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Dear clients,

Following a more detailed assessment of the damage and the initiation of initial emergency measures to mitigate the consequences of the floods and landslides in early August 2023, the National Assembly of the Republic of Slovenia adopted the new Act on Emergency Measures for Mitigating the Consequences of Floods and Landslides from August 2023 (hereinafter referred to as: **ZIUOPZP**) on 1 September 2023. This act introduces new effective measures aimed at addressing the consequences of natural disasters and providing assistance to the affected parties. The ZIUOPZP entered into force on 2 September 2023.

Below, we provide a summary of the new emergency measures that are important for the economy.

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ACT ON EMERGENCY MEASURES FOR MITIGATING THE CONSEQUENCES OF FLOODS AND LANDSLIDES FROM AUGUST 2023 (ZIUOPZP)

DEVIATION FROM PROVISIONS OF INDIVIDUAL LAWS

Personal Income Tax Act and Corporate Income Tax Act

- **Favorable tax treatment for destroyed equipment**

The taxpayer, in accordance with the Corporate Income Tax Act (Official Gazette of the Republic of Slovenia, No. 117/06 with amendments and supplements; hereinafter referred to as: **ZDDPO-2**) and the Personal Income Tax Act (Official Gazette of the Republic of Slovenia, No. 13/11 with amendments and supplements; hereinafter referred to as: **ZDoh-2**), is not required to increase the tax base due to the disposal of equipment (or intangible assets) for which the investment tax allowance was utilized, if the disposal occurred within three years from the year of investment or before the final amortization, and if the disposal was a result of destruction due to floods and landslides.

Public Procurement Act and Legal Protection in Public Procurement Procedures Act

- **Public procurement procedure for public contracts related to the mitigation of flood and landslide consequences**

Notwithstanding the first paragraph of Article 21 of the Public Procurement Act (Official Gazette of the Republic of Slovenia, No. 91/15 with amendments and supplements; hereinafter referred to as: **ZJN-3**),¹ the second paragraph of Article 21(2) of ZJN-3 shall apply to public procurement contracts for the remedying of the consequences of natural disasters on property² commenced by 31 March 2024.

Regardless of Article 21 of ZJN-3, the contracting authority may award construction public contracts related to the mitigation of flood and landslide consequences, for which the procedure commences no later than 31 March 2024, for individual excluded lots without using procedures under ZJN-3 if the estimated value of the excluded lots without VAT is less than EUR 1,000,000. However, the total

¹ Article 21 of ZJN-3 establishes the threshold values for the application of the ZJN-3.

² If the public contracts for the recovery from natural disasters are related to the recovery from floods and landslides and are included in the disaster recovery programme adopted by the Government of the Republic of Slovenia in accordance with the Act on Elimination of Consequences of Natural Disasters (Official Gazette of the Republic of Slovenia, No. 114/05 with amendments and supplements) provided that the value of the public contract does not exceed the values from which publication in the Official Journal of the European Union is required (Article 22 of ZJN-3).

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value of lots awarded without using procedures under ZJN-3 shall not exceed 20 % of the total value of all lots designated for the execution of the construction.

- ***Deviation from mandatory implementation of a project competition***

For public procurement related to the mitigation of flood and landslide consequences initiated by 31 March 2024, the provisions of ZJN-3 regarding the mandatory implementation of a project plan do not apply.

- ***Termination of the contract***

In accordance with Article 28 of ZIUOPZP, the contracting authority may terminate the contract for the execution of the public procurement until March 31, 2024, under the following circumstances:

- if, due to exceptional circumstances arising from the mitigation of flood and landslides consequences that the contracting authority could not influence or foresee, the execution of the public procurement becomes impossible,
- if the subject of the public procurement becomes unnecessary for the contracting authority due to the consequences of flood and landslides,
- if there is a need to allocate budget funds for public procurement procedures aimed at mitigating the consequences of flood and landslides to prevent further potential damage.

- ***Priority decision-making***

The National Review Commission for Reviewing Public Procurement Award Procedures shall give priority to deciding on requests for revision alleging violations in the public procurement procedure related to the mitigation of flood and landslides consequences, initiated no later than 31 March 2024. It must decide and issue a decision no later than ten working days from the receipt of a complete request and all documentation, with no possibility of extending the deadline.

Labor Market Regulation Act

- ***Increase in the allowed scope of temporary and occasional work***

Regardless of Article 27.c of the Labour Market Regulation Act (Official Gazette of the Republic of Slovenia, No. 80/10 with amendments and supplements; hereinafter referred to as: **ZUTD**), which specifies limitations on temporary or occasional work,³ beneficiaries can perform temporary or

³ Temporary or occasional work can be performed for a maximum of 60 hours per calendar month. Unused hours cannot be carried over to the following calendar month. However, regardless of the above, the temporary or occasional work can be performed for a maximum of 90 hours in a calendar month, but no more than three times

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occasional work without restrictions during the period from 1 September 1 2023, to 31 December 31 2023, if it is related to the mitigation and restoration of damages caused by floods and landslides. However, they must adhere to the provisions of the Employment Relationship Act (Official Gazette of the Republic of Slovenia, No. 21/13 with amendments and supplements; hereinafter referred to as: **ZDR-1**), which regulate the rights, obligations, and responsibilities arising from the employment relationship, including working hours, night work, breaks, and rest periods. During this period, the provisions of ZUTD regarding the limitation of the beneficiary's gross income from temporary and occasional work (paragraph 3 of Article 27.c) shall not apply.

Consumer Credit Act

- **Deferment of payment of obligations under a consumer credit agreement**

Individuals (citizens of the Republic of Slovenia with a permanent residence in the Republic of Slovenia) as credit takers can now, regardless of the provisions of Article 4, Article 12, and Article 54 of the Consumer Credit Act (Official Gazette of the Republic of Slovenia, No. 77/16 with amendments and supplements; hereinafter referred to as: **ZPotK-2**), apply for a deferral of payment obligations from a consumer credit agreement due to the inability to meet payment obligations arising from the consumer credit agreement due to the occurrence of property damage resulting from floods and landslides.

- **Application for deferral**

The credit taker must submit an application for the deferral of payment obligations from the credit agreement to the credit provider⁴ no later than 31 December 2023. In the application, the credit taker states that, due to circumstances related to the consequences of floods and landslides, they temporarily cannot ensure the repayment of obligations from the consumer credit agreement. To support this, they provide a description of facts and circumstances related to the consequences of floods and landslides that have influenced this situation, along with evidence that property damage occurred during the floods and landslides. Additionally, the credit taker should specify the number of months for the deferral in the application.

- **Credit provider's obligations**

The credit provider must grant the credit taker a deferral of payment obligations from the consumer credit agreement, which is formalized in the form of an annex to the consumer credit agreement,

in a calendar year, with the total hours of temporary and occasional work performed in a calendar year not exceeding 720 hours.

⁴ A credit provider who has obtained permission to provide consumer credit services under ZPotK-2.

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free of charge and within eight days. Details regarding the deferral of payment are specified in the sixth to ninth paragraphs of Article 54 of ZIUOPZP.

- **Penal provisions**

A credit provider who fails to grant a deferral of payment within eight days, free of charge, to a credit taker who has provided justified reasons for the deferral in their application or who charges an interest rate contrary to the provisions of ZIUOPZP during the deferral period shall be fined in the amount of EUR 50,000 to EUR 125,000 for an offense, while a responsible person within the credit provider's organization shall be fined in the amount of EUR 3,500 to EUR 4,000. A credit taker who provides false information in their application shall be fined for an offense, with a fine of up to EUR 400.

Employment Relationships Act

- **Exception from the limitation on daily work obligation, daily and weekly rest, and limits on work beyond full-time hours**

In accordance with Article 58 of ZIUOPZP, irrespective of other regulations, for the purpose of mitigating the consequences of floods and landslides when it is not possible to perform urgent tasks in any other way, a superior may order a public servant to continue working after the regular working hours without interrupting the work to provide the public servant with rest as stipulated by ZDR-1 to complete a task already started or to perform essential work without the public servant's consent.

The ordering of work beyond full-time hours is permissible for the shortest possible duration, ensuring that the employee is subsequently provided with an adequately extended rest period. Work beyond full-time hours may not exceed 20 hours per week or 80 hours per month, and with the employee's consent, it can extend beyond these limits, but the total number of hours worked beyond regular hours on an annual basis should not exceed 480 hours. This measure is applicable from 4 August 2023 until 31 December 2023.

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TEMPORARY MEASURES

Temporary measures in the field of labor

1. Solidarity work Saturdays

To secure funds for mitigating the damage caused by floods and landslides, an employer, after consulting with the trade union, works council or workers' trustee, or in the absence of those, with the employees at the workplace, can designate one Saturday (or another day if the work process at the employer regularly operates on Saturdays) in the year 2023 and one Saturday in the year 2024 as »solidarity work Saturdays«. An employee can work on a solidarity work Saturday beyond their regular or agreed working hours and contribute the amount of their wages for the work performed during the solidarity work Saturday, after deductions for taxes and mandatory social security contributions⁵.

With this exception allowing work beyond regular or agreed working hours, the employer must adhere to the provisions of ZDR-1 regarding working hours, breaks, and rest periods when organizing work on solidarity work Saturdays.

The employer calculates both the employee's and the employer's contributions to the Fund for the Restoration of Slovenia in the contribution calculation for the Fund for the Restoration of Slovenia, which is considered as part of the tax calculation. The calculation includes data necessary for identifying the employer (name or company, address, tax number) and individual employee (name, address, tax number), as well as information about the total contributions from employees and the contribution from each individual employee for each solidarity work Saturday, along with the employer's contribution for each solidarity work Saturday. The employer submits the contribution calculation to the Financial Administration of the Republic of Slovenia (hereinafter referred to as: **FURS**) in the month following the month in which the solidarity work Saturday was organized, using the form published by FURS on their website, and pays it within ten days after submitting the calculation. The employer's contribution to the Fund for the Restoration of Slovenia is not considered a donation or an expense under ZDDPO-2 and ZDoh-2.

⁵ The employee's contribution to the Fund for the Reconstruction of Slovenia is the amount of the employee's salary for work performed during the solidarity work Saturday after deducting taxes and mandatory social security contributions. The employer's contribution to the Fund for the Reconstruction of Slovenia is equal to the amount contributed by the employee.

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2. Reimbursement of wages paid to employees engaged in mitigating the consequences of floods and landslides for their employer

The measure of reimbursing wages paid to employees engaged in mitigating the consequences of floods and landslides for their employer is effective from 3 August 2023 to 3 September 3 2023. The competent authority for implementing this measure is the Ministry of Labor, Family, Social Affairs, and Equal Opportunities (hereinafter referred to as: **the competent authority**).

- **Eligible parties**

Employers who were registered in the Republic of Slovenia no later than 2 August 2023, and have assigned employees the obligation to perform additional work due to the consequences of floods and landslides⁶ are entitled to claim reimbursement of wages paid to employees in this context, with the following exceptions: (i) direct or indirect users of the budget of the Republic of Slovenia or municipal budgets, (ii) employers engaged in financial or insurance activities classified under group K in accordance with the standard classification of activities, with more than ten employees as of 2 August 2023 and (iii) foreign diplomatic missions and consulates, international organizations, representations of international organizations, and institutions, bodies, and agencies of the European Union in the Republic of Slovenia.

Employers against whom bankruptcy proceedings have been initiated or who are in liquidation proceedings are not eligible to claim reimbursement of wages.

- **Eligible period**

Based on a submitted application, the employer is entitled to reimbursement of wages paid to employees engaged in mitigating the consequences of floods and landslides at their workplace as long as the circumstances justifying the imposition of the obligation to perform additional work in accordance with ZDR-1 persist but no later than 3 September 2023.

Based on an application submitted under ZIUOPZP, the employer is also entitled to reimbursement of wages for the period from 3 August 2023, if they assigned employees the obligation to perform additional work due to the consequences of floods and landslides.

- **Employee rights and obligations**

The temporary measure for the reimbursement of wages paid to workers recovering the consequences of floods and landslides of their employer shall be without prejudice to the rights and

⁶ The requirement to perform additional work due to exceptional circumstances in accordance with ZDR-1 for the purpose of restoring the ability to provide work to employees under employment contracts with the employer is considered as addressing the consequences of floods and landslides.

obligations of workers in the event of an order to perform other work due to exceptional circumstances pursuant to Article 169 of ZDR-1⁷.

- **Reimbursement amount**

The Republic of Slovenia fully reimburses the wages paid to employees to whom the employer has assigned the obligation to perform additional work in mitigating the consequences of floods and landslides, but not exceeding the average monthly wage in the Republic of Slovenia for May 2023. This reimbursement of wages is paid to the employer on a monthly basis, in proportion or in full, on the last day of the month following the month of wage payment under ZIUOPZP. The Employment Service of the Republic of Slovenia (hereinafter referred to as: **ZRSZ**) does not reimburse the employer for calculated wages if the employer has not paid them to employees who were entitled to them.

- **Procedure and method for claiming reimbursement of paid wages**

Employers claim the right to reimbursement of paid wages by submitting an application in electronic form to ZRSZ within 15 days from the imposition of the obligation to perform additional work due to the consequences of floods and landslides, or if the obligation to perform additional work was imposed before the entry into force of ZIUOPZP, within 15 days from its entry into force.

With the application for claiming the right, the employer must attach:

- a statement, for the accuracy of which they are criminally and materially responsible, that during the period for which they are claiming reimbursement of paid wages, they have imposed on employees the obligation to perform additional work due to the consequences of floods and landslides,
- a written order imposing the obligation to perform additional work due to the consequences of floods and landslides⁸ and evidence confirming the actual performance of such additional work,
- a statement that they have paid wages and all wage supplements to employees by the day of application submission.

ZRSZ decides on the application within 15 days from receiving a complete application with a decision that is not subject to appeal but can be subject to administrative dispute.

⁷ Article 169 of the ZDR-1 provides that in cases of natural or other disasters, if such a disaster is expected, or in other exceptional circumstances where the life and health of people or the employer's property are at risk, the type or place of work provided for in the employment contract may be temporarily changed without the employee's consent, but only for as long as such circumstances persist.

⁸ Article 143 of ZIUOPZP states that the employer must issue a written order for the obligation to perform other work due to the consequences of floods and landslides.

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The employer must submit the request for the reimbursement of paid wages based on a previously issued decision on the reimbursement of paid wages no later than 30 June 2024.

- **Employer's obligations**

During the period of receiving reimbursement for paid wages to employees engaged in mitigating the consequences of floods and landslides, the employer must provide work in accordance with the provisions of ZDR-1, pay net wages, and contribute to mandatory social security contributions. Otherwise, the employer must return the received funds in full.

The employer's order imposing the obligation to perform additional work due to the consequences of floods and landslides must always be in written form and contain information about the contracting parties, the job title or type of work with a brief description of the work performed by the employee under the employment contract, a description of the additional work imposed on the employee, and the reasons for imposing the obligation to perform additional work. If the employer had already imposed the obligation to perform additional work due to the consequences of floods and landslides before the entry into force of ZIUOPZP, they must issue the written obligation within five days from the entry into force of ZIUOPZP.

- **Implementation of controls**

ZRSZ conducts administrative and financial supervision over the allocation and disbursement of wages and the implementation of the contract. Its competencies are detailed in Article 144 of ZIUOPZP. The Market Inspectorate of the Republic of Slovenia is responsible for inspection control.

- **Conditions for granting State Aid**

Described measures on the reimbursement of wages paid to workers who repair the consequences of floods and landslides are implemented in accordance with Article 50 of Regulation (EU) 651/2014 of June 17, 2014, declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty (Official Journal of the European Union No. L 187/1 of 26 June 2014, hereinafter referred to as: **Regulation 651/2014/EU**).

If the competent authority determines that the damage was not correctly assessed or that the beneficiary received aid contrary to the second paragraph of Article 147 ZIUOPZP⁹, it shall determine a deadline for the repayment of excessive aid in the decision. After the deadline for repaying

⁹ When determining the amount of reimbursement for salaries paid to employees who are addressing the consequences of floods for their employer, it is necessary to ensure that the sum of funds allocated under ZIUOPZP, funds received as insurance proceeds, donations, and funds allocated from the budget of the Republic of Slovenia and municipal budgets does not exceed the actual damage. The recipient of state aid must provide evidence of the amount of actual damage upon request by the competent authority.

excessive aid has expired and until repayment, statutory default interest is calculated in accordance with Act on the Prescribed Interest Rate for Default Interest (Official Gazette of the Republic of Slovenia, No. 11/07, hereinafter referred to as: **ZPOMZO-1**), running from the date of the deadline for repaying the received aid until the repayment date.

Beneficiaries who have claimed aid under ZIUOPZP must notify the competent authority within two months of the payment of profits, purchases of own shares or own business interests, the payment of management bonuses, or performance-based pay for management have occurred in the subject, together with related entities, which collectively operate as one economic entity within the meaning of the third paragraph of Article 3 of Annex I to Regulation 651/2014/EU or the third paragraph of Article 3 of Annex I to Regulation (EU) 2022/2472. The received funds must be returned within 30 days from the date of the decision issued by the competent authority, along with statutory default interest in accordance with ZPOMZO-1, running from the date of the deadline for repaying the received aid until the repayment date.

- **Penal provisions**

Employer - a legal entity, sole trader, or an individual independently conducting business activities who (i) pays wages contrary to the employer's obligations as defined on pages 8-9, (ii) provides work to employees contrary to a written order, and (iii) fails to enable administrative and financial supervision by ZRSZ is subject to a fine ranging from EUR 3,000 to EUR 20,000¹⁰. An authorized person of the employer, whether a legal entity, sole trader, or an individual independently conducting business activities, as well as an authorized person in a state authority or self-governing local community who commits the mentioned violation, is subject to a fine ranging from EUR 450 to EUR 2,000.

3. Other

In addition to what has been mentioned, ZIUOPZP introduced a prohibition on dismissing employees who were on temporary layoff and received partial wage compensation. Employers must retain employees even after the end of the period of receiving compensation, for a duration equal to the period of receiving the allowance. The employer cannot claim partial reimbursement of the employee's salary during the notice period.

ZIUOPZP also brings changes to expedite the employment of foreign workers and the inclusion of unemployed individuals in activities to mitigate the consequences of natural disasters.

¹⁰ A smaller employer - a legal entity, sole trader, or an individual conducting independent business activities, can be fined from EUR 1,500 to EUR 8,000. An individual employer can be fined from EUR 450 to EUR 1,200.

Restoration fund for Slovenia and solidarity contribution

1. Restoration fund for Slovenia

The Restoration fund for Slovenia is established to co-finance measures and projects related to floods and landslides. It collects funds from the budget of the Republic of Slovenia, European funds, and other sources.

2. Mandatory Solidarity Contribution

To secure funds for financing the damage and recovery efforts following floods and landslides, ZIUOPZP for the years 2023 and 2024 introduces a mandatory solidarity contribution for the recovery of Slovenia (hereinafter referred to as: **the Mandatory Solidarity Contribution**). Both individuals and legal entities are obliged to pay this contribution.

The Mandatory Solidarity Contribution is payable by natural persons who are residents of the Republic of Slovenia and liable for income tax for the year 2023 and 2024, respectively (hereinafter referred to as: **Natural Persons**) and by legal persons who are liable for income tax for the year 2023 and 2024, respectively, under ZDDPO-2, with the exception of taxable persons defined as taxable persons established for the purpose of carrying out a non-profit-making activity under ZDDPO-2 (hereinafter referred to as: **Legal Persons**).

The solidarity contribution will be paid only by those who do not opt for working on Saturdays.

• **Natural Persons**

- The basis for calculating the Mandatory Solidarity Contribution is the sum of gross income of an individual, which, according to ZDoh-2, is included in the annual tax base for the year 2023 or 2024, reduced by tax-deductible expenses, except income exempt from income tax or not included in the tax base, with the exception of performance-based pay;
- The basis for calculating the Mandatory Solidarity Contribution also includes the sum of gross income of an individual, which, according to ZDoh-2, is not included in the annual tax base and is received or earned in the year 2023 or 2024, reduced by tax-deductible expenses, except income from activities, income exempt from income tax, or not included in the tax base;
- The Mandatory Solidarity Contribution is not considered as an expense under ZDoh-2;
- The Mandatory Solidarity Contribution rate for individuals is 0.3 %;
- The Mandatory Solidarity Contribution is reduced for each year by the amount of the worker's or employer's contribution to the Recovery Fund for Slovenia due to the

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solidarity workday, but not exceeding the amount of the Mandatory Solidarity Contribution under Article 102 of ZIUOPZP;

- FURS calculates the Mandatory Solidarity Contribution for individuals in the personal income tax assessment procedure for the year 2023 or 2024 for each respective year. For individuals engaged in business activities who determine their tax base based on actual revenues and lump-sum expenses, FURS issues a decision on the assessment of the Mandatory Solidarity Contribution based on these bases by 31 December 2024, or 31 December 2025;
- If the taxpayer has not been served with an informative income tax calculation, they are not required to submit a declaration for the assessment of the Mandatory Solidarity Contribution.

- **Legal Persons**

- The basis for calculating the Mandatory Solidarity Contribution for legal entities is the taxable base according to ZDDPO-2, before reduction for loss compensation and deductions for the year 2023 or 2024, or for the tax period starting in 2023 or 2024;
- The Mandatory Solidarity Contribution is not considered as an expense under ZDDPO-2;
- The Mandatory Solidarity Contribution rate for legal entities is 0.8 %;
- Legal entities calculate the Mandatory Solidarity Contribution themselves, following the procedure and deadlines for calculating corporate income tax for the year 2023 or 2024.

- **Penal provisions**

Articles 162 and 166 of ZIUOPZP specify fines for a misdemeanor if the obligor does not submit the contribution calculation for the Restoration fund for Slovenia in the prescribed manner or within the prescribed deadlines, or if they do not calculate, withhold, or pay the contribution. Penalties are provided for both Legal Persons or employers and Natural Persons.

Temporary measures in public procurement

According to ZIUOPZP, the contracting authority under ZJN-3 must clearly indicate in the procurement documentation that it is a public procurement related to the mitigation of the consequences of floods and landslides.

Temporary Measures in the Areas of Justice and Tax Execution

Remuneration paid to a debtor based on ZIUOPZP, excluding payments representing salary compensation or payment for services rendered, are exempt from enforcement under the Enforcement and Security Act (Official Gazette of the Republic of Slovenia, No. 3/07, with

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amendments and supplements), from tax enforcement under the Tax Procedure Act (Official Gazette of the Republic of Slovenia, No. 13/11, with amendments and supplements), and also from the bankruptcy estate in personal bankruptcy proceedings under the Financial Operations, Insolvency Proceedings, and Compulsory Dissolution Act (Official Gazette of the Republic of Slovenia, No. 176/21, with amendments and supplements). In proceedings related to applications for entry in the land register filed in connection with floods and landslides, parties are exempt from paying court fees. The existence of circumstances from the previous sentence is determined by a Notary Public before filing an application for entry in the land register.

Temporary measures in the field of bank loans

Similar to consumer loans, the ZIUOPZP provides for the possibility of postponing the repayment of loans for certain other credit takers (defined below). A bank or savings bank with its registered office in the Republic of Slovenia, or a branch of a bank from an European Union Member State with its registered office in the Republic of Slovenia that is authorized to provide banking services in the Republic of Slovenia according to the Banking Act (Official Gazette of the Republic of Slovenia, no. 92/21 and 123/21, hereinafter referred to as: **ZBan-3**) (hereinafter referred to as: **Bank**), may grant a credit taker who has suffered damage due to the consequences of floods or landslides a 12-month deferment of payment of obligations from a credit agreement (the bank and the credit taker may agree on a longer period, but not a shorter one), if the individual obligation from the credit agreement for which the credit taker requests a deferment has not yet fallen due for payment by 31 July 2023.

- **Eligible credit takers**

A credit taker is considered to be:

1. a company established under the Companies Act (Official Gazette of the Republic of Slovenia, No. 65/09 with amendments and supplements; hereinafter referred to as: **ZGD-1**), with its registered office in the Republic of Slovenia, and which incurs damage of at least EUR 100,000 due to floods or landslides,
2. a cooperative, association, foundation, institution, natural person employing workers in accordance with ZDR-1, or self-employed person with their registered office or permanent residence in the Republic of Slovenia, and which incurs damage of at least EUR 10,000 due to floods or landslides,
3. a holder of an agricultural holding in accordance with the Agriculture Act (Official Gazette of the Republic of Slovenia, no. 45/08 with amendments and supplements), or a holder of a supplementary activity on a farm in accordance with the Agriculture Act, and which incurs damage of at least EUR 10,000 due to floods or landslides,

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4. a natural person who is a citizen of the Republic of Slovenia and has a permanent residence in the Republic of Slovenia, and who incurs damage of at least EUR 10,000 due to floods or landslides.

- **Credit taker's Obligations**

The credit taker must submit an application for the deferment of payment to the Bank no later than 31 December 2023.

In the application:

1. For a large company, the credit taker must substantiate that it fulfills its tax obligations but, due to business reasons related to the consequences of floods or landslides, cannot ensure the repayment of obligations under the credit agreement with the Bank, as such repayment could jeopardize its liquidity to an extent that would endanger the solvency of the company. The credit taker must provide a description of the business situation due to the consequences of floods or landslides and a statement that as of 31 July 2023, there are no unpaid mandatory taxes and other monetary non-tax obligations in accordance with the Financial Administration Act (Official Gazette of the Republic of Slovenia, no. 25/14, 39/22 and 14/23), collected by the tax authority, exceeding EUR 50. Failure to submit all payroll tax deduction statements for employment income for the past five years is also considered as not fulfilling the obligations.
2. For a micro, small, or medium-sized company, a cooperative, association, foundation, institution, natural person employing workers in accordance with ZDR-1, a holder of an agricultural holding, a holder of a supplementary activity on a farm, or a self-employed person, the credit taker must substantiate that it fulfills its tax obligations but, due to business reasons related to the consequences of floods or landslides, cannot ensure the repayment of obligations under the credit agreement with the Bank. The credit taker must provide a description of the business situation due to the consequences of floods or landslides and a statement that as of 31 July 2023, there are no unpaid mandatory taxes and other monetary non-tax obligations in accordance with the Financial Administration Act, collected by the tax authority, exceeding EUR 50. Failure to submit all payroll tax deduction statements for employment income for the past five years is also considered as not fulfilling the obligations.
3. A natural person must substantiate that, due to circumstances related to the consequences of floods or landslides, they cannot temporarily ensure the repayment of obligations under the credit agreement with the Bank and provide a description of the facts and circumstances related to the consequences of floods or landslides that have affected their financial situation.

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- ***Consequences of loan payment postponement***

A loan payment postponement entails the suspension of the maturity of all obligations under the credit agreement until the end of the postponement period. The final maturity date of the credit agreement is extended for the duration of the payment postponement, and the maturity of the agreement serving as collateral for the credit agreement is also extended accordingly. After the expiration of the payment postponement period, the next installment falls due for payment in accordance with the provisions of the credit agreement. The Bank and the credit taker enter into an annex to the credit agreement to reflect the characteristics of the payment postponement. The Bank does not charge the credit taker any costs for approving the payment postponement.

The consequences of the postponement and the method of interest calculation on the deferred principal are detailed in Article 153 of ZIUOPZP.

- ***Termination or shortening of the payment postponement period***

The Bank can terminate or shorten the payment postponement period if it finds that the credit taker provided false information in their application, and it shall calculate interest accrued for the elapsed postponement period based on the contractual interest rate.

- ***Penal provisions***

ZIUOPZP includes high fines for violations of the intervention measures. A Bank that: (i) does not approve a payment postponement to a credit taker who justifies reasons under the fourth paragraph of Article 152 of ZIUOPZP; (ii) charges an interest rate contrary to the first paragraph of Article 153 of ZIUOPZP during the payment postponement period; (iii) charges fees for approving a payment postponement, is subject to a fine ranging from EUR 160,000 to EUR 500,000. Liability for the offense is also provided for the responsible member of the management board (fine ranging from EUR 5,000 to EUR 20,000) and other responsible Bank personnel who are not members of the management board (fine ranging from EUR 1,600 to EUR 20,000). Similar fines are stipulated for credit taker if they provide false information in describing their business situation.

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Our law firm is actively following the events related to the floods and landslides in early August 2023. As always, you can contact us via e-mail info@kbp.si or telephone +386 (0)1 2445500, or you can directly contact the lawyer you are generally in contact with.

Law firm Kavčič, Bračun & Partners, o.p., d.o.o.

Ljubljana, 8 September 2023

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