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# **Amendment to Lex Covid** (as of 18 November 2020)

Dear Clients and Partners,

Please, let us inform you that on 13 November 2020, a law was promulgated in the Collection of Laws of the Czech Republic which amends the current legislation mitigating the impact of SARS CoV-2 epidemic on parties to litigation, injured parties, victims of crime and legal entities, also known as „Lex Covid" (hereinafter the „**Amendment**"). We informed you about the main points introduced by Lex Covid in our Newsletter from 22 April 2020 and we would now like to update you on the changes adopted due to the second wave of the pandemic.

## 1. ENTREPRENEURS FREED FROM OBLIGATION TO FILE FOR INSOLVENCY UNTIL 30 JUNE 2021

Lex Covid frees entrepreneurs from the obligation to file for insolvency, otherwise prescribed by the Act on Commercial Corporations, when they learn, or, using due care, should have learnt that they are insolvent. This exception from the obligation to file for insolvency however only applies to entrepreneurs whose insolvency has been caused by the extraordinary measures taken during the coronavirus epidemic and not earlier. The original Lex Covid stated that liberation from the obligation to file for insolvency shall continue for 6 months from the adoption of the extraordinary measure affecting the business, however no longer than until 31 December 2020. This period has now been extended to 30 June 2021.

## 2. EXTENTION OF BAN ON SALE OF REAL ESTATE IN ENFORCEMENT PROCEEDINGS

In the area of enforcement of judgments, Lex Covid introduced a ban on sale of real estate in enforcement proceedings (whether conducted by court or by a licensed enforcement officer – "*exekuce*") applicable, if certain conditions were met, until 30 June 2020. The ban has been extended by the Amendment until 31 January 2021. The possibility to initiate enforcement proceedings was not limited in any way by the original Lex Covid and the current Amendment does not introduce any such limitation either.

## 3. EXTRAORDINARY MORATORIUM UNDER INSOLVENCY ACT

Lex Covid added a possibility of an „extraordinary moratorium" to the Insolvency Act in order to react to the extraordinary measures adopted due to the coronavirus epidemic. For the duration of an extraordinary moratorium, a debtor is entitled to first settle debts which need to be paid in order to maintain its business alive and which arise after the debtor declares extraordinary moratorium. The debtor is also protected from creditors initiating enforcement proceedings against its property. Declaring extraordinary moratorium does not exclude entrepreneurs from applying for government support schemes intended to help businesses mitigate the impact of the coronavirus epidemic.

Under the original Lex Covid, extraordinary moratorium was available until 31 August 2020. The Amendment now enables entrepreneurs to file for extraordinary moratorium until 30 June 2021, provided that they were not insolvent as of 5 October 2020. Insolvency courts will however dismiss petitions for extraordinary moratorium from businesses which have declared extraordinary moratorium before.

If necessary, extraordinary moratorium may be extended by an insolvency court by 3 months. Thanks to the Amendment, an extension of extraordinary moratorium for debtors who filed their petition for extraordinary moratorium before 31 August 2020 will no longer be conditioned by the consent of a majority of all creditors.

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We hope that our newsletter provided you with useful information and we are ready to assist you to find the right solution for any situation you may encounter.

Your LTA team