for tourism companies, and an individual applicant may receive a subsidy of EUR 10,000 to EUR 15,000.

PROVISIONAL MEASURES CONCERNING JUDICIAL AND ADMINISTRATIVE PROCEEDINGS

As of 16 March 2020, the Slovenian courts only rule in urgent cases. On Sunday, 29 March 2020, a new Intervention Act on provisional measures for judicial, administrative and other public matters to cope

with the spread of infectious disease SARS-CoV-2 (COVID-19) (ZZUSUDJZ), which sets out additional measures for the protection of rights in judicial proceedings, and provides for similar measures also in administrative proceedings. The provisional measures adopted are expected to last until the reasons for them cease, which shall be decided by the Government, but no later than 1 July 2020.

Measures in judicial proceedings

Pursuant to the ZZUSDJZ, statutory time limits for exercising the rights in court proceedings (material deadlines) and procedural deadlines, except in urgent cases, do not run during emergency measures. In addition, there is no deadline for lodging a constitutional complaint during this period. Judicial documents are not served during this period. The time limits for judicial documents that had already been served begin to run the first day after the provisional measures cease to apply.

Further on, the ZZUSDJZ granted the President of the Supreme Court the power to further restrict the list of cases deemed necessary by the Courts Act (ZS), which he did with the Order on Special Measures on the Occurrence of the Conditions referred to in the first paragraph of Article 83a of the Courts Act and Grounds referred to in Article 1 of ZZUSUDJZ, dated 31 March 2020. Courts are thus currently ruling only on the most urgent cases, with all hearings and sessions in urgent cases being conducted via videoconference, if possible. Also, all hearings in cases that are non-urgent shall be canceled.

Measures in administrative procedures

Further on, material and procedural deadlines in administrative procedures do not run for the duration of the epidemic, except in urgent matters (for example, if there is a danger to human life and health, to law and order, to public safety, etc.). The party in the administrative procedure must be informed separately that the time limit in a particular case is ongoing. The deadlines for the exercise of material rights that expire during the validity of provisional measures shall be extended to expire on the eighth day from the date of termination of such measures.

It is in principle not possible to file applications and make personal statements with the administrative authority, however it is possible to file electronically even without an electronic signature, if the identity of the applicant can be determined in another reliable manner. In these cases, documents affecting the legal situation are served on the applicant's permanent or temporary residence address. Oral hearings and other procedural acts where participants may be in direct contact with each other are conducted only in urgent matters and the public is excluded from all procedural acts. Except in urgent cases, personal service of documents is also not provided. In accordance with the provisions of the ZZUSDJZ deadlines, with some exceptions, do not run also in misdemeanor cases.

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Should you have any questions, please do not hesitate to contact us.

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