

COVID - Rent II (as of 23 October 2020)

Dear Clients and Partners,

In our previous newsletter from 15 October 2020, we informed you about the COVID-Rent II scheme and about the Ministry of Industry and Trade preparing a call to file applications to receive support from the scheme. Please, be informed that the call has now been published and the entrepreneurs may file their applications under the following conditions:

1. ELIGIBLE SUBJECTS

The main condition for participation in the scheme is that the applicant, an entrepreneur, carries out its business activities in an establishment, as defined in the Trade Licensing Act, and that these activities do not consist solely in leasing the establishment to other subjects. The establishment must be used by the applicant to sell products or services and must be leased under a lease or usufruct contract entered into on 30 June 2020, at the latest.

The lessor and the applicant are not allowed to be affiliates, i.e. persons acting in concert, persons controlled by or controlling each other, persons closely related, persons belonging to the same consolidation unit or persons having a significant influence on each other (as these terms are defined in applicable laws). The applicant must be completely free of debts to state authorities (Czech Social Security Administration, financial offices etc.), unless such debts are permissible under tax liberation programmes announced by the Ministry of Finance or the Ministry of Labour and Social Affairs.

Since the first set of measures adopted by the Czech government to tackle the second wave of covid-19 epidemic affected only certain retailers and service providers, the COVID-Rent II scheme was first intended only for such affected, strictly defined, businesses, such as cinemas, theatres, clubs, restaurants, etc.

The list of eligible businesses was however extended by the government, following its decision no. 1079 from 21 October 2020, to all businesses who are from 22 October 6:00 am. banned from or restricted in sale of goods or provision of services in their establishments.

2. SUBSIDISED RENT

The scheme is intended to apply only to fixed rent payable for the period of 1 July 2020 to 30 September 2020 under lease agreements entered into and effective not later than on 30 June 2020. Neither VAT nor any other flexible component of the rent, such as turnover-based rent, will be covered by the scheme.

3. CONDITIONS FOR PAYMENT

Unlike the original scheme, participation in the COVID-Rent II scheme will no longer be conditioned by a discount on the rent granted by the lessor. However, before filing an application, the lessee must have paid at least 50 % of the rent payable for the period between 1 July 2020 and 30 September 2020 and submit corresponding evidence.

The Ministry of Industry and Trade expressly confirmed in the call that a mutual set-off between the lessor and the lessee qualifies as payment of rent. The lessee must however be able to prove that the set-off relates to the rent payable for the reference period.

Financial support paid by the state will then amount to the remaining 50 % of the rent.

4. APPLICATIONS

Applications may be filed via an online application system available at the Ministry of Industry and Trade's website, as was the case this spring. Registered users do not need to register again. They will simply choose the selected support scheme upon login. Applications must be accompanied by the following documents:

- Applicant's statutory declaration of eligibility to apply for support and compliance with the terms of the scheme, signed by a certified signature;
- Lessor's statutory declaration of the existence of the lease signed by a certified signature;
- Documents attesting to the payment of the usual rent for at least two consecutive months between 1 July 2019 and 30 April 2020 and, if the lease began only after 30 April 2020, a document proving that rent had been paid between the start date of the lease and 30 June 2020;
- Documents attesting to the payment of 50 % of the rent payable for the reference period between 1 July 2020 and 30 September 2020.

It should be possible to generate the required statutory declaration forms in the online system.

In case of a future inspection by the authorities, all documents relating to receiving support from the scheme must be archived for at least 10 years from the date of the respective authority's decision to grant the support.

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