

Fresh tax, legal and economic information

# NEWSLETTER

4/2020

ALLOWANCES TO MAINTAIN EMPLOYMENT AND TO SUPPORT SELF-EMPLOYED PERSONS



We are a member of HLB International, the global advisory and accounting network

## ALLOWANCES TO MAINTAIN EMPLOYMENT AND TO SUPPORT SELF-EMPLOYED PERSONS

### WHO IS ELIGIBLE

Eligibility to obtain the allowance is limited to: **employers** (with the exception of public administration entities), who – at the time of the declared emergency situation or state of crisis or state of emergency (hereinafter referred to as “ES”), on the basis of a measure announced by the Public Health Authority of the Slovak Republic –

- were **obliged to suspend or restrict** their business activities and **maintain jobs** (= the 1st group of employers)
- were not obliged to suspend or restrict their business activities, but recorded **a drop in revenues by at least 20% and maintain jobs** (= the 2nd group of employers)

Eligibility to obtain the allowance is limited to: **self-employed persons (except for those who are simultaneously employed)**, who – at the time of the declared ES, on the basis of a measure announced by the Public Health Authority of the Slovak Republic –

- were **obliged to suspend or restrict** their business activities or performance thereof
- were not **obliged to suspend or restrict** their business activities or performance thereof, but whose **revenues dropped by at least 20%**

Eligibility to obtain the allowance is limited to: **self-employed persons**, who are **employers** and who – at the time of the declared ES, on the basis of a measure announced by the Public Health Authority of the Slovak Republic –

- were **obliged to suspend or restrict** their business activities or performance thereof and **maintain jobs**
- were not obliged to suspend or restrict their business activities or performance thereof, but whose **revenues dropped by at least 20% and maintain jobs**

## EMPLOYER

For the purposes of provision of the allowance, employer means:

- Legal person with its registered seat (or the registered seat of its organizational unit) in the territory of the Slovak Republic, or natural person with permanent residence in the territory of the Slovak Republic who employs natural person as his/her employee or in a similar labour relationship
- Organizational unit of a foreign legal person or a foreign natural person existing as a labour-law entity, which is entitled to perform business activities in the territory of the Slovak Republic based on a special legislation
- Legal person or natural person who performs business activities pursuant to Act on Employment Services, particularly mediation of employment for consideration, temporary employment, supported employment, provision of expert advisory services, educational services and labour-market-related training for job seekers, for persons interested in employment and for employees in the territory of the Slovak Republic.

## EMPLOYEE

For the purposes of provision of the allowance, employee means an employee with employment contract.

Therefore the following cases have no entitlement to obtain the allowance:

- Person working on the basis of other types of contracts/agreements
- Executive manager without any employment contract
- Partner working for his/her own limited liability company without any employment contract
- Collaborating person (spouse, child, parent who do not need employment contract pursuant to Act on Illegal Work)
- Persons working on the basis of other types of contracts/agreements pursuant to the Civil Code (e.g. mandate agreements)
- Volunteers

## Self-Employed Person

For the purposes of provision of the allowance, self-employed person means a natural person who:

- Performs business activities pursuant to Act No. 455/1991 Coll., on trade licensing (Trade Act)
- Performs business activities pursuant to special legislation (e.g. Act No. 78/1992 Coll., on tax advisers and Slovak Chamber of Tax Advisers, Act No. 323/1992 Coll., on notaries and notarial acts (Notarial Code), Act No. 586/2003 Coll., on advocacy, Act No. 540/2007 Coll., on auditors, audit and oversight of the audit performance, Act No. 185/2015 Coll., on Copyright, Act No. 103/2014 Coll., on theatre and music activity, Act No. 40/2015 Coll., on audiovision, etc.
- Performs agricultural activities, including forestry and activities related to water resources pursuant to Act No. 105/1990 Coll., on private enterprise of citizens.

## AMOUNT OF ALLOWANCE FOR THE FIRST GROUP OF EMPLOYERS

Employer is entitled to obtain allowance for each employee to whom the employer is unable to assign work due to an obstacle to work on the side of the employer (Section 142 of the Labour Code).

Allowance for one employee shall **amount to the paid wage compensation** for the duration of the obstacles, but **no more than 80% of the average wage** of the employee for the duration of the obstacles and at the same time **no more than EUR 1,100**.

**Exception:** *In case of employer who paid wage compensation in the amount of 60% of average wage to their employees, the maximum allowance for March 2020 amounts to EUR 880.*

## AMOUNT OF ALLOWANCE FOR EMPLOYEES OF EMPLOYERS AND FOR SELF-EMPLOYED PERSONS BELONGING TO THE SECOND GROUP

Employer is entitled to obtain allowance for each employee to whom the employer is unable to assign work due to an obstacle to work on the side of the employer (Section 142 of the Labour Code).

Total allowance for one employer belonging to the second group of employers or for an employer who is self-employed person, is limited by the maximum amount of EUR 200,000 per month.

### Allowance for March 2020

Allowance for one employee shall **amount to the paid wage compensation** for the duration of the obstacles, but **no more than 80% of the average wage** of the employee for the duration of the obstacles and at the same time **no more than:**

- **EUR 90** in case of a drop in revenues by **20%** or more
- **EUR 150** in case of a drop in revenues by **40%** or more
- **EUR 210** in case of a drop in revenues by **60%** or more
- **EUR 270** in case of a drop in revenues by **80%** or more

### Allowance for April 2020 and subsequent months

Allowance for one employee shall **amount to the paid wage compensation** for the duration of the obstacles, but **no more than 80% of the average wage** of the employee for the duration of the obstacles and at the same time **no more than:**

- **EUR 180** in case of a drop in revenues by **20%** or more
- **EUR 300** in case of a drop in revenues by **40%** or more
- **EUR 420** in case of a drop in revenues by **60%** or more
- **EUR 540** in case of a drop in revenues by **80%** or more

## AMOUNT OF ALLOWANCE FOR SELF-EMPLOYED PERSONS

### Allowance for March 2020

A self-employed person is entitled to obtain one-off payment covering loss of business activities of the respective self-employed person, the amount of which depends on the drop in revenues:

- **EUR 90** in case of a drop in revenues by **20%** or more
- **EUR 150** in case of a drop in revenues by **40%** or more
- **EUR 210** in case of a drop in revenues by **60%** or more
- **EUR 270** in case of a drop in revenues by **80%** or more

### **Allowance for April 2020 and subsequent months**

A self-employed person is entitled to obtain one-off payment covering loss of business activities of the respective self-employed person, the amount of which depends on the drop in revenues:

- **EUR 180** in case of a drop in revenues by **20%** or more
- **EUR 300** in case of a drop in revenues by **40%** or more
- **EUR 420** in case of a drop in revenues by **60%** or more
- **EUR 540** in case of a drop in revenues by **80%** or more

### **DROP IN REVENUES**

In case of entity that uses double-entry accounting, “revenues” mean the sum of revenues (invoiced amounts).

In case of entity not using double-entry accounting (i.e. when it uses single-entry accounting or registers income and uses flat-rate expenses), this is the sum of actual income credited to bank account or received in cash register.

Drop in revenues shall be assessed as follows.

### **Employer or self-employed person who performed business activities in the same month of the previous year**

If an employer and/or self-employed person performed business activities in the same month of the previous year, i.e. in 2019 (i.e. when he/she performed business activities for the entire month), the amount of revenues in the **current month** shall be compared to the amount of revenues in a **comparable month of the previous year**. For instance, March 2020 shall be compared to March 2019, April 2020 to April 2019 and so on.

If an employer or self-employed person **carried out business activities for the entire year of 2019** and had uneven (fluctuating) revenues in individual months of 2019, e.g. due to seasonal effects or when he/she has the so-called strong and weak months or when he/she has revenues only in some months, such an employer or self-employed person shall be permitted to assess the amount of revenues in **the current month** against the sum of **monthly average for the entire previous year**. Selection of method (March 2020 vs. March 2019, or March 2020 vs. monthly average for 2019) is in the discretion of the employer or self-employed person.

This method **cannot be applied** by an employer or self-employed person who commenced his/her business activities during the previous year (e.g. in September 2019).

### **Employer or self-employed person who did not perform business activities in the same month of the previous year**

If an employer and/or self-employed person did not perform business activities in the same month of the previous year (2019), i.e. when he/she started his/her business activities after that month only, the amount of revenues in the **current month** shall be compared to revenues of **February 2020**.

## **CONDITIONS**

### **Authorized period**

From the date of decision of the Public Health Authority on the closure or restriction of operation of establishments (on 12 March 2020 at earliest) until the end of calendar month, in which the decision of the Public Health Authority shall be cancelled.

**Emergency situation**, pursuant to National Council of the SR Act No. 42/1994 Coll., on civil protection of the population and Act No. 355/2007 Coll., on the protection, support and development of public health or **state of crisis** or state of emergency pursuant to Constitutional Act No. 227/2002 Coll., on state security at the time of war, state of war, state of emergency, and state of crisis declared by the Government of the Slovak Republic (expected duration until the end of May 2020).

**Condition** for the provision of the allowance for employer or self-employed person, who is an employer:

- Employee must be paid a wage compensation amounting to 80% of his/her average wage (except for March 2020 and employers who paid to their employees 60% of average wages based on their collective bargaining agreements)
- Undertaking not to terminate the employment relationship for two months after the month, for which the allowance is requested, and/or that no legal steps shall be carried out to terminate the employment relationship with the employee(s) by a notice of termination or agreement based on reasons specified in Section 63(1)(a) and (b) of the Labour Code
- Submission of information on headcount as at 31 March 2020
- The enterprise was not in difficulty (this relates to self-employed persons too) as at 31 December 2019

**Facts** that shall be certified by employer and/or self-employed person in the form of a **sworn statement**:

- 1) Payment of wage compensation amounting to 80% of the employee's average wage;
- 2) Undertaking not to terminate the employment relationship for two months after the month, for which the allowance is requested, and/or that no legal steps shall be carried out to terminate the employment relationship with the employee(s) by a notice of termination or agreement based on reasons specified in Section 63(1)(a) and (b) of the Labour Code;
- 3) Compliance with conditions pursuant to Section 70(7) of the Act on Employment Services;
- 4) Absence of any outstanding tax liabilities pursuant to special legislation;
- 5) Absence of any outstanding liabilities related to contributions to public health insurance, social insurance and mandatory contributions to pension savings;
- 6) Absence of any violation of the prohibition of illegal employment in the period of two years before submitting the request for allowance;
- 7) Absence of any outstanding financial liabilities due to the Authority;
- 8) They are not bankrupt, under liquidation, receivership and they have not been assigned an instalment schedule pursuant to special legislation;
- 9) They have no outstanding claims of their employees resulting from the employment relationship;



- 10) They have not been validly banned from receiving subsidies or aid and have not been penalized by a prohibition of accepting aid and support from European Union funds, if the entity is a legal person;
- 11) As at 31 December 2019, the enterprise was not in difficulty (see [https://www.mpsvr.sk/files/slovensky/esf/op-ludske-zdroje/statna-pomoc/definicia\\_podnik\\_v\\_tazkostiach\\_web\\_oplz.pdf](https://www.mpsvr.sk/files/slovensky/esf/op-ludske-zdroje/statna-pomoc/definicia_podnik_v_tazkostiach_web_oplz.pdf))
- 12) Drop in revenues, in case of employers and self-employed persons whose revenues dropped during the period of declared emergency situation, state of crisis or state of emergency.

All the facts to be certified by a sworn statement **shall be subsequently audited.**

Only entities that were incorporated and commenced their business activities **no later than on 1 February 2020 are allowed to request the allowance.**

The maximum total amount of allowance for one applicant is **EUR 800,000 for the project implementation period.** The project is not limited by the size of enterprise or headcount. It is limited by the maximum amount per applicant pursuant to the preceding sentence.

## **SUBMISSION OF REQUEST**

### **Employee reporting**

The process of submission of request for allowance shall include presentation of a list of employees for whom the employer requests the allowance for the given month. It will be advantageous for you if your payroll software is able to prepare such a list.

For each employee, the following data shall be presented (you can view it as columns in an Excel sheet):

- A) Serial number in the list
- B) Employee name
- C) Employee surname
- D) Employee personal ID number

- E) Average hourly rate of the employee for labour-law purposes pursuant to Section 134 of the Labour Code calculated for the preceding quarter, used in the given month (i.e. the employee list for March 2020 shall show average hourly rate calculated for the fourth quarter of 2019)
- F) Duration of obstacle to work (in hours) pursuant to Section 142(3) and (4) of the Labour Code in the given month
- G) Wage compensation paid to the employee for the obstacles to work in the given month

### **Calculation of the allowance for March for employers belonging to the 1st group**

After receiving submitted data, the Labour Office will automatically calculate allowance for an employee of an employer belonging to the 1st group (see above), using the following formula:

$$\text{Allowance} = \min(\mathbf{G}, 80\% \text{ of } \mathbf{E} \times \mathbf{F}, 1100)$$

The allowance shall amount to the paid wage compensation (G), but is limited by **80%** of the average hourly rate for the hours of obstacle to work (80% of E × F) and is also limited by the amount of **EUR 1,100**.

Employers who paid wage compensation amounting to **80%** of average wage to their employees represent an exception.

$$\text{Allowance} = \min(\mathbf{G}, 80\% \text{ of } \mathbf{E} \times \mathbf{F}, 880)$$

The allowance shall amount to the paid wage compensation (G), but is limited by **80%** of the average hourly rate for the hours of obstacle to work (80% of E × F) and is also limited by the amount of **EUR 880**.

### **Calculation of the amount of allowance for the month of March for employees of employers and self-employed persons belonging to the 2nd group**

After receiving submitted data, the Labour Office will automatically calculate allowance for an employee of an employer or self-employed person belonging to the 2nd group (see above) based on the drop in revenues, using the following formula:

- **Allowance = min(G, 80% of E × F, 90)** in case of drop in revenues by **20%** or more

- **Allowance =  $\min(G, 80\% \text{ of } E \times F, 150)$**  in case of drop in revenues by **40%** or more
- **Allowance =  $\min(G, 80\% \text{ of } E \times F, 210)$**  in case of drop in revenues by **60%** or more
- **Allowance =  $\min(G, 80\% \text{ of } E \times F, 270)$**  in case of drop in revenues by **80%** or more

The allowance shall amount to the paid wage compensation (G), but is limited by **80%** of the average hourly rate for the hours of obstacle to work (80% of E × F) and is also limited by the following amount:

- **EUR 90** in case of a drop in revenues by **20%** or more
- **EUR 150** in case of a drop in revenues by **40%** or more
- **EUR 210** in case of a drop in revenues by **60%** or more
- **EUR 270** in case of a drop in revenues by **80%** or more

**Submission of requests for allowance will commence from Monday, 6 April 2020, employees belonging to the first group will have priority. Payments are expected to be paid from 15 April 2020.**

## ABOUT US

The companies **MANDAT CONSULTING, k.s.** and **MANDAT AUDIT, s.r.o.** were founded in 2004 as tax advisory and auditing companies. Since their establishment, they have been providing small, medium-sized and companies active in Slovakia with services in the field of tax consultancy, audit and accounting. Long-lasting cooperation with foreign advisory companies hand in hand with the competence of Slovakian tax advisors and auditors enables us rendering our service to the clients originated from abroad.

In present time, 57 well trained members of our staff are at the disposal to our clients.

Information provided in this material are only of a cursory nature.

**MANDAT CONSULTING, k.s.** assumes no liability for any decision taken on the basis of this issue.

Should you wish to add other person to be receiving NEWSLETTER, please contact: [news@mandat.sk](mailto:news@mandat.sk)

Please contact us, should you require additional information.



**MANDAT CONSULTING, k.s.**  
**MANDAT AUDIT, s.r.o.**

Námestie SNP 15  
811 01 Bratislava

**TEL:** 00421 2 571 042 11  
**FAX:** 00421 2 571 99  
**EMAIL:** [office@mandat.sk](mailto:office@mandat.sk)  
**WEB:** [www.mandat.sk](http://www.mandat.sk)

We are a member of HLB International, the global advisory and accounting network