Update on COVID-19 measures in the Czech Republic as of 23 March 2020

Governmental Financial Support to Employers Extended

On 23 March 2020 the Czech government decided that all extraordinary measures adopted during the state of emergency will be extended until 1 April 2020. For more details on these measures, you can refer to the following sites:


In addition, the government extended the number of situations in which employers would receive compensation.

In this alert, we provide an overview of all situations in which employers can receive financial contribution from the state.

Quarantine of an employee

In any case an employee is ordered into quarantine in connection with COVID-19, the employer has the obligation to pay up to 80% salary reimbursement for the first 14 calendar days of the quarantine. The employer will receive a contribution equal to the entire amount of the paid salary reimbursement.

Temporary closure of operations ordered by the government

In a situation where an establishment has been closed due to a government shut-down order (see details in our previous alert here), and the employer was not able to assign any other work to the employees, the employees are entitled to a 100% salary reimbursement. The employer will receive a contribution equal to 80% of the paid salary reimbursement.

Employer cannot assign work to its employees due to absence of a significant portion of employees

If an employer is unable to assign work to its employees because a significant portion of its employees (at least 30%) is absent due to quarantine or is on care leave with their children, the remaining employees must be sent on so-called garden leave and are entitled to 100% salary reimbursement. The employer will receive a contribution equal to 80% of the paid salary reimbursement.

Limited availability of inputs

If an employer is unable to assign work to its employees as it may not perform its business activities due to limited availability of inputs from the suppliers (e.g. raw materials, capital assets, services), including foreign suppliers, such situation is classified as “life time” (in Czech: existenční situace) and the employees are entitled to 80% salary reimbursement. The employer will receive a contribution equal to 50% of the paid salary reimbursement.

Decrease in demands for goods and services

If an employer is unable to assign work to its employees due to a temporary decrease in demand for the employer’s services or due to a temporary decrease of the employer’s sales, such situation is classified as “partial unemployment” (in Czech: daňově nezaměstnanost) and the employees are generally entitled to 100% salary reimbursement. However, an agreement between the employer and a trade union, or an internal regulation, may stipulate a lower amount of salary reimbursement (at least 60%). The employer will receive contribution equal to 50% of the paid salary reimbursement.

Summary

The below table provides an overview of the situations, in which the state will compensate an employer for the amounts paid by the employer to its employees:

<table>
<thead>
<tr>
<th>Situation</th>
<th>Salary reimbursement paid by the employer</th>
<th>Contribution paid by the state</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quarantine of an employee</td>
<td>Entire amount paid</td>
<td>Entire amount paid</td>
</tr>
<tr>
<td>Temporary closure of operations ordered by government</td>
<td>100% salary reimbursement</td>
<td>80% of the paid salary reimbursement</td>
</tr>
<tr>
<td>Inability to assign work due to absence of employees</td>
<td>100% salary reimbursement</td>
<td>80% of the paid salary reimbursement</td>
</tr>
<tr>
<td>Lack of work due to limited availability of inputs</td>
<td>80% salary reimbursement</td>
<td>50% of the paid salary reimbursement</td>
</tr>
<tr>
<td>Lack of work due to decrease in demands for goods and services</td>
<td>60% – 100% salary reimbursement</td>
<td>50% of the paid salary reimbursement</td>
</tr>
</tbody>
</table>

The state contribution will be paid through the Labour Offices, and the entitlement to it will be assessed individually, in a case-by-case basis, under the methodology to be adopted by the end of this week by the government. In any case, the employers will need to prove the existence of one of the above situations, and the fact that such a situation is related to the COVID-19 outbreak.

The employers should be able to file their applications as of 1 April 2020.

---

We will be happy to assist you with preparation of the application for the compensations or to answer any questions you may have with respect to measures relating to COVID-19.

Contact

Martin Hrodek
Managing Partner
martin.hrodek@bakermckenzie.com

Zuzana Ferianč
Slovak partner
zuzana.feriance@bakermckenzie.com

Jana Turoňová
Czech partner
jana.turonova@bakermckenzie.com