

## RECENT ECONOMIC MEASURES IN THE CONTEXT OF COVID-19 PANDEMIC

Due to the Covid-19 pandemic, the competent Romanian authorities issued a series of measures<sup>1</sup> in an attempt to diminish the economic effects brought about by this event.

### ➤ Labour related benefits

- **As of the 1 June 2020, private employers whose employees were technically unemployed are granted, over the course of a period of 3 months, a deduction of 41.5% of their gross salary, but not exceeding 41.5% of the average gross salary** established by the current Romanian social security legislation (i.e., 41.5% of RON 5,429, thus: **RON 2,253**).

The deduction is granted only for individual employment agreements that were suspended for a minimum period of 15 days during the state of emergency/alert period.

Nevertheless, the condition for benefitting from such deduction is for employers to maintain the working relations until the 31 December 2020, with the exception of seasonal workers. Please note that this rule will not be applicable in case of mutual termination or resignation of the employee.

- **Employers** that hire full time and for an indefinite period, between the 1 June 2020 and the 31 December 2020, employees (registered as unemployed with the relevant authorities), who are **over 50 years old** and whose employment agreements ceased during the emergency/alert period for reasons that were not attributable to the employees, **will be granted monthly, for a period of 12 months, for each such employee, 50% of their salary, but not more than RON 2,500.**

Equally, employers that hire full time and indefinitely, up until the 31 December 2020, employees who are **between 16 and 29 years old** will receive monthly, for a period of 12 months, for each such employee, 50% of their salary, but not more than RON 2,500.

For the incentives for both age groups, employers must maintain the working relations for at least 12 months starting from the last month they were granted the facility.

**These facilities do not apply to public authorities and institutions or to employers who are in the process of bankruptcy or liquidation.**

### ➤ Lease-related benefits

**Lessees**, private legal entities or freelance professionals, **are entitled to ask for a delayed payment of the lease** if either its activity has been suspended or its income in March 2020 has decreased by at least 15% compared to the average income in 2019, in the case of pieces of real estates registered as their seats or working points.

<sup>1</sup> Some of the most recent measures can be found in **Emergency Ordinance no. 92/2020** regarding the establishment of active supporting measures for employees and employers in the context given by the spread of the SARS-CoV-2 virus and the amendment of other normative acts (EO 92/2020), in **Law no. 62/2020** regarding the granting of certain facilities in respect of lease payment during the emergency situation (Law no. 62/2020) and in **Emergency Ordinance no. 90/2020** on the amendment of Government Ordinance no. 6/2019 regarding the establishment of fiscal facilities and the amendment of other normative acts (EO 90/2020).

In addition, natural persons can ask for such delayed payment of the rent for their residence, if they have been affected directly or indirectly during the state of emergency.

In this respect, both categories of lessees will have to conclude addenda to the relevant lease agreements, and will submit a request to the competent fiscal body. The fiscal body will pay the relevant rent to the lessor. This facility was applied during the state of emergency and throughout the month of June 2020. The lessees will pay back to the fiscal body the relevant amount in equal instalments, after the period during which the payment was delayed, until 31 December 2020.

**In 2020, individual tax payers that reduce for the year 2020 the lease for the real estate by at least 30% lower than the rent in February 2020 will not pay tax on the income resulting from rents for the period during which the reduction of the rent was negotiated and until 31 December, at the latest.**

**In addition, for tax payers that pay profit tax or tax on the revenues of micro-enterprises, the incomes earned from lease agreements will be taxable in a proportion of 80% if, throughout 2020, they reduce the amount of the lease by at least 20% in comparison with the February 2020 lease.**

Moreover, the fiscal liabilities that would have fallen due during the state of emergency are not considered outstanding until 25 June 2020.

## INSOLVENCY RELATED MEASURES IN THE CONTEXT OF COVID-19 PANDEMIC

The shift from a state of emergency to a state of alert is bringing a slow but certain revival of economy in Romania. Consequently, the competent authorities deemed it necessary that legal measures be taken in this respect. The insolvency prevention procedures and insolvency procedure were targeted by Law no. 55/2020 on certain measures for preventing and withstanding the effects of the COVID-19 pandemic (entered into force on 18 May 2020).

### ➤ Conditions to start insolvency procedure

During the state of alert, debtors may file a request in order to start an insolvency procedure, but they are not obliged to do so. However, the obligation to file the request will be reinforced at the end of the state of alert and shall be performed in a legal term of 30 days starting from that moment.

As regards the creditors' possibility to start the insolvency procedure, there is an additional condition. Therefore, they can file such request only after they prove that they reasonably tried to conclude a payment convention with the debtor. This condition is applicable only in respect of those debtors who suspended their activities, either totally or partially due to COVID-19 measures.

The minimum value of the receivable for which the insolvency procedure can be started has increased during the state of alert to 50,000 RON (approximately 10,340 EUR) for both creditors and debtors, if the debtor's activity was suspended.

Before the state of alert, the debtor was able to start the procedure only if the amount of tax receivables was less than 50% of the declared total receivables. During the state of alert, this condition is no longer applicable.

### ➤ The extension/suspension of legal terms

Among the measures introduced by Law no. 55/2020 were amendments focusing on the extension/suspension of several legal terms, as follows:

- As for the ongoing arrangement with creditors' procedures, the period of time given for the negotiations or for the drafting/negotiation of the offer is extended by a maximum of 60 days. As for the payment of the obligations set by the arrangement in case the debtor started to execute the arrangement, the term is extended by 2 months.
- As for debtors undergoing a judicial reorganization procedure, the term for the execution of the plan is extended by 2 months. Under specific conditions, the extension of the terms regarding the execution of the plan varies.
- As for the debtors under an observation period, the term of this period is extended by 3 months. Furthermore, the term for the proposal of the judicial reorganization plan is also extended by 3 months.
- The legal term of 5 days in which the debtors who are involved in extrajudicial negotiations or in negotiations carried out in an ad-hoc mandate procedure or within an arrangement with creditors are obliged to file a request is suspended until the end of the state of alert.

For any further information and assistance with respect to the above and any other **COVID-19** related legal matters, please do not hesitate to contact us at [covidhelpdesk@peterkapartners.com](mailto:covidhelpdesk@peterkapartners.com).