



# COVID-19

*Guide to Government Measures in the CEE Region*

March 2021

# BDO cares

**BDO**

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# COVID-19

Since the beginning of the Covid-19 pandemic, BDO supports companies intensively with respect to the measures passed by the governments in order to help them continue their business activities, keep their employees and ensure their liquidity.

We are aware that especially for the international companies it is difficult to keep track of the relevant regulations and measures passed in different countries. It is thus the aim of this guide to provide an overview of the most relevant measures regarding Covid-19 in Central and East Europe and help you navigate your way out of this crisis in the most efficient way.

Our specialists in each country of the BDO CEE Regional Initiative are at your disposal to support you with relevant information and advice during this challenging period.

# AUSTRIA

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# OVERVIEW OF GOVERNMENT MEASURES IN AUSTRIA

## Extract of measures:

- ▶ Guarantees and direct credits, to ensure the rapid solvency of companies
- ▶ Measures to reduce liquidity shortages
- ▶ Direct grants for covering direct costs (Phase I and Phase II)
- ▶ Hardship funds for one-person companies, micro enterprises, new self-employed persons, freelancers
- ▶ AWS Covid-19 Investment premium, to encourage companies to invest in fixed assets during and after Covid-19 crisis
- ▶ Deferred payments (tax, social security etc.)
- ▶ Measures relating to annual deadlines
- ▶ Corona short-time work model (Phase I, II, III)
- ▶ Revenue compensation for Austrian companies directly affected by the Covid-19 safety measures
- ▶ Special care leave until the end of the school year 2020/2021
- ▶ New regulation regarding home office

For detailed information please find our guidelines for Austria in our Covid-19 corner:

<https://www.bdo.at/de-at/services/advisory-de/risk-resilience/covid-19-handbuch-zu-den-maßnahmen-der-regierung>

- ▶ The experts of BDO Austria inform you and are happy to help you with all application processes

# BULGARIA

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# OVERVIEW OF GOVERNMENT MEASURES IN BULGARIA

- ▶ General measures
- ▶ Financing measures
- ▶ Grants
- ▶ Special tax regulations

- ▶ The grants for micro and small enterprises in the amount of BGN 173 (EUR 88,5) million
- ▶ The grants for large enterprises in the amount of around BGN 1,500 (EUR 770) million
- ▶ Investments with an average value of BGN 800 (EUR 410) thousand through equity instruments in four venture capital funds. Total budget: BGN 150 (EUR 77) million
- ▶ Facilitated access to financing, improved credit parameters (preferential terms and conditions for crediting), reduced requirements to the collateral and a fast approval procedure for micro and small is financially secured with BGN 500 (EUR 255) million to guarantee up to BGN 2 (EUR 1) billion in working capital loans
- ▶ Financial support for projects relevant to urban development with a total budget of BGN 418 (EUR 214) million
- ▶ Further financial and other supports to self-insured and self-employed persons as well as farmers and stock breeders

# GENERAL MEASURES

## Working Capital Support Program for SMEs affected by the provisional anti-epidemic measures

The purpose of the assistance is timely and direct financial support in the shortest possible time to Bulgarian companies to overcome the economic consequences of temporary anti-epidemic measures and job stability.

Total budget: BGN 156 (EUR 80) million, whereas the funding from the European Regional Development Fund is BGN 132.6 (EUR 68) million and the national co-financing is BGN 23.400 (EUR 12) million. The funds are provided under the Operational Programme "Innovation and Competitiveness" 2014-2020.

### Support from the operational program "Innovation and Competitiveness"

- ▶ Grants for micro, small and medium enterprises

### Measure for maintaining employment in the sectors transport and tourism

- ▶ The total budget of the aid amounts to BGN 40 (EUR 20) million

### 60/40 measure

- ▶ Short-term tool for urgent business support to maintain employment and ensure the income of employees

### "Employment for you" measure

- ▶ Employers from all economic sectors, except for agriculture, can hire the unemployed under the programme financed under the OP "HRD". The measure is primarily aimed at companies in the hotel sector and gastronomy as well as activities of travel agencies and operators and other activities related to travel and reservations. For these sectors a national quota of BGN 50 (EUR 25) million has been allocated.



# FINANCING MEASURES

## Development Bank programme for portfolio guarantees to support liquidity of enterprises

Providing unsecured working capital loans, based on portfolio guarantees from Bulgarian Development Bank to commercial banks to provide liquidity for enterprises to overcome the negative economic consequences of Covid-19. Programme allows reduced collateral, from 0% to 50% of the amount of loans and reduced applicable annual interest rate by 0.8%.

The Guarantee Bank (BDB) provides guarantee coverage in the amount of 80% of the principal of each of the loans under the programme. The maximum loan amount for SMEs is BGN 1 (EUR 0.5) million. The maximum loan amount for large commercial enterprises is BGN 2 (EUR 1) million.

### Fund of funds

#### Guarantees securing loans for SMEs provided by partner banks to the Fund of Funds

- ▶ Total amount of guarantees is BGN 158 (EUR 80) million to secure new loans. Aimed at small and medium-sized enterprises operating in various sectors, including those most affected by the crisis, such as tourism, transport, trade and others. It is possible for crisis-affected businesses that retain employment to get their interest back for the first year after the loan is taken.

#### Microloans for self-employed persons and small start-up enterprises

- ▶ Microloans of up to BGN 50 (EUR 25) thousand, with a term of up to 10 years, for investments and working capital financing. The terms of the loans are relaxed, with interest rates significantly below the market, with the possibility of a grace period of up to 36 months and with very relaxed collateral requirements or in some cases without collateral. Total budget: BGN 24 (EUR 12) million.

#### Private equity quasi-private equity (Fund of Funds)

- ▶ Financing with a maximum amount of up to BGN 2 (EUR 1) million in the form of unit and quasi-unit investments, provided by three existing funds for acceleration and initial financing. Total budget from the Fund of Funds and Private Investors: BGN 150 (EUR 77) million. Financing of up to BGN 6.8 (EUR 3.5) million from the Venture Capital Fund with a total budget of BGN 75.3 (EUR 38.5) million.
- ▶ Start-ups and innovative companies can apply depending on the stage of development and the amount of investment required and must have a presentation of the business, team and growth potential, business plan, analysis and financial forecasts.

#### Portfolio guarantees for SME liquidity support (European investment fund/jeremy)

- ▶ Total product budget: From BGN 160 (EUR 80) million, with the possibility to support a portfolio of new loans in the amount of up to BGN 500 (EUR 250) million, reaching BGN 880 (EUR 450) million.

## 60/40 measure is available for all sizes of enterprises

- ▶ Short-term tool for urgent business support to maintain employment and ensure the income of employees.
- ▶ The state covers 60% of the insurance income of the workers and of the insurance contributions due by the insurer

## Measure for maintaining employment in the sectors of transport and tourism

- ▶ Employment Agency pays to the approved employers monthly compensations in the amount of BGN 290 (EUR 148), which includes a net amount for remuneration of the employees in the amount of BGN 189 (EUR 97) and the due tax-insurance contributions at the expense of the employer and the insured person, but not for more than 9 months in the period from 1 July 2020 until 31 March 2021
- ▶ Employers are obliged to keep the employees for whom they receive funds for an additional period equal to half of the period for which they received compensations.

Extraordinary temporary assistance for small and medium-sized enterprises (SMEs) and recognised groups and producer organisations

# SPECIAL TAX MEASURES

1. Extension of the deadline for filing corporate tax returns (Article 92 CITA)
2. Extension of the term for payment of the due corporate tax under the annual return
3. In 2020, the persons liable under CITA shall make advance payments based on the estimated tax profit for 2020, considering the following:
  - ▶ In case the annual tax return for 2019 has already been submitted, adjustments to the amount of the advance payments by 15 April and after that shall be made with the return under Art. 88 of CITA
  - ▶ In case the annual tax return for 2019 has not been submitted by 15 April, it must be submitted by that date, filing in only the part of it in which the advance payments for 2020 are declared. Adjustments to the amount of the advance payments are made with the return under art. 88 of CITA
  - ▶ The adjustments of the advance payments made with the return under Art. 88 of CITA, shall be utilised after submission of the return
4. The natural persons, carrying out economic activity as traders in the sense of the Commercial Law, incl. sole traders, as well as farmers, when they have chosen to be taxed as sole traders, apply the above-described rules for advance payments.
5. Extension of the term for declaring and paying the tax on expenses under CITA, as well as the tax on revenues of budgetary enterprises, the tax on revenues from ancillary activities within the meaning of the Gambling Act and the tax on the operation of ships
6. Extension of the deadline for submission of the annual activity report (AAR)
7. Extension of the term for submission of the annual tax return of the incomes of the natural persons and PIT return (Article 50 PITA), carrying out economic activity as traders in the sense of the Commercial law, incl. sole traders, activity as farmers, when they have chosen to be taxed as sole traders, as well as for payment of the tax due by these persons under the return. There is an extension of the term for payment of the due income tax under the annual return
8. Zero-rate taxation is introduced for a period of two years on the supply and acquisition of vaccines and diagnostic medical devices for Covid-19

# CROATIA

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# OVERVIEW OF GOVERNMENT MEASURES IN CROATIA

- ▶ **Employment-related measures**
- ▶ **Financing measures & economic stimulus measures**
- ▶ **Tax measures**

- ▶ Payment of deferred tax liabilities in instalments
- ▶ Reimbursement of fixed operating costs
- ▶ Additional time for closing and submission of an individual and consolidated non-financial reports
- ▶ Government secured business loans for liquidity and working capital with low interest rates and no collateral requirements

# EMPLOYMENT-RELATED MEASURES

## Details on the Croatian Employment Service's aid for job preservation during the coronavirus outbreak ( Covid-19) January and February 2021

- ▶ Conditions for the use of aid have remained more or less the same as for the previous aid (October - December 2020). As opposed to the previous aid, changes refer mostly to the criteria for receiving aid. We briefly present the new aid programme: CES aid is available to the following employers:
  - Employers who are not restricted or prevented from performing their business activity by the Decisions of the Civil Protection Headquarters and have more than 10 employees, can receive aid only if they operate within the affected business activities
  - Employers who are restricted or prevented from performing a business activity due to the Decisions of the Civil Protection Headquarters or if they have less than 10 employees, can receive aid regardless of the activity they perform
  - Aid is available to employers who are business-related as suppliers with employers who are closed by the Decisions of the Civil Protection Headquarter

It is important to note that the right to use the aid, regardless of the basis on which they apply, have employers who have registered the activity and are registered in the system of insured persons of the Croatian Pension Insurance Institute by 30 November 2020

### Aid amount:

- ▶ The amount of the aid is a maximum of HRK 4,000 (EUR 528) per month for full-time employee, i.e. a proportional part per employee according to the number of part-time hours according to the percentage of decline in income/receipts:
  - a. from 40% to 44.99% - HRK 2,000 (EUR 364)
  - b. from 45% to 49.99% - HRK 2,500 (EUR 330)
  - c. from 50% to 54.99% - HRK 3,000 (EUR 396)
  - d. from 55% to 59.99% - HRK 3,500 (EUR 462)
  - e. from 60% to more - HRK 4,000 (EUR 528)
- ▶ In addition, employers who are unable to perform their activities in accordance with the Decisions of the Civil Protection Headquarters are also entitled to **reimbursement of fixed operating costs** in the event that in December 2020 they had a revenue decline of 60% compared to December 2019

# FINANCING MEASURES AND ECONOMIC STIMULUS MEASURES

## Economic stimulus measures

- ▶ Measures for financial liquidity including a three-months moratorium on liabilities to the Croatian Bank for Reconstruction and Development (HBOR) and commercial banks (moratorium subject to further extensions), as well as the approval of loans for cash flow in order to pay wages, suppliers and to reschedule other liabilities
- ▶ The approval of new loans for liquidity by HBOR and commercial banks for enterprises to finance wages, utility costs and other basic business operating costs (working capital) under favourable terms (interest starting at 0% for HBOR's loan portion)
- ▶ Increasing the allocation for the "ESIF micro loans" for working capital for micro and small enterprises implemented by the Agency for SMEs, Innovation and Investments (HAMAG-BICRO)
- ▶ A new financial instrument "Covid-19 loans" for working capital for small and medium-sized enterprises
- ▶ The Croatian National Bank has reduced the bank statutory reserve requirement rate from 12% to 9%

## Covid-19 loan for working capital

- ▶ Target group: Micro, small and medium-sized business entities
- ▶ Loan amount: Up to HRK 750 (EUR 100) thousand
- ▶ Purpose of the loan: Working capital
- ▶ Maximum repayment period: Up to 5 years including grace period
- ▶ Interest rate: 0.25%
- ▶ Request processing fee: 0%
- ▶ Duration: Up to 6 months
- ▶ Grace period: Up to 12 months, if the repayment period is at least 2 years
- ▶ Collateral: Promissory note
- ▶ It is proposed to introduce a stand still arrangement by commercial banks, i.e. to suspend forced collection measures against all debtors for a period of next three months, during which time regular interest, i.e. legal interest, is still calculated
- ▶ HAMAG-BICRO prolongs a moratorium on all instalments of ESIF Micro and Small Loans and Micro and Small Loans for Rural Development until 31 December 2020

# TAX MEASURES - DIRECT AND INDIRECT

## Payment of deferred tax liabilities in instalments:

- ▶ Payment in instalments may be granted for tax liabilities which payment has been delayed due to special circumstances, and which will not be written off on the basis of the measure of exemption from payment of tax liabilities.

## Reimbursement of fixed operating costs:

- ▶ The right to reimbursement of all or part of the fixed costs paid for the month of December 2020 is exercised by:
  - Entrepreneurs whose work was suspended by the Decision of the Civil Protection Headquarters of Croatia of 27 November 2020
  - Entrepreneurs for whom the decrease in income in December 2020 compared to December 2019 was at least 60%
  - Entrepreneurs who started operating in 2020 for whom the decrease in income in December 2020 compared to November 2020 was at least 60%
  - Entrepreneurs with a decrease in income/receipts from 60% to 90% are entitled to reimbursement of the amount of paid fixed operating costs in proportion to the decrease in income/receipts, and those with a decrease in income/receipts of over 90% are entitled to the reimbursement of paid fixed operating expenses in full

## Other measures:

- ▶ Costs for testing the employee for infectious diseases is not taxable income for the employee
- ▶ Vaccination costs for infectious diseases paid by employer for his/her employees are treated as non-taxable remuneration until 31 December 2020, regardless of how the costs are covered
- ▶ Right to exemption from the obligation of contributions for co-financed net salaries
- ▶ Taxpayers registered as VAT payers who donate/import goods and services needed to combat the effects of the coronavirus pandemic are exempt from paying VAT on those donations
- ▶ Deferral of payment of due VAT liability



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# OVERVIEW OF GOVERNMENT MEASURES IN THE CZECH REPUBLIC

- ▶ General measures
- ▶ Financing measures
- ▶ Grants
- ▶ Special tax regulations

- ▶ Reimbursement support for personnel costs
- ▶ Financial support for self-employed, shareholders of small s.r.o. (Ltd.) and employees with special working agreement
- ▶ Introduction of tax loss carry-back
- ▶ Abolishment of real estate acquisition tax
- ▶ Change in taxation of individuals

# GENERAL MEASURES

## A state of emergency was declared

- ▶ From 12 March until 17 May 2020
- ▶ From 5 October until 28 February 2021

## Measures introduced by the Czech National Bank to support the economy

- ▶ Cutting all key interest rates
  - Two-week repo rate down to 0.25%; Lombard rate 1%; Discount rate 0.05%
- ▶ Calling on banks to withhold dividend payments or refrain from other steps which might jeopardise their capital resilience
- ▶ Increasing the weekly number of monetary operations to provide liquidity to banks

## General measures and restrictions (rapidly changing) e.g.

- ▶ Obligation to wear face masks in all indoor spaces and selected public places (urban areas of cities/villages, public transport, overcrowded areas, vehicles if travelling with people from different households)
- ▶ Being outdoors between 9 pm - 5 am is banned (exceptions: work, business activities, urgent cases...)
- ▶ Restaurants and facilities for physical activities are closed
- ▶ Only selected retail stores are opened, restrictions on the opening hours of shops, limitation of customers present inside of a shop (1 person per 15 m<sup>2</sup>)
- ▶ Most of the events are forbidden or allowed only without spectators/visitors
- ▶ Obligatory distant learning for schools (exception - first and second grade of the primary school)

# FINANCING MEASURES

*Measures for employers and individuals*

## Short-time work - Antivirus Program

- ▶ Program A and B (March 2020 to February 2021) - the Government reimbursed part of the personnel costs to employers affected by Covid-19
- ▶ \*Program C (June to August 2020) - waiver of social security contributions of employers with up to 50 employees

## Re-introduction of nursing allowance (taking care of a child at home due to schools being closed)

- ▶ Employees with employment contracts or agreements - minimum of CZK 400 (EUR 15.3) per day for a full-time employee
- ▶ Self-employed - CZK 400 (EUR 15.3) per day

## Direct financial support (compensation) for persons affected by Covid-19 or respective Government measures

- ▶ Support of CZK 500 (EUR 17.47) per day
- ▶ Persons with predominant activities affected by the restrictions or persons significantly (80%) tied to affected businesses may apply for the compensation
- ▶ Self-employed persons, shareholders of small s. r. o. (Ltd.), employees working based on special type of working agreement
- ▶ A bill to increase the amount up to CZK 1.000 (EUR 34.94) is subject to stricter rules

## Subsidy in case of an obligatory quarantine

- ▶ Subsidy of up to CZK 370 (EUR 14.4) from an employer for ten days in case of an obligatory quarantine
- ▶ Period: March - May 2021
- ▶ In the process of approval

\*This measure is no longer valid, but it might be reintroduced.

# FINANCING MEASURES

- ▶ **Agricovid Food industry II** - For food business operators which supply products to catering service operators and which income decreased by more than 25% for the relevant period (December 2020 - February 2021). A single beneficiary can receive up to CZK 200,000 (EUR 7,788) and up to CZK 20,000 (EUR 779) per cooperating person or an employee.
- ▶ **EGAP insurance** - Receives applications to the COVID Plus Program. Insurance of short-term receivables to EU and OECD countries and guarantees for operating investment loans. The loan amount is set in the range from CZK 5 million (EUR 0.19) to CZK 2 billion (EUR 0.08).
- ▶ **Subsidy covering 50% of rents** for the 4<sup>th</sup> quarter of 2020 for entrepreneurs who had to temporarily close their business place intended for a retail or the provision of services to customers as a consequence of protective measures adopted by the Government of the Czech Republic
  - Newly, also entrepreneurs who fell under the exceptions and remained open can apply for the subsidy, if their sales of goods or services decreased by at least 66% over the same period in 2019
- ▶ Banks and non-bank lenders allow **individual solutions** for impossibility to repay a **loan or a mortgage**
- ▶ **Rental contributions** for individuals if they do not have sufficient income for current housing
- ▶ **\*One-time bonus** of CZK 60,000 (EUR 2,300) for self-employed individuals in the culture sector
- ▶ **COVID Gastro** - The program covers a defined range of sectors and eligible applicants affected by the crisis measures and restrictions. The decrease in sales for the 4<sup>th</sup> quarter of 2020 must be at least 30% compared to the 4<sup>th</sup> quarter of 2019. The amount is capped at CZK 400 (EUR 15.58) for each employee and the day for which the activity was limited.
- ▶ **COVID Sport Guarantee compensation** - Small and medium-sized enterprises and the self-employed in the sport sector can have a guarantee from the Czech-Moravian Guarantee and Development Bank amounting up to 80% for loans. Additionally, entrepreneurs are able to apply for a financial contribution to interest on a bank loan.

\*This measure is no longer valid, but it might be reintroduced.

# GRANTS

- ▶ **COVID Accommodation 2** - The program was extended also for small accommodation facilities. A subsidy of CZK 200 (EUR 7.74) per room per night. If the business activity started in 2020, the subsidy is CZK 100 (EUR 3.87) per room per night
  - CZK 500 (EUR 19.47) million are earmarked for the program
  
- ▶ **COVID Spa program** - The subsidy can be used to redeem used discount vouchers. The exact conditions of the program are currently being discussed and will be published soon.
  - CZK 1 (EUR 0.04) billion are earmarked for this program
  
- ▶ **COVID trade fair** - A bill for a new compensation programme for coordinators of trade fairs, congresses etc.
  - The compensation would be capped at CZK 20 (EUR 0.78) million per beneficiary

## Support for tourism:

- ▶ **Travel bureaus** - subsidy of up to 2.5% of the expected revenue; CZK 345 (EUR 13.19) million are earmarked for this programme
  
- ▶ **Travel agencies** - 1) CZK 500 (EUR 19.12) to cover incurred expenses from cancelled trips or spa stays; 2) lump-sum according to the revenue of 2019; possibility to utilize only one out of the two options; CZK 55 (EUR 2.1) million are earmarked for this programme
  
- ▶ **Tourist guides** - CZK 50 (EUR 1.91) thousand if an applicant meets educational requirements, otherwise CZK 40 (EUR 1.53) thousand; CZK 25 (EUR 0,96) million are earmarked for this programme
  
- ▶ \*All programmes were in force from 2 November 2020 until 11 January 2021

- ▶ **COVID Sport III Ski resorts** - The support will be provided as a subsidy for operating costs such as energy costs, rents, depreciation of operating equipment and more.
  - The maximum amount of support depends on the number and structure of transport facilities.

\*This measure is no longer valid, but it might be reintroduced.

# SPECIAL TAX REGULATION

## Waiver of penalties and interests, waiver of administrative fees

- ▶ In some cases automatically, in some cases upon request

## Introduction of progressive tax rates

- ▶ Progressive tax rates of 15% and 23% were introduced for individuals
- ▶ Super gross salary and solidarity surcharge of 7% were abolished

## Other tax measures

- ▶ Exemption of VAT on gratuitous supplies of necessary protective equipment, FFP2 respirators
- ▶ Reduction of VAT rates to 10% (e.g. draft beer, catering services, accommodation, cultural services, sport events...)
- ▶ Road tax reduction for vehicles of more than 3.5 tons

## Loss carryback for companies and self-employed individuals

- ▶ Newly possible to deduct tax losses as a carryback for two years
- ▶ May be applied already in 2019 tax return using an estimate of 2020 tax loss

## Abolition of real estate acquisition tax with retrospective effect

- ▶ For real estate purchased from December 2019, subject to application to be refunded

## EET (electronic records of cash sales)

- ▶ Suspension of the obligation to record sales until the end of 2022

## Beer poured down the drain exempted from the consumption tax permanently

- ▶ Amendment to the Act on Excise Duties
- ▶ Allows breweries to return unused beer intended for liquidation or reprocessing

# GEORGIA

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# OVERVIEW OF GOVERNMENT MEASURES IN GEORGIA

- ▶ General measures
- ▶ Financing measures
- ▶ Grants
- ▶ Special tax regulations

Georgian Government made available up to GEL 4 (EUR 1.15) billion for anti-crisis economic plan. Some of the main portions of the reserve are:

- ▶ GEL 460 (EUR 133) million to fund and/or compensate employees for the loss of jobs/earnings related to the crisis
- ▶ GEL 15 (EUR 4.35) million for insuring price spikes on main food products
- ▶ GEL 200 (EUR 58) million for insuring price spikes on construction materials for infrastructural projects
- ▶ GEL 250 (EUR 72.46) million for state subsidy for income tax exemption for the jobs retained by employers
- ▶ GEL 600 (EUR 173.90) million for VAT surplus refunds
- ▶ GEL 300 (EUR 86.96) million for credit guarantee scheme for businesses

# GENERAL MEASURES - INDUSTRY BOUND ANTI-CRISIS MEASURES

## Tourism

Tourism and leisure, one of the rapidly growing industries in the country accounted for 11.5% of GDP before the Covid-19 crisis, having created 150,000 jobs and received up to 9.4 million visitors in 2019.

The government opted to draw a specific revival plan for this industry and laid out significant support in view of taxation, funding, infrastructural development and more:

- ▶ Abolished property tax for the reporting years 2019 and 2020
  - ▶ Taxpayers in the tourism industry who were allowed to postpone payments of personal income tax until the end of 2020, were eventually exempt from the liability altogether
- 
- ▶ Dedicated support for hotel & leisure
    - Opportunity to seek for bank loan restructuring
    - Subsidies for bank loans
    - Subsidies on co-participation fees for international tourism fairs
- 
- ▶ Dedicated support for travel agencies and tour guides
  - ▶ Supporting the introduction and implementation of UNWTO recommendations

# GENERAL MEASURES - INDUSTRY BOUND ANTI-CRISIS MEASURES

## Agribusiness

- ▶ Subsidies and co-financing for small farmers - GEL 37 (EUR 11) million, also direct and sectoral support of farmers
- ▶ Cancelled irrigation service fees and discount on diesel fuel
- ▶ 50% grants for agricultural production and irrigation systems - GEL 23 (EUR 6.7) million
- ▶ Convenient co-financing conditions from banks for fixed assets, leases, working capital and promotion - GEL 74 (EUR 21.5) million
- ▶ Co-financing for implementation of international standards for beneficiaries of state agricultural programme
- ▶ A 3-year agri insurance for perennial crops - GEL 9 (EUR 2.6) million
- ▶ Improving inventory developing infrastructure for local dairy farms - GEL 42 (EUR 12.2) million
- ▶ 70% - 90% co-financing grants for cooperatives for hone and milk processing enterprises, viticulture and dairy sector

## Construction and development sector

- ▶ State subsidies on mortgage loan interest - GEL 70 (EUR 20.3) million
- ▶ Underwriting of mortgage loans and provision of respective guarantees - GEL 14 (EUR 4) million
- ▶ Underwriting the construction of residential real estate projects - GEL 200 (EUR 58) million
- ▶ State acquisition of residential units for IDP households - GEL 150 (EUR 43.5) million

# FINANCING MEASURES

## Instruments to support commercial banks and entrepreneurs

- ▶ Commercial Banks to be provided with GEL 600 (EUR 174) million in long-term resources
- ▶ GEL 500 (EUR 145) million to be allocated to support business:
  - Credit portfolios of GEL 2 billion (EUR 580 million) to be issued with guarantees
  - Guarantees on new loans - 90%, on restructuring - 30%

- ▶ The state programme 'Produce in Georgia' co-financing conditions:
  - Increasing the period of co-financing of loans/leasing from 24 to 36 months
  - Changing the mechanism of interest co-financing
  - More types of activities
  - Lowering the minimum threshold for loans/leasing
  - Increasing funding for circulating assets

**All legal entities are given the opportunity to restructure their loans.**

## Guarantees, credit and grants

- ▶ Caring for agriculture and regional development
  - Grants up to GEL 30,000 (EUR 8,695)
  - Agri-credit - financing annual crops
  
- ▶ Supporting amelioration activities:
  - Full exemption from amelioration fees for 2020
  - Fully writing off debts accumulated in previous years

# SPECIAL TAX REGULATION

- ▶ The automatic VAT refund mechanism to come into force and VAT surplus refunds to be doubled - approximately GEL 600 (EUR 174) million additional funds to be received by businesses in 2020

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# OVERVIEW OF GOVERNMENT MEASURES IN HUNGARY

- ▶ General measures
- ▶ Financing measures and grants
- ▶ Special tax regulations

- ▶ Hungary is focusing on the New Action Plan for Economy Reopening in 2021 with a three-phase programme
- ▶ Special support is provided for selected types of companies (e.g. tourism, hospitality, SMEs)
- ▶ A moratorium was introduced on repayment of corporate and retail loans from 19 March 2020 to 30 June 2021
- ▶ Wide range of special funding schemes was introduced by National Bank of Hungary and other state-related entities
- ▶ The social contribution payment is suspended under certain conditions



# GENERAL MEASURES

## A state of emergency declared

- ▶ First wave: From 12 March 2020 until 18 June 2020
- ▶ Second wave: From 4 November 2020 until 1 March 2021\*

## General measures and restrictions in the second wave

- ▶ Strict border restrictions were imposed from early September
- ▶ Obligation to wear face masks in all indoor public spaces and several public outdoor places set by municipalities
- ▶ Curfew between 8 p.m. and 5 a.m. (exceptions: work, business activities, urgent cases)
- ▶ Hospitality open only for take-away, hotels open only for business guests; cinemas, museums, spas, theatres, fitness centres, etc. closed
- ▶ All shops and services, with the exception of pharmacies and petrol stations, must close at 7 p.m.
- ▶ Most of the events are forbidden or allowed only without spectators/visitors
- ▶ Obligatory distant learning for schools from 9th grade and for colleges/universities
- ▶ Free parking on streets and in public garages

\*Very likely to be prolonged

# GENERAL MEASURES

## Main programmes started in 2020

- ▶ Moratorium on loans and interest, i.e. a delay of payment, is a precautionary restructuring, which helps to resolve the temporary difficulties of debtors. It is in force from 18 March 2020 until the end of June 2021 for both corporate and retail debtors. There is no exemption from the debt obligations.
- ▶ Wage subsidy for the most suffering sectors (e.g. tourism, hospitality) of up to 50% of gross salary if employees are kept and paid, for the period from November/December 2020 until March 2021 (might be prolonged further) - has been requested related to 100,000+ employees
- ▶ Extra 1-week pension to be paid in 2021, extra 2-weeks in 2022, extra 3-weeks in 2023, extra 1-month in 2024

## New Action Plan for Economy Reopening (2021)

- ▶ First phase (January - April)
  - Salary increase in healthcare & ban on “parasolvency”
  - VAT on new home constructions slashed to 5% (from 27%), as well as additional subsidies for families buying new homes
  - The aim of the home construction programme is 40,000 homes p.a.
  - 50% local tax reduction for SMEs
  - A loan of HUF 6,000 (EUR 17) thousand for home renovations, 50% non-refundable
  - No rent to be paid by tenants in hospitality and fitness sectors in case of state or municipality owned real estate from 1 February 2021 until 30 May 2021
  - A 0% personal income tax for persons under 25 years from 2022
- ▶ Second phase (April - July)
  - HUF 1,500 (EUR 4.2) billion for development of higher education
- ▶ Third phase (July - October)
  - „Big developments” focusing on green energy, development of circular economy and full digitalisation (These measures are to be confirmed later by the government in line with related EU negotiations)

# FINANCIAL MEASURES AND GRANTS

*Which instruments can companies already use to overcome economic difficulties and secure their liquidity?*

- ▶ Five new loans in the “Szechenyi Loan Programme”, launched in April and May 2020, to strengthen businesses and protect jobs

Szechenyi	Interest rate	Max. loan amount	Max. tenor
Investment Loan Plus	0.5%	HUF 1000 (EUR 2.78) million	10 years
Job Retention Loan	0.1%	HUF 750 (EUR 2.08) million	2 years
Liquidity Loan	0.2%	HUF 250 (0.69) million	3 years
Agrar Card Plus	0%	HUF 200 (EUR 0.56) million	3 years
Card Overdraft Plus	0.1%	HUF 100 (EUR 0.28) million	1 year

- ▶ Funding for Growth Programmes introduced and/or enlarged by Hungarian National Bank (HNB) in 2020/2021:

	„Funding for Growth GO!“	„Funding for Growth Bond“
Type	Loan	Bond
Borrower/ User	SME	Larger companies with B+ or better rating (50-60 companies so far)
Interest rate	Max. 2.5% (funding on 0% from HNB to lender)	Subject to market
Booking entity	Commercial Bank	HNB (max. 50-70%), banks, others
Amount	Max. HUF 10,000 (EUR 27.8) million	HUF 1,000 (EUR 2.8) million - HUF 70,000 (EUR 194.4) million bond
Tenor	Max. 20 years	3 to 30 years
Total frame	HUF 1,500 (EUR 4.2) billion	HUF 1,150 (EUR 3.2) billion

- ▶ The state-owned Hungarian Development Bank (MFB) introduced HUF 150 (EUR 0.42) billion Competitiveness Loan Programme (max. HUF 10,000 (EUR 27.78) million/borrower) with preferential conditions; its subsidiary (Hiventures) launched a Rescue Programme with mezzanine/equity investments
- ▶ Eximbank also started special funding/ guarantee schemes
- ▶ Interest-free 10-year loans for SMEs with 3 years grace period of up to HUF 10,000 (EUR 28) thousand
- ▶ New subsidy for small shops in the countryside is to be launched in April 2021. Max. HUF 70 (EUR 0.2) million/shop for investments or wages. Total frame: HUF 45 (EUR 0.13) billion

# SPECIAL TAX REGULATIONS

## 1. Regulation for taxi drivers

- ▶ Taxi drivers subject to the KATA tax system were exempt from tax in the period March-June 2020

## 2. Contribution to the development of tourism

- ▶ During the first wave of the pandemic, the contribution to the development of tourism (a sort of tax) as well as the tourist tax were suspended until 31 December 2020
- ▶ According to the Government decision these taxes will be suspended as long as there is an emergency situation in Hungary (at present the emergency situation applies until 1 March 2021)

## 3. New special tax of credit institutions

- ▶ The rate of tax is 0.19% of the part of the tax base exceeding HUF 50 (EUR 0.14) billion

## 4. Small business tax regulation

- ▶ The small business tax rate was decreased by one percentage point from 12 percent to 11 percent from 1 January 2021
- ▶ The minimum tax base is suspended (i.e. the tax base for small business tax should not include the amount of staff costs). This rule applies to those small taxpayers who carry out the specific business activities defined by the Government regulation (i.e. catering services, accommodation service, transport services, etc.).

## 5. Retail shops could become taxable entities

- ▶ As a result of the Government's decisions, retail shops could become taxable entities during the period of the pandemic
- ▶ The additional tax rates are determined as follows:
  - For the part of the tax base exceeding HUF 500 (EUR 1.5) million, but not exceeding HUF 30 (EUR 0.1) billion: the tax rate is 0.1%
  - For the part of the tax base exceeding HUF 30 (0.1) billion, but not exceeding HUF 100 (EUR 0.3) billion: 0.4%
  - For the part of the tax base exceeding HUF 100 (EUR 0.3) billion: 2.5%

## 6. Social contribution tax

- ▶ Since 1 July the rate of the social contribution tax has been reduced by 2 percentage points - from 17.5% to 15.5%

## 7. The development reserve limit was extended

- ▶ The development reserve of incorporated enterprises may be deducted with respect to the full extent (previously 50%) of the enterprise's pre-tax profit. The maximum value of the reserve is HUF 10,000 (EUR 30) million.

# SPECIAL TAX REGULATIONS

## 8. Upper rate of bank levy

- ▶ In 2020 the upper rate of bank levy in case of credit institutions had been raised to 0.39% to mitigate the negative budgetary effect of the coronavirus pandemic. This one-off revenue from the increased tax contributed to the Emergency Fund against coronavirus. This measure remained in force only for 2020.

## 9. Deferral of tax payment

- ▶ Individuals and sole proprietors severely affected by the pandemic may apply for deferral of tax payment for up to 6 months; payment in instalments for up to 12 months

## 10. Regulation for delivered food

- ▶ VAT on delivered food will be reduced to 5% from the previous 27% for the transitional period during which restaurants are closed

## 11. Local business tax obligation reduced to 1%

- ▶ On the basis of the Government Decree, the rate of local business tax is reduced to 1% for small- and medium-sized enterprises provided that the Municipality where the enterprises operate determined higher local business tax rate

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# OVERVIEW OF GOVERNMENT MEASURES IN MOLDOVA

- ▶ The socio-economic support measures undertaken by the Moldavian authorities in 2020 with regards to Covid-19 were modest and rigid
- ▶ The official estimated costs of all economic measures and measures for economic recovery, which were announced by the government of the Republic of Moldova during the period of epidemic in 2020, amount to MDL 2.05 (EUR 0.1) billion and correspond to 3.8% of the public budget and 0.7% of the gross domestic product (GDP) of the Republic of Moldova. Measures to increase unemployment benefits and temporary social assistance, and economic support measures taken by the authorities have been officially estimated at MDL 694 (EUR 32.6) million. The VAT refund programme accounted for MDL 1 (EUR 0.05) billion of the state budget.
- ▶ Most of the additional resources that have been allocated to mitigate the economic impact of the Covid-19 pandemic came from the International Monetary Fund and they amounted to MDL 4.4 (EUR 0.2) billion

# GENERAL MEASURES

## Fiscal and economic measures

- ▶ The measure to support employees during the epidemic was the increase of the unemployment benefits (in case of dismissal) of up to MDL 2,775 (EUR 130,5). The Republic of Moldova did not provide direct financial support to companies to retain employees.
- ▶ All measures of fiscal and economic support to companies, taken by the authorities with regards to Covid-19, expired on 31 December 2020, except for the reduced VAT rate (15%) for the HORECA sector
- ▶ At the moment, there are no initiatives to adopt fiscal or economic measures to directly support companies, employees or the population



# NORTH MACEDONIA

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# OVERVIEW OF GOVERNMENT MEASURES IN NORTH MACEDONIA

- ▶ General measures
- ▶ Financing measures
- ▶ Grants
- ▶ Special tax regulations

## Summary of socio-economic measures from the Fourth Package announced on 28.09.2020:

- ▶ Support for payment of salaries for the last quarter of 2020
- ▶ Preferential VAT rate of 10% instead of current the current of 18% for restaurant services
- ▶ Recognition of additional costs as a tax recognised expense
- ▶ Personal income tax will be abolished for expenses of employees related to training, qualifications, obtaining licenses
- ▶ Increased grace period for interest-free loans from the Development Bank of the Rep. of N. Macedonia (RBRNM)
- ▶ State credit and customs guarantee
- ▶ Grants for the activities most affected by the pandemic

*The Government announced a new package of measures, however, the details are not yet available. These will be presented in the next update.*

# GENERAL MEASURES

## To support the tourism sector - Refund of the tourist tax for 2019

The entities that organised overnight stays in 2019 will be reimbursed the total amount of tourist tax collected in that year.

## Grants for travel agencies.

Beneficiaries of this measure will be 500 travel agencies and its total value is EUR 1.9 million for grants from EUR 3,000 to EUR 7,000 for all travel agencies depending on the number of employees and the total turnover in 2019, and depending on whether they are holders of an A or B license.

**Reduction of VAT on craft services and products from 18% to 5%.**

## Extension of licenses to operate discos, nightclubs and companies in the transport community.

According to the registration for work, about 120 discos and nightclubs, as well as about 7,000 transporters will have their work licenses extended in 2021 with no fee, with the transporters receiving exemption for another year, depending on when their license expires.

# FINANCING MEASURES

- ▶ Support for salary payments for the last quarter of 2020. Support will be determined on a scale according to the decline in revenues of companies
    - Condition 1: The greater the decline in revenues, the greater the financial support from the state and it will range: from MKD 14,500 (EUR 233) to MKD 21,776 (EUR 350).
    - Condition 2: The companies that will apply must keep the number of employees until 31 July 2021.
  - ▶ The registered tourist guides for the months of October, November and December 2020, will be paid a minimum gross salary in the amount of MKD 21,776 (EUR 350)
  - ▶ Existing users of credit lines from the Development Bank of the Rep. of N. Macedonia will receive an additional 3 months grace period before starting the payment of annuities from the taken loans
- Additional postponement of loan repayment for companies, until the end of the year
- ▶ The state makes available EUR 10 million to support companies for easier access to cheap financial resources, by taking part of the credit risk. With the state guarantee of EUR 10 million, loans worth EUR 65 million will be available to the economy
  - ▶ The EUR 3 million state guarantee for securing the customs debt supports the export and import and facilitates the access of raw materials for processing of the Macedonian companies in the amount of about EUR 25 million, through the Development Bank of Rep. of N. Macedonia

# GRANTS

Grants will be given to all restaurants registered and licensed for weddings separately in the amount of EUR 3,000 to 10,000, depending on the turnover in 2019

Continuation of the reduction of the penalty interest for public duties by half from 0.03% to 0.015% by the end of the year

Grants in the amount of EUR 1,000 to 5,000 will be provided for around 1,000 commercial children playgrounds, depending on the turnover in 2019

Reduction of import duties on raw materials as support for the most affected processing industries, and incentive for development of processing facilities.

In addition to all autonomous measures for raw materials determined on 24 December 2019, the import duties for natural gas are reduced with the final goal of achieving not only economic but also environmental effect.

# SPECIAL TAX REGULATIONS

- ▶ Deferment of the payment of profit tax advances until March 2021 for companies that have a revenue decline of more than 40%
  - ▶ Restaurant services and food and beverage service will be taxed at a new preferential VAT rate of 10% instead of the current regular rate of 18% effective from 1 January 2021
  - ▶ Deferred payment of VAT is allowed, seven days after submitting the VAT return, without interest
- 
- ▶ The threshold for tax exemption of taxpayers of the annual tax on total income is MKD 5 (EUR 0.08) million annually. The income framework in which taxpayers can choose to be income tax payers, i.e. the annual tax on total income between MKD 5 (0.08) and MKD 10 (EUR 0.16) million is increasing. The total income tax rate for these bonds remains at 1%.
- 
- ▶ Recognition of the cost of private health insurance as a tax recognised expense
  - ▶ Recognition of the cost of testing by Covid-19 as a tax recognized expense
  - ▶ Personal income tax will be abolished for expenses concerning employees related to training, qualifications, obtaining licenses, which will improve the quality of the workforce available to companies. There will be a legal limit for these expenses, e.g. one average salary per year. This measure will take effect on 1 January 2021
  - ▶ Exemption in the amount of 2/3 of the legally prescribed amount for organisers of games of chance. With this measure the organisers of the games of chance, the casinos, will pay 1/3 of the fees for AR (auto-roulette) tables and other tables.

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# OVERVIEW OF GOVERNMENT MEASURES IN POLAND

- ▶ General measures
- ▶ Financing measures
- ▶ Grants
- ▶ Special tax regulations

- ▶ Programmes introduced by the Polish authorities are aimed at helping entrepreneurs in: maintaining financial liquidity, including by obtaining bank loans, and maintaining employment
- ▶ Some of the new aid programmes are targeted only at sectors most affected by the pandemic, including new aid programmes of the Polish Development Fund



# GENERAL MEASURES

## Financial subsidies and loans from the Polish Development Fund (PFR)

- ▶ PFR runs assistance programme for large entrepreneurs (applications for that aid programme can be submitted until 31 March 2021).
- ▶ PFR also launched new aid programme for micro entrepreneurs and SMEs (applications for that aid programme can be submitted until 28 February 2021). Total budget of that programme is PLN 13 (EUR 2.9) billion. Programmes for micro entrepreneurs and SMEs are aimed only at the industries most affected by the Covid-19 pandemic. The programme for micro-entrepreneurs provides for a redeemable subsidy provided that employment in 2021 is maintained at the 2020 level (in the maximum amount of up to PLN 324,000 (EUR 72,000)), while the programme for SMEs provides for a redeemable subsidy to cover up to 70% of the entrepreneur's fixed costs (in the maximum amount of up to PLN 3,5 (EUR 0.8) million).
- ▶ PFR runs 3 programmes for large entrepreneurs: liquidity financing, preferential financing and investment financing. Under liquidity and preferential financing, PFR grants subsidised loans. Preferential financing provides that the loan can be remitted up to 75%. Investment financing involves the use of capital instruments by PFR - such as shares or convertible bonds. An entrepreneur from liquidity and investment financing can receive up to PLN 1 (EUR 0.22) billion, and in the case of preferential financing - PLN 750 (EUR 165) million. Total budget of that programme is PLN 100 (EUR 22) billion.

The government announced the possibility of remitting a higher percentage of the financial subsidy (obtained under previous Polish Development Fund programme) for micro enterprises and SMEs.

## Subsidies for employee remuneration and social security contributions

- ▶ Guaranteed Employee Benefits Fund and local governments grant subsidies to employees' salaries and their social security contributions.
- ▶ Part of the Guaranteed Employee Benefits Fund programme is addressed only to entrepreneurs from the industries most affected by the Covid-19 pandemic.

## Subsidies for interest rates on loans and guarantees provided by Polish National Development Bank (BGK)

- ▶ BGK provides loan guarantees. These guarantees are intended to help in obtaining credit for entrepreneurs affected by the Covid-19 pandemic.
- ▶ The so-called „Anti-Crisis Shield” (a package of amendments to the law limiting the negative effects of the pandemic) introduced interest subsidies for loans granted by banks that have concluded an appropriate agreement with BGK.

## Tax changes

- ▶ Polish special tax regulations introduced in connection with Covid-19 pandemic are focused on income tax. Several tools have been introduced, including the ‘reversed tax loss deduction’ mechanism. Entities supporting the fight with the disease will benefit in particular from investments in fixed assets used for production of sanitary products like masks, disinfectants, etc., as well as research and development investments.

# FINANCING MEASURES

## Polish Development Fund (PFR)

### Financial subsidies and loans from the Polish Development Fund

- ▶ The amounts that can be obtained by large entrepreneurs depend on demand for working capital. The limits are set individually for each programme. For liquidity financing and preferential financing (which are the most popular programmes), the limits are:
  - Twice the amount of the entrepreneur's annual remuneration costs (including costs of employee benefits) for 2019; or
  - 25% of the entrepreneur's total turnover in 2019.
  - In the case of liquidity financing, the above amounts may be exceeded in exceptional circumstances.
  - In the case of preferential financing, there is a link between the loan amount and negative EBITDA.
  
- ▶ The interest rate on financial subsidies and loans:
  - Micro-entrepreneurs and SMEs - financial subsidies are interest-free.
  - Large entrepreneurs - as a rule, loans bear a fixed interest rate of 1.25% in the first year, 1.75% in the second and third year and 2.75% in the fourth year
  
- ▶ Basic conditions for large enterprises obtaining assistance (common for all programmes):
  - A decrease in economic turnover of at least 25% in any month after 1 February 2020 compared to the previous month or corresponding month last year due to disruptions in the functioning of the economy due to Covid-19 (in the case of large entrepreneurs it is possible to replace this condition with another)
  - Not being in arrears with taxes and social security contributions as at 31 December 2019 or as at the date of application, however, arrears do not mean such a situation when such taxes or contributions are divided into installments or their payment date is deferred
  - The entrepreneur must be registered in Poland and must have a tax residence in the EEA
  - The main beneficial owner of the entrepreneur may not have tax residence in tax havens
  - No open liquidation, bankruptcy or restructuring proceedings
  - Not conducting specific types of activities - including financial activities (and for large entrepreneurs - developer activity and commercial real estate activities)

# FINANCING MEASURES

*Act on granting public aid for rescuing or restructuring entrepreneurs*

## Financial measures for entrepreneurs in financial difficulty

On 11 August 2020 a law entered into force which introduces the possibility of providing financial assistance to entrepreneurs at risk of insolvency who will not be able to cope with the difficult financial situation on their own.

Financial support will be provided from the State budget by the minister in charge of the economy, who will be able to entrust the aid to the Industrial Development Agency (ARP).

The act assumes financial support at the level of PLN 120 (EUR 26.5) million per year.

## Types of support for companies in financial difficulties:

1. Rescue Aid
2. Temporary Restructuring Support
3. Restructuring Aid

### ▶ Rescue Aid

- Aid for all categories of entrepreneurs
- Support in the form of a loan for a maximum period of 6 months
- The amount of the loan shall be determined on a case-by-case basis
- The purpose of the support is to enable minimum liquidity to be maintained until a restructuring or liquidation plan is drawn up

### ▶ Temporary Restructuring Support

- Aid for micro-entrepreneurs and SMEs
- Support in the form of a loan for a maximum period of 18 months, which is linked to the implementation of a simplified restructuring plan
- The amount of the loan shall be determined on a case-by-case basis
- The purpose of the support is to enable the pursuit of economic activity for the time necessary to implement measures aimed at restoring long-term competitiveness in the market

### ▶ Restructuring Aid

- Aid for all categories of entrepreneurs
- A wide range of forms of support (granting a loan, taking up shares in the increased share capital, taking up bonds, changing the repayment dates or converting a loan granted under other aid schemes into shares, deferral, rescheduling or cancellation of an administrative penalty)
- The entrepreneur is obliged to prepare quarterly reports for the periods in which he/she benefited from public aid
- The purpose of the support is to restore the long-term ability to compete in the market

# GRANTS

## *Non-returnable aid granted to entrepreneurs*

### Subsidies for employee remuneration and social security contributions

- ▶ The Anti-Crisis Shield introduced the possibility of obtaining subsidy for employees' salaries and social security contributions from the Guaranteed Employee Benefits Fund and from the local governments
- ▶ The basic condition for obtaining a subsidy from the Fund is to show a decrease in economic turnover of 15% (in 2 consecutive months compared to 2 corresponding months of the previous year) or 25% (month to month)
- ▶ Subsidy from the Fund is 50% of the employee's salary, but not more than 40% of the average monthly salary, in the event of reduced working time and 50% of the minimum salary in the event of economic downtime. In the absence of an economic downtime and reduced working time, the subsidy is 50% of the employee's salary, but not more than 40% of the average monthly salary
- ▶ Subsidy is also granted for social security contributions from the above subsidised remuneration
- ▶ In the case of a subsidy from the local governments, it is required to have higher turnover decrease (at least 30%), however it is possible to obtain higher subsidy
- ▶ As part of the Fund, a special support programme has been created for entrepreneurs from selected industries (most affected by the Covid-19 pandemic), who can receive a subsidy of PLN 2,000 (EUR 444,4) to the employee's remuneration (including working time). The basic condition for this subsidy is to prove that the entrepreneur's income obtained in one of the three months preceding the month of submitting the application was lower as a result of Covid-19 by at least 40% compared to the revenue obtained in the previous month or in the same month of the previous year. This subsidy can be obtained despite receiving a subsidy from the above mentioned Fund programmes.

### Subsidies for interest rates on loans and guarantees provided by Polish National Development Bank (BGK)

- ▶ BGK provides loan guarantees. BGK runs a number of guarantee programmes for entrepreneurs, but two deserve special attention - de minimis programme for micro-entrepreneurs and SMEs and the guarantee programme for medium and large enterprises. These guarantees may cover up to 80% of the loan. In the case of programme for medium and large enterprises - the guarantee may be granted for a loan of up to PLN 250 (EUR 55) million. In this programme BGK collects a commission of 0.25% or 0.50% of the guarantee amount for granting the guarantee (respectively for medium and large enterprises) when the loan repayment period does not exceed 12 months and 0.55% or 1.15% of the guarantee amount, when the loan repayment period is from 12 to 24 months. BGK does not charge any commission for the de minimis programme. The above programmes run until the end of 2020.
- ▶ The amendment to the Anti-Crisis Shield introduced subsidies for interest rates on loans. Subsidies will amount to:
  - a) For micro enterprises and SMEs - 2 percentage points
  - b) For large enterprises - 1 percentage point
- ▶ This programme ran until the end of 2020

### Planned instruments

- ▶ Currently, the state authorities plan to introduce new aid instruments, such as exemption from social security contributions, small subsidies for micro and small enterprises, and standstill benefits. These instruments are intended to target the industries most affected by the pandemic.

# SPECIAL TAX REGULATIONS

## Deduction of 2020 losses against 2019

- ▶ Negatively affected PIT and CIT taxpayers may deduct the losses of current year against profits of previous year, up to PLN 5 (EUR 1,1) million. In order to do so, previous year tax return should be corrected and filed again after the end of current tax year.

## Postponement of payment of „real estate minimal income tax”

- ▶ Payment of special income tax collected on significant real estates (fixed assets) commissioned under lease or similar agreements was postponed

## Income tax relief for debtors

- ▶ Debtors suffering in 2020 revenue loss due to Covid-19 do not have to recognise taxable revenue on the account of payables due for over 90 days, deducted from income tax base. Creditors may claim a bad debt relief after 30 instead of 90 days from the payment due date.

## Right to resignation from simplified tax advances

- ▶ Taxpayers may now resign from the simplified model of calculation of monthly PIT and CIT tax advances (1/12 of past year profits), which would be not adequate in the current year affected by the pandemic

## Tax capital group status maintained easier

- ▶ The conditions for maintaining tax capital group status (profitability, no taxes overdue) will be deemed to be met automatically

## Special treatment of donations and investments made to fight Covid-19

- ▶ Donations made to selected entities fighting Covid-19 can result in favourable deduction from income tax base. Investments in fixed assets used to produce goods related to fight with the disease can be fully deducted from income tax base (one-off amortisation).

## R&D and IP-BOX benefits affecting also tax advances throughout tax year

- ▶ Research & Development and IP-BOX reliefs present in PIT and CIT provisions can be normally benefited from only after the end of tax year. In case the research activity is undertaken to fight Covid-19, these reliefs may also diminish the tax advances calculated during the current tax year.

## No extension fees for tax deferral or payment plan

- ▶ Individual tax reliefs (deferrals, payment plans) will not involve the usual extension fee in case the application for the relief is filed during the state of epidemic or epidemic threat, or up to 30 days after the revocation of such state of emergency.

## Postponement of collection of special retail tax

- ▶ The special retail tax introduced by the act of 2016 will not come into force until January 2021

## Deadline extensions

- ▶ Annual income tax return filing deadline was postponed. Several other reporting deadlines were extended or suspended.

# SPECIAL TAX REGULATIONS

## **Transfer pricing rules do not apply to some medical services**

- ▶ The new regulations introduce an exemption from the application of the provisions on transfer prices of transactions concluded between a medical university and a health care entity as defined in regulations on health care entities

## **Pandemic-caused penalties are tax deductible**

- ▶ Some contractual penalties are tax deductible, if they are caused by the pandemic

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# OVERVIEW OF GOVERNMENT MEASURES IN ROMANIA

- ▶ General measures
- ▶ Financing measures
- ▶ Grants
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- ▶ Grants of approx. EUR 1 billion designated to SME are intended to be awarded
- ▶ Suspension of the loan instalments (representing capital, interest and commissions) payment in certain conditions
- ▶ Preferential lending for SME through the programme IMM Invest Romania - amended
- ▶ Unemployment allowance for the temporary suspension of the individual employment contracts of employees granted to employers from the state budget in certain conditions
- ▶ Financial aid for employers that hire during the year 2020 (June-December) unemployed persons under certain conditions
- ▶ Certain discounts for payment of tax obligations were introduced
- ▶ Cancellation of ancillaries related to outstanding main budgetary obligations in certain conditions
- ▶ Introduction of tax reductions that will be implemented in the period 2021-2025 if certain conditions regarding equity are fulfilled



# GENERAL MEASURES

**During the state of emergency, in order to establish measures in the social protection domain, in the context of the epidemiological situation determined by the spread of Covid-19, certain supporting measures were adopted among which:**

- ▶ The employees of the employers who during the decreed state of emergency, temporarily reduce or interrupt their activity as a result of the effects of the Covid-19 pandemic may benefit from the provisions regarding the payment of the allowance for the temporary suspension of the individual employment contract according to the Labor Code
- ▶ The level of gross indemnity that employees receive is 75% of the basic salary, but not more than 75% of the average gross salary provided by the state social insurance budget for 2020. The allowance will be borne from the unemployment fund budget.
- ▶ Other supporting measures were introduced for certain categories of employers that were affected by the coronavirus and that have restarted their activity
- ▶ Employers who will employ between 1 June 2020 and 31 December 2020 for an indefinite period, full-time, certain categories of persons, whose employment relationships have ended during the state of emergency or during the state of alert, registered as unemployed persons in the records of the local employment agencies, will receive a monthly aid
- ▶ Supporting measures have been introduced for employees whose work schedule was reduced, for professionals in case of reduced activity, for people who carry out occasional activities (daily workers), for employees with an employment contract for determined period, for employees who worked remotely, in certain conditions
- ▶ Companies can receive financial support to acquire goods/services up to the limit of EUR 500 for the employees, who tele-worked for at least 15 days during the state of emergency
- ▶ Taxpayers can deduct from the due corporate income tax the expenses incurred with early education, in the limit of RON 1,500 (EUR 307)/ month/ child. If the amount exceeds the due corporate income tax, the difference will be deducted from the salary income tax withheld by the taxpayer for employees, from the due VAT or from the due excise duties, in this specific order

**During the temporary closing of the educational units certain social measures were adopted:**

- ▶ An allowance is granted to parents for supervising children, in the event of temporary closure of educational units, which is borne from the state budget (except for income tax and social security contributions), starting with April 2020. The allowance is of 75% of the basic salary, but no more than 75% from the gross average salary provided by the state social insurance budget for 2020.

# GENERAL MEASURES

In response to the spread of the coronavirus the Ministry of Finance adopted certain economic and fiscal measures to support the economic environment, such as:

- ▶ The deadline for payment of local taxes for 2020 (buildings/land/means of transport) is postponed
  - ▶ Between 21 March 2020 and 25 December 2020, the calculations of late payment penalties were suspended
  - ▶ The deadline for requesting the restructuring of budgetary obligations is extended, therefore the request can be submitted until 30 June 2021, under the sanction of losing the right
  - ▶ The deadline for submission of the Unique declaration was postponed
  - ▶ The deadline for requesting the cancellation of late payment fees related to outstanding main budgetary obligations is extended until 31 March 2021
  - ▶ A monthly aid of around EUR 84 is granted for employees working from home
- 
- ▶ During the state of emergency, SME that have interrupted their activity in whole or in part based on the decisions issued by the public authorities and who hold the emergency situation certificate issued by the Ministry of Economy, Energy and Business Environment, benefit from the deferred payment for utilities, as well as the rent for the building destined for registered office and secondary offices
  - ▶ SME do not owe late penalties for contracts concluded with public authorities during the state of emergency

# FINANCING MEASURES

## Emergency situation certificates

- ▶ The Ministry of Economy, Energy and Business Environment grants, upon request, to economic applicants, whose activity is affected in the context of the Covid-19 pandemic, emergency certificates in certain conditions, for total or partial interruption of the activities due to the state of emergency (Blue) and for a decrease of revenues or receivables by a min. of 25% in March compared to previous two months (Yellow)
- ▶ The Emergency Situation Certificate can be used in relation with the public authorities in order to obtain certain facilities/supporting measures (e.g. accessing facilities granted by public institutions) or in the commercial relations according to the law (e.g. renegotiation of certain contracts)

## Loan facilities

- ▶ Facilities for loans granted by credit institutions and non-banking financial institutions:
  - Suspension by up to 9 months, but not longer than until 31 December 2020, of the obligation to pay the instalments related to the loans (representing capital, interest and commissions) granted by credit institutions and non-banking financial institutions to certain categories of debtors (including legal entities) for credit contracts, respectively leasing contracts, with certain exceptions
  - The facility to suspend the payment of the instalments can be granted only for the credits that do not register outstanding amounts on the date of the establishment of the state of emergency or if the debtors paid their outstanding amounts until the date of the request of the suspension
  - The measure of suspension is granted exclusively to debtors whose incomes have been directly or indirectly affected by the situation generated by the Covid-19 pandemic
- ▶ In order to benefit from the suspension of the repayment of the rates, interest and the commissions, the debtors must fulfill certain conditions detailed by the legislation
- ▶ Amendments and supplements are introduced regarding the IMM INVEST ROMANIA programme. Thus, facilities in the credit conditions are brought (e.g. state guarantees, subsidised interest)

# GRANTS

- ▶ Grants of approx. EUR 1 billion designated to SME are intended to be awarded. The procedures are under discussion.
- ▶ The grants will be divided in 3 projects:

- EUR 550 thousand for investments  
(within the limit of EUR 200 thousand per grant)
- EUR 350 thousand for capital  
(within the limit of EUR 200 thousand per grant)
- EUR 100 thousand for micro and small enterprises with one employee that did not receive any financial aid until now  
(within the limit of EUR 2 thousand per grant)

# SPECIAL TAX REGULATIONS

**In order to stimulate the payment of the due fiscal obligations and to ensure public health, the following measures are applied:**

- ▶ Granting discounts to the taxpayers that pay the corporate income tax in due time under certain conditions (5% discount granted to the large taxpayers, respectively 10% discount to the small and medium taxpayers for the first quarter of 2020 and 10% to all taxpayers of corporate income tax for the second and third quarter of 2020). Taxpayers who filed their corporate income tax return Form 101 without the application of the bonification can benefit from it by submitting a rectifying statement
- ▶ The provisions regarding the granting of bonuses are also valid for the taxpayers who pay the specific tax for certain activities
- ▶ Introduction of tax reductions (2%; 3%; 5-10%) which will be implemented in the period 2021-2025 for corporate income tax taxpayers, micro-enterprises, as well as for taxpayers paying specific tax for certain activities, in case of fulfilling certain conditions related to equity
- ▶ The deadlines for submitting the tax statements and for paying the annual corporate income tax/micro-enterprise income tax for the fourth quarter/specific tax for the second half of the year were modified starting with the declarations of 2021
- ▶ As a deductible expense is considered the value of medical tests for the diagnosis of Covid-19 infection performed for the taxpayer, with the scope of detecting and preventing the spread of the SARS-CoV-2 virus, to ensure the continuity of the activity, individually or in a form of association, during the state of emergency or alert

**Derogation from the provisions of the Fiscal Procedure Code:**

- ▶ A simplified procedure for VAT reimbursements is introduced
- ▶ For late payment of instalments related to the schedules for tax obligations not paid until the termination of the state of emergency and 30 days after this date, no interest and penalties are calculated or due
- ▶ The measures of forced execution, by subpoena and by capitalization of the goods at auction of the budgetary debts are suspended, except for the forced executions that are applied for the recovery of the budgetary debts established by the judgments pronounced in criminal matters
- ▶ The term of prescribing the right of the fiscal body to calculate tax receivables and to request forced execution, as well as that of the taxpayer/payer to request the refund of the tax receivables, are suspended until the termination of the state of emergency and 30 days after this date

**Regarding the tax on specific activities:**

- ▶ Taxpayers obliged to pay specific tax do not owe the specific tax for the period elapsed between 26 October 2020 and 31 December 2020

**Derogation from the provisions of the Fiscal Code:**

- ▶ Microenterprises may sponsor public institutions and authorities, including specialised authorities of public administration, and the deduction will be performed based on the sponsorship contract, without having the obligation to register in the Register of entities/religious units

**Gambling activities**

- ▶ Facilities are introduced for gambling operators



# SERBIA

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# OVERVIEW OF GOVERNMENT MEASURES IN SERBIA

- ▶ General measures
- ▶ Financing measures
- ▶ Grants
- ▶ Special tax regulations

Serbian Government made available approx. EUR 8 billion, consisting of:

- ▶ EUR 2.5 billion in form of direct grants to entrepreneurs, micro, small, medium, and large companies
- ▶ EUR 200 million of soft loans to be disbursed by Development Fund of Serbia
- ▶ EUR 3 billion for state-guaranteed loans approved by commercial banks
- ▶ EUR 1.4 billion for tax deferrals
- ▶ EUR 22 million earmarked for agriculture in form of state grants and state-subsidised loans
- ▶ EUR 950 million of direct payments to all citizens over 18 years old

# GENERAL MEASURES

## Standstill on payments of liabilities to commercial banks and leasing companies and other CB measures

- ▶ Standstill on payments of liabilities introduced by National Bank of Serbia for a period of 3 months and additional 2 months
- ▶ Starting December 2020, banks were obliged to approve debt repayment facilities at request of the debtors (natural persons, farmers, entrepreneurs, and companies) who, due to the conditions caused by the Covid-19 pandemic, have or may have difficulties in the repayment of their liabilities. The facilities involve rescheduling and refinancing of loans and financial lease liabilities, as well as a 6-months grace period and appropriate extension of repayment term
- ▶ In national emergency, banks and leasing companies banned from charging any default interest on past due outstanding receivables and initiating enforcement or enforced collection procedures as well as taking other legal actions to collect receivables from their clients
- ▶ Commercial banks to offer to borrowers refinancing or change of the maturity date of the last instalment of consumer, cash and other loans (except housing loans and current account overdrafts) approved by 18 May 2020 for additional two years

## Reduction of the basic interest rate of the National Bank of Serbia to 1%.

- ▶ On 10 December 2020 National Bank of Serbia cut basic interest rate to 1% in order to counter the adverse effects of pandemic on the economic activity and ensure that inflation remains within target over medium term

### Issuance of corporate bonds by private companies

- ▶ Private companies offered the opportunity to issue corporate bonds to be partially bought out by state-owned entities

### Extending legal due dates for filing financial statements

- ▶ Legal deadlines for submitting annual financial statements extended to 30/60/90/120 days upon cease of national emergency



# FINANCING MEASURES

## Liquidity and working capital loans for entrepreneurs, micro, small and medium-sized companies in tourism, hospitality and passenger transport sectors

- ▶ Loans approved in RSD by Development Fund of Serbia to preserve liquidity and finance working capital of entrepreneurs, micro, small and medium-sized companies in the three industry sectors
- ▶ Interest rate set at 1% with 24-months grace period and 60-months repayment term
- ▶ Loans capped at 80% of 2019 annual revenues

## State-guaranteed liquidity and working capital loans for entrepreneurs, micro, small and medium-sized companies and farmers

- ▶ Loans approved in RSD or EUR by commercial banks and backed by state guarantee scheme to preserve liquidity and finance working capital of entrepreneurs, micro, small and medium-sized companies, and farmers
- ▶ Interest rate set by bank with 9-12-months grace period and 36-months repayment term
- ▶ State guarantees to cover 50%+ of new loans or up to 50% of refinancing loans
- ▶ Loans capped at 25% of 2019 annual revenues or EUR 3 million

## Liquidity and working capital loans for entrepreneurs, micro, small and medium-sized companies, and cooperatives

- ▶ Loans approved in RSD by Development Fund of Serbia to preserve liquidity and finance working capital of entrepreneurs, micro, small and medium-sized companies, and cooperatives
- ▶ Interest rate set at 1% with 12-month grace period and 36-months repayment term
- ▶ Loans capped at EUR 8,000 to EUR 1,000,000 depending on the company size

# FINANCING MEASURES

## State-subsidised investment loans for agricultural producers

- ▶ Loans approved in RSD by commercial banks for CapEx financing for physical entities, entrepreneurs, micro and small companies, and cooperatives
- ▶ Interest rate subsidised by state and set at 3% with 36-60 months repayment term
- ▶ Loans capped at EUR 25,000/ EUR 50,000/ EUR 150,000 depending on the company size

## State-subsidised liquidity and working capital loans for agricultural producers

- ▶ Loans approved in RSD by commercial banks for preserving liquidity and working capital financing for physical entities, entrepreneurs, micro and small companies, and cooperatives
- ▶ Interest rate subsidised by state and set at 1% with 36-60 months repayment term
- ▶ Loans capped at EUR 25,000/ EUR 50,000/EUR 150,000 depending on the company size

# GRANTS

## Direct payments to entrepreneurs, micro, small and medium-sized companies

- ▶ Payment of non-refundable funds in amount of 100% of net minimum monthly wage in the period from May to July 2020 to entrepreneurs, micro, small, and medium-sized companies
- ▶ Additional payment of non-refundable funds in the amount of 50% of net minimum monthly wage in the period from April to June 2021

## Direct payments to large companies

- ▶ Payment of non-refundable funds equal to 50% of net minimum monthly wage in the period from May to July 2020 to large companies for employees whose employment has been terminated due to coronavirus outbreak
- ▶ Additional payment of non-refundable funds in the amount of 50% of the net minimum monthly wage in the period from April to June 2021

## Direct payments to citizens aged 18+

- ▶ Payment of EUR 100 in RSD countervalue to over 18 years old citizens, who have applied for state grants in 2020
- ▶ Additional payments of EUR 30 in May 2021 and November 2021 are planned for over 18 years old citizens

## Direct payments to agricultural producers & city hotels

- ▶ Payment of non-refundable funds to physical entities, entrepreneurs, and legal entities
- ▶ Grants capped at EUR 170/ EUR 250/ EUR 750 depending on grant purpose
- ▶ Payment of non-refundable funds to hotels in 68 cities
- ▶ Grants in the amount of EUR 350 per bed and EUR 150 per room
- ▶ Payment of non-refundable funds to entrepreneurs and companies in hotel and hospitality industries
- ▶ Grants in the amount of EUR 250 per employee

# SPECIAL TAX REGULATIONS

## Payroll tax and social insurance payment deferral

- ▶ Deferral of payment of payroll taxes and contributions for all private companies during national emergency (April-May 2020) with repayment of tax liabilities in instalments starting from 4 January 2021
- ▶ Upon falling due and payable (4 January 2021), liabilities to be settled in up to 24 instalments without paying interest

## CIT payment deferral

- ▶ Deferral of payment of Corporate Income Tax in Q2 2020
- ▶ Deferred advance payments to be made in 24 instalments without paying interest

## Exemption from paying VAT for donors

- ▶ Trade in goods and services during national emergency, performed without a fee to: (i) Ministry of Health; (ii) Republic Health Insurance Fund; (iii) publicly-owned healthcare institution, VAT exempted

## Extension of the period of deferred payment of debt

- ▶ For taxpayers granted deferred payment of tax, i.e. taxpayers who already have tax debt deferral agreement, Tax Administration not to, ex officio, cancel agreement during national emergency (starting with instalment due in March 2020); in that case, Tax Administration not to revoke decision on postponement of payment of tax due and perform procedure of enforced collection, whereby not charging interest

## Tax interest during national emergency

- ▶ During national emergency, on higher or lower amount of paid tax and secondary tax duties, except interest, interest calculated and paid at rate equal to annual basic interest rate of National Bank of Serbia (tax interest reduced by 10 percentage points; interest reduced from 11.5% to 1.5%)



# SLOVAK REPUBLIC

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# OVERVIEW OF GOVERNMENT MEASURES IN SLOVAK REPUBLIC

- ▶ General measures
- ▶ Financing measures
- ▶ Grants
- ▶ Special tax regulations

## Slovak Government made approx. EUR 2 billion available, consisting of:

- ▶ Direct grants, equity injections, selective tax advantages and advance payments
- ▶ State guarantees for loans taken by companies
- ▶ Subsidised public loans to companies
- ▶ Safeguards for banks that channel State aid to the real economy
- ▶ Public short-term export credit insurance
- ▶ Support for coronavirus related research and development (R&D)
- ▶ Support for the construction and upscaling of testing facilities
- ▶ Support for hospitals and purchase of vaccines
- ▶ Support for the production of products relevant to tackle the coronavirus outbreak
- ▶ Targeted support in the form of deferral or exemption from payments of health insurance and social security contributions (for employer)
- ▶ Targeted support in the form of wage subsidies for employees/contributions to support maintaining of employment

# GENERAL MEASURES

## Employment measures

- ▶ Introduction of the option to order an employee to work from home and an employee's right to home office
- ▶ Reduction of wage compensation to 80% during the existence of obstacles on the part of an employer due to the shutdown of the activities resulting from decisions of the competent authorities or a declaration of a state of crisis, and enabling the employer to order an employee to work off the time for which the wage compensation was paid
- ▶ Shortening of the period for the advance announcement of the work schedule by the employer to at least two days and the shortening of the period for the advance announcement of vacation
- ▶ Increased protection for employees against employment termination and employees returning to work for reasons related to Covid-19
- ▶ Transitional relief in respect to certain information and other obligations of an employer pursuant to the Act on Occupational Health and Safety and related suspension of relevant periods

## Economic measures

- ▶ The state pays 100% of the total labour cost up to the amount of EUR 1,100 per employee to companies whose operations were mandatorily closed and provide an allowance to employers whose revenues have decreased as a result of the declaration of the state of crisis
- ▶ Relief of the obligation to meet the deadline for performance of certain acts

# FINANCING MEASURES

## Loan guarantees and interest rate bonuses

- ▶ Financial assistance for employers through institutions such as the Export-Import Bank of the Slovak Republic and the Slovak Guarantee and Development Bank in the form of a guarantee for a loan provided by a bank (the guarantor is MFSR) or payment of interest on a loan provided by a bank from state budget funds

## Postponement of loan repayments for individuals and SME

- ▶ Introduced postponement of the repayment of the loan to a maximum of 9 months for consumers, small employers or other entrepreneurs - natural persons. Request for postponement of the repayment of the loan of relevant persons can be filed until 31 March 2021 and postponement can be required only once.



# GRANTS

## Contributions to support maintaining of employment - financial grants

Amount of introduced financial support increased and field of employees, for whom employers can get compensation, was expanded. The expected total increase of financial aid for employers constitutes 40 million per month.

The following grants are applicable as of 1 March 2021 (for the months February - June 2021):

1. Grants for employers forced to close their business as a result of the decision of the Slovak Public Health Authority to cover wage compensation provided to employees, amounting to 100% of total labour cost, up to the amount of EUR 1,100 per employee (no total limit of support per employer was introduced)
2. Grants for other employers to cover wage compensation provided to employees, amounting to 100% of total labour cost, up to the amount of EUR 1,100 per employee (no total limit of support per employer was introduced)
3. Grants for employers reporting decline in their revenues:
  - 20% and more - in the amount of EUR 330 per employee
  - 30% and more - in the amount of EUR 420 per employee
  - 40% and more - in the amount of EUR 510 per employee
  - 50% and more - in the amount of EUR 600 per employee
  - 60% and more - in the amount of EUR 690 per employee
  - 70% and more - in the amount of EUR 780 per employee
  - 80% and more - in the amount of EUR 870 per employee

(no total limit of support per employer was introduced, however, the employer has to choose between the measure 2 and 3)

## Contributions to support self-employed individuals

- ▶ Grants for self-employed individuals who lost business income in the amount of EUR 360 per month. In certain circumstances self-employed person can get financial grant according to measure 2 - Grants for other employers.

## Deferred payments of social and health insurance contributions

- ▶ Postponement of the payment of social security contributions (for employer) for December 2020, January and February 2021 (until 30 June 2021), if their revenues dropped by more than 40%

## Rental subsidies

- ▶ The provision of a subsidy to pay rent for the premises of which the use was prevented or restricted as a result of Covid-19 in the amount of the agreed discount on rent, based on an agreement between the landlord and the tenant, up to 50%
- ▶ The tenant pays rent for the period of restricted use in the final amount reduced by the rent discount as well as by the rent compensation subsidy provided to the tenant. The tenant can repay the overdue rent in no more than 48 equal monthly payments.
- ▶ The expected total amount of the financial aid for these rent compensations constitutes EUR 200 million.

# SPECIAL TAX REGULATIONS

Many of tax regulations were completed at the end of 2020, as their continuation would lead to the significant losses in tax revenues of state budget.

## 1. Remission of certain penalties

- The late payment interest will not be levied in case of late payment of tax, tax difference or tax prepayment, which were payable in the period from 12 March 2020 to 31 December 2020, if the taxable person pays them until 30 June 2021 at the latest
- Penalty will not be levied in case of late filing of a tax return, a statement of withheld and paid advances on income tax from dependent activity or a report on the tax statement and total income from dependent activity within a specified period, the last day of which falls from 12 March 2020 until 31 December 2020, provided that a taxable person subsequently fulfills this legal obligation by 30 June 2021 at the latest
- Penalty would not be levied regarding too late filing of 2021 real estate tax return and other local tax returns, if a taxable person would file this return until 15 March 2021 at the latest (original deadline was 31 January 2021)

## 2. Value added tax

- The zero rate of value added tax has been applied to respirators of category FFP2 and FFP3 effective from 12 February 2021 until the end of April 2021

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# OVERVIEW OF GOVERNMENT MEASURES IN SLOVENIA

- ▶ General measures
- ▶ Financing measures
- ▶ Grants
- ▶ Special tax regulations

## Slovenian Government issued so far eight „Corona packages“:

- ▶ “Corona package 1” (EUR 3 billion) addressed liquidity pressures on businesses and individuals, allowed deferrals on bank loan payments, fund waiting for work and short-time work, compensated reimbursement of social security contributions and self-employed for loss of earnings due to pandemic.
- ▶ “Corona package 2” (EUR 2 billion) aimed at providing additional liquidity through Government guaranteed loan programme for businesses, economic entities and individuals engaged in economic activity.
- ▶ “Corona package 3” (EUR 1 billion) aimed at enabling and financing short-time work model, extending compensation for waiting for work, subsidising part-time work, and financing so-called vouchers to individuals in support of Slovenian tourism.
- ▶ “Corona package 4” and “Corona package 5” focused mostly on extending the already adapted crisis measures.
- ▶ “Corona package 6” (EUR 1 billion) extended previously existing measures and added new measures such as partial coverage of fixed costs for corporations, enabling fixed-term employment due to urgent work needs during the epidemic, enabling simplified procedures for reporting work from home and rental exemption if renting premises are owned by state or local community.
- ▶ “Corona package 7”, passed in December 2020, focused mainly on providing one-time crisis allowance for the most vulnerable groups and additional assistance to health, tourism, transport and social workers.
- ▶ “Corona package 8”, in effect since February 2021, focused on additional measures to preserve jobs and help the economy, including the extension of subsidies for waiting for work, and also stating that a part of the burden referring to raise in minimum wage will now be born by the state.

*The legal aspects have not been updated in line with the most recent Corona packages and hence this overview does not provide the full information on Covid-19 measures. The next update will include legal aspects as well.*

# GENERAL MEASURES

## Exemption of payments/refunds

- ▶ Exemption from payment of all social security contributions (employee's and employer's) on salary compensation in cases when employee was waiting for work at home or when employee stays at home due to force majeure (valid from 13 March until 31 May 2020, modified model as of 1 June 2020 on)
- ▶ Exemption from payment of pension contributions (employee's and employer's) for employees who were working during Covid-19 pandemic (valid from 13 March until 31 May 2020)
- ▶ Payment of crisis supplement to employees working during Covid-19 pandemic (valid from 13 March until 31 May 2020)
- ▶ Refund of salary compensation in all cases of sick leave (valid from 11 April until 31 May 2020)
- ▶ Emergency measures connected with self-employed persons (exemption from payment of social security contributions and state aid, which is valid from 13 March until 31 May 2020 and from 1 October until 31 December 2020)
- ▶ Vouchers provided by the Government to individuals (EUR 200 per individual who is a Resident of the Republic of Slovenia) in order to support Slovenian tourism (valid until the end of 2020)
- ▶ The furlough funding has been extended until the end of the year 2020, but is now tied to more restrictions
- ▶ 100% pay compensation for those ordered to quarantine after being exposed to coronavirus positive person at their workplace (valid from 11 July until 31 December 2020)
- ▶ Funding for personal protective equipment and sanitation in schools and preschools has been envisaged, while parents of children in quarantine will receive a reduced preschool bill (valid from 24 October until 31 December 2020 or as long as the schools/preschools are closed)

## Corona short-time work model

- ▶ With the purpose of keeping work posts, the employer can send the full-time employee to work on a part-time basis and wait for work at home for the other part. The work part must be at least 50% of the full employment time.
- ▶ For the waiting at home part, the employer can claim a partial salary compensation refund from the state (subsidy) if the company cannot ensure at least 90% of work for at least 10% of the employees on a monthly basis. Some employees are exempt from this measure.
- ▶ This measure can be applied in the period from 1 June 2020 until 31 December 2020, however with the latest corona-package 6 it has been extended until 30 June 2021
- ▶ The employee receives regular salary for the working part and 80% salary compensation for the non-working part
- ▶ Full monthly salary compensation depends on the actual working hours of employee and is set in a fixed amount

Although certain interventional measures under specific corona packages ended, they might influence future business decisions of employers/self-employed persons and certain behavior might trigger the obligation to return received aid from those measures.

To reduce the workload the option of sick leave of up to three consecutive days without a visit to the doctor has been introduced as of 24 October until 31 December 2020

# FINANCIAL MEASURES

## Government guaranteed loans

- ▶ Under the Law on Providing Additional Liquidity to the Economy to Mitigate the Impact of the Covid-19 pandemic, state guaranteed loan programmes are available. In order to be eligible for the loan, the credit agreement must fulfill the following criteria:
  - They must be concluded between 12 March 2020 and 31 December 2020
  - Credit term shall not exceed 5 years
  - The loan is intended solely to finance the core business
  - The loan is intended for financing new or completion of already started investments, working capital, or repayment of obligations arising from credit agreements concluded from 12 March 2020 until this law's enforcement
  - The loan is not intended to be used for financing of subsidiaries or companies domiciled abroad
  - The maximum credit amount is up to 10% of borrowers 2019 sales revenue but shall not exceed the amount of borrowers labour costs in 2019
- ▶ The Republic of Slovenia provides up to 80% of state guarantee for loans granted under this Law
- ▶ The duration of an individual guarantee may not exceed the maturity of the loan

## Deferred payments on granted loans

- ▶ Refers to Law on emergency measures of deferred payment of borrower's obligation (ZIUOPIK)
- ▶ Borrowers can agree with the bank to defer their credit obligation for up to 12 months (starting from 12 March 2020, when pandemic was declared in Slovenia)
- ▶ Deferred credit obligations refer to repayment of principal and interest. Interest is however accrued during the time of deferred payment of borrower's obligation.
- ▶ Qualified beneficiaries under this Law are:
  - companies,
  - cooperatives,
  - self-employed individuals,
  - agricultural holders and supplementary farm operators,
  - individuals (citizens of the Republic of Slovenia with their permanent residence in the Republic of Slovenia).

## Refund of fixed costs

- ▶ A new mechanism enabling refund of so called uncovered fixed costs (presently for the period from October 2020 until December 2020), provided that the recipient meets specific requirements set in corona-package 6

# GRANTS

## Law on emergency measures to mitigate and remedy the consequences of the Covid-19 epidemic (ZIUOOPE) valid for the period from 1 June 2020 until 31 December 2020:

- ▶ The main emergency measure put in place with this law is the subsidised short-time working model as described on previous slide. This emergency measure can be used for the period from 1 June 2020 until 31 December 2020. With the latest Corona package it has been extended until 30 June 2021.
- ▶ Each individual with permanent address in Slovenia on 13 March 2020 will receive a voucher which can be used in tourism in order to help the tourism sector
- ▶ Sole proprietors and micro companies will once again be eligible to monthly income compensation

## Law on Determining Interim Measures for Mitigation and Remedy the Consequences of the Covid-19 (ZZUOOPE) determines interventional measures in the current period. The law has just been modified with Corona package No. 6 (Law Determining the Intervention Measures to Mitigate the Consequences of the Second Wave of Covid-19 Epidemic (ZIUOPDVE)). They determine measures for the period from 1 October 2020 (some from 1 September 2020) until the end of 2020, with possible extensions also in 2021. Currently the following measures are available to employers/self-employed persons:

- Refund of salary compensation for employees waiting from work at home (available until 31 January 2021)
- Refund of salary compensation for employees unable to work due to home quarantine (available until 31 December 2020, with possibility to extend it in 2021)
- Refund of salary compensation for employees unable to work due to force majeure (available until 31 December 2020, with possibility to extend it in 2021)
- Sick leave up to three consecutive work days (available until 31 December, with possible extension in 2021)
- Monthly universal income to self employed persons and partial reimbursement of lost incomes in case of inability to work due to home quarantine or force majeure (available from October until December 2020, with possible extension in 2021)

# SPECIAL TAX REGULATIONS

Law on emergency measures in the fiscal area (ZIUJP) and Law on emergency measures in the field of wages and contributions (ZIUZPP) and Law on intervention measures to contain the Covid-19 pandemic and mitigate its consequences for citizens and the economy (ZIUZEOP):

- ▶ Employers were exempt from payment of withholding tax for April and May 2020
- ▶ Due date for tax returns was extended
- ▶ Proceedings for deferred payment of tax obligations or for payment of tax obligations in installments were simplified, if request was made due to the Covid-19 pandemic
- ▶ Fifth corona package introduced exemption from taxable benefit in kind for situations where employer pays test for Covid-19 to employee (valid from 24 October 2020 until 30 June 2021, with possible extension)
- ▶ Sixth corona package introduced another possibility to apply for deferred payment of tax obligations or for payment of tax obligations in instalments from 28 November until 31 December 2020 in a simplified manner
- ▶ Concerning the VAT, if special conditions are met, domestic transactions, transaction of import or EU acquisition of special equipment (medical etc.) is VAT exempt and in a case of donation (under special requirements) there is no obligation to account for VAT or for VAT deduction
- ▶ In the CIT (corporate income tax) part a taxable person might treat payments to the special account of the state Slovenia or payments to other EU Member States accounts (for Covid-19 recovery) as a tax relief in a paid amount but only to the tax base



**# BDO cares**

