



Webinar: Update on Covid-19 measures in Balkan countries Q&A

ALBANIA

Q: What should an Albanian entity do if the application submitted to the tax authorities for financial assistance from the economic package is rejected even though its activity is part of the Covid-19 economic package?

A: Tax authorities may reject the assistance requested for several reasons. These may include the submission of an incomplete application, the economic code of the entity, the activity description of the entity, the submission of CIT 2019 return. Eurofast is able to support you to find the reason why your application has been rejected and we may proceed with steps to appeal the procedure.

Q: May an Albanian entity apply for a low interest bank loan in each second level bank? What are the consequences if your company is not able to pay?

A: According to the Decision of the Council of Ministers no. 277, dated 06.04.2020 the entities may apply to every second level bank in Albania. In addition, if the borrower has not been able to repay the loan per the provisions set out in the loan agreement and when the Lender within a period of not less than 120 days (from the first day of delay by the borrower) has undertaken all necessary measures to guarantee liabilities in accordance with the procedures and practices of the banking sector, then the Lender has the right to send to the Albanian Ministry of Finance and Economy a written request for payment ("Request for Payment") of the loans. The Ministry of Finance and Economy shall review the request within 15 days of its submission.

Q: Regarding local taxes, what fiscal facilities have been agreed by the Municipality of Tirana?

A: The entities operating within the territory of Tirana will not pay public space tariff for March & April 2020. The first instalment of local taxes has been postponed from April to June 2020 and the second instalment has been postponed from June to August 2020.

Q: According to the agreements I have with suppliers, may I refer to the agreement article of Force Majeure during this period?

The situation of COVID-19 is considered as a force majeure situation. This is regulated by law 45/2019, "For Civil Emergencies". After the approval of the Decision of the Council of Ministers no. 243, dated 24.3.2020, "On the Announcement of the Condition of Natural Disaster", all the legal actions should take in consideration the new situation.



BOSNIA & HERZEGOVINA

Q: What is the deadline for filing an application for April funds to the tax office of the Republic of Srpska entity of Bosnia and Herzegovina?

A: The deadline for filing an application for April funds to the tax office of the Republic of Srpska (Bosnia and Herzegovina) has been extended from May 4, 2020 to May 8, 2020.

Q: Can Eurofast apply (sign and stamp the application) on behalf of the client?

A: Yes, Eurofast can sign and stamp any client`s application for government funds, as long as the client provides a Power of Attorney (PoA) to Eurofast. This PoA needs to be submitted along with the respective application to the government office.

Q: Has a law been officially introduced by the Government of Federation of BH, related to measures introduced in this crisis?

A: On the 24th of April 2020 the Government of Federation of BH has adopted the Law on Mitigation of Negative Economic Consequences - so called ``corona law`` consisting of 10 measures:

1. subsidizing mandatory contributions;
2. cessation of calculation and payment of default interest on public revenues;
3. abolition of the obligation to pay corporate income tax advance payment;
4. abolition of the obligation to pay personal income tax advance payment, from an independent business activity (i.e. self-employment);
5. interruption of all administrative, litigation, non-contentious and enforcement proceedings during the lasting of state of an accident;
6. suspension of calculation of default interest on late payments, in debtor-creditor relations;
7. suspension of enforced of pecuniary claims;
8. keeping the stability of individual payments;
9. delayed application of regulations;
10. establishment of a Guarantee Fund.

Q: Has a law been officially introduced by the Government of Republic of Srpska, related to measures introduced in this crisis?

A: On the 10 April 2020, the President of Republic of Srpska has adopted a Decree-Law on Tax Measures for Mitigation of Economic Consequences of COVID-19, that:

- Compiles earlier decisions on deferred filing and payment of tax liabilities;
- Postpones deadlines for payment of forestry fees, firefighting fees, and certain republic and local taxes;
- Defers the payment of the first instalment of real estate transfer tax;
- Reduces the lump sum of annual personal income tax;

For business entities whose performance of business activities is prohibited, the payment of taxes and contributions on net salaries for March, and payment of the minimum salary, taxes and contributions for April from the Solidarity Fund is secured.



BULGARIA

Q: How will the situation develop in Bulgaria - do you see the end of the State of emergency?

A: The situation in Bulgaria will change after 13.05.2020, as this is the final day of the announced State of Emergency in Bulgaria. There will be a new law, replacing the current Law of Measures and Actions for the Announced State of Emergency. All large commercial and social gathering places are expected to open, while parks and open space areas may continue to be visited. Workplaces are expected to re-open despite the requirement of having to wear a mask within closed public places. It is expected that by the end of May or by the beginning of June revised measures will be announced especially relating to the start of the tourism season in Bulgaria.

Q: What are the possibilities for the employers in Bulgaria to decrease their employee's remuneration in this situation?

A: The situation in Bulgaria is leading employers to seek numerous ways to reduce their expenses during the period of the state of emergency. One such way is to reduce employees' working hours and as a result to reduce the respective remuneration of the workers/employees.

Of course, there are other possibilities, listed in the law or coming into practice that demand different actions, internal documents and following different procedures.

Q: Is Bulgaria open to agricultural investments?

A: Bulgaria is a welcoming country regarding agricultural investments. We have fixed taxes and extensive EU funding to support the Bulgarian agricultural producers. For the last 10 years, small bio and eco agricultural farms have been developed in different areas within the country.

Bulgaria is also a traditional exporter of lamb meat, chicken, beef, pork, etc.

Q: Does Bulgaria provide citizenship and residency programs?

A: **Bulgaria** has well-developed citizenship and residency programs and we, from Eurofast Sofia office, are able to assist you with both services.

The process is made in two steps: initially the applicant obtains residency and as a second step, he may obtain citizenship. The residency can be for up to one year, up to three years and up to five years. The applicant may renew any of the terms or apply for other (longer) type of residency.

After a certain time, the residency can turn into citizenship. Alternatively, an applicant may apply directly for citizenship, without applying for residency first, by making certain investments in Bulgaria. Eurofast is able to provide you with all the information in relation to citizenship via investment.



CROATIA

Q: Will the deferred payment of VAT for March/April/June be extended for July/August/September?

A: The deferred payment is for May /June, however an extension shall depend on when the government shall lift the ban on businesses that have been shut down. We can expect the first lift on the 11th of May and a complete lift towards the end of May. It really depends on how the virus will spread; it will also depend on the situation in August.

Q: What is the status for HAMAG loan?

A: At this stage, loans are on hold as there have been many applicants. Many companies have applied, however unfortunately they are expected to be rejected due to lack of funds. We still can apply for HAMAG loans (government loans) but this also depends on the industry type, e.g. production of food that was profitable for Y2019 shall be first to receive funding whereas someone who generated loss for Y2019 shall not be eligible to apply.

Q: When do we expect borders to be open again?

A: It is currently hard to predict when borders will re-open. At this time, goods flow throughout the country in convoys. For passengers, the ban is still active and at this point we await further instructions from the government.

MONTENEGRO

Q: Will Montenegrin Government introduce additional packages of support?

A: Yes. The Government of Montenegro is strongly supporting economic stability throughout the Covid_19 pandemic. We are expecting that the government will announce additional support packages within the next few weeks.

Q: How about opening a company in Montenegro now? Are the authorities working regularly and do they process the company registration requests? If yes, how long does it takes?

A: Per the instructions of the Public Health Institute, all offices dealing with corporate questions such as company incorporation are operating however with different time schedules than usual. Documents and requests are processed via online platforms instead of having to visit government offices. Within a week, a company can be incorporated and with the certificate of incorporation issued to the client.

Q: Can you please list all the deferrals introduced to support payments of obligatory credits, rental fees etc.? The ones most relevant to the regular business operations and those impacted the hardest.

A: There are several deferrals introduced, however the most important ones that are benefitting regular business operations and securing economic stability are:



- 1) 90 days deferral of rental fees for state owned properties
- 2) Deferral of all mandatory payments for social insurance contributions
- 3) Deferral of repayment of loans to banks, Investment Development Fund, and all micro –credit institutions for up to 90 days.

These deferrals are introduced as part of one of two economic packages and are result of the immediate action of the Government to keep stability. However, bear in mind that Montenegro did not introduce a state of emergency due to the Covid_19 outbreak.

Q: The Investment Fund for Development (IFD) introduced a credit line for the liquidity of legal entities. Can you please explain more about the conditions? Which legal entities qualify to receive it and what is interest rate?

A: This credit line is introduced to support the potential non-liquidity of legal entities. The funds provided through this credit line can be used for the procurement of products, semi-production, ordering and import of raw materials, payments of office rents (for a period of 3 months) and salaries with taxes and contributions.

The right to apply for this credit line have the following legal entities: entrepreneurs, micro, medium and large enterprises, which have directly been impacted by the Covid_19 pandemic. Priority have the legal entities operating in the medical, pharmaceutical, food and beverages sectors. As well as those operating in the tourism sector which in fact is sector mostly hit during the entire crisis.

The following are the conditions in place:

- Maximal amount: EUR 3.000.000,00
- Interest rate: 1,5%
- Grace period: up to 2 years
- Return period: 8 years (including grace period)

Our team can assist you regarding the procedures and the documentation.

Q: What is the minimum requirement to become a citizen of Montenegro through the current citizenship program? Can you assist us with the application process?

A: The Montenegrin Citizenship by Investment program is structured so that there is a required investment plus a governmental donation. The minimum investment option is EUR 250.000 in the projects in the North of the country. In addition to this, applicant must deposit a EUR 100.000 donation to the governmental fund for development. Our company is ready to assist potentially interested applicants.

NORTH MACEDONIA

Q: How does the tax office perform checks to ensure that the criteria for the direct financial assistance are fulfilled? Is it by submission of financial records/statement or something else?

A: Currently, for measures 1 & 2 (direct financial assistance to help with the payment of salaries), the tax office does not request the submission of actual financial statements; the only thing requested is



a self-determined statement that testifies to the fulfilment of criteria. So, in a way, the companies and their accountants/tax consultants declare themselves that the criteria have been met.

Q: Under which scenarios is the direct financial aid (measures 1 and 2) non-refundable?

A: The direct financial aid is non-refundable if the applicant company's financial result for 2020 shows losses (per the annual financial statement for 2020 which will be submitted to the state next year). In all other cases the applicants have the obligation to refund the received aid but up to a maximum ceiling level of 50% of their pre-tax profit (eg. if the received aid was MKD 100,000 and the company has a pre-tax profit for 2020 in amount of MKD 80,000 it will only refund MKD 40,000 to the state)

Q: Are employers allowed to assign their employees the annual paid vacation while they are not working/staying at home due to measures adopted for the fight of spread of the virus?

A: By way of background, the North Macedonian Labour Law stipulates that the paid annual vacation is allocated on the basis of the needs of the work process; only 2 days of the annual paid leave are per law to be individually selected by the employee. As a result, all the other days of the paid annual leave are subject to the approval/allocation of the employer. Additionally, the Government has issued formal suggestions/guidelines that any leftover paid vacation from previous years be used in this situation when employees are prevented from going to work / unable to work and that potentially a part of the current year paid leave is also used if required.

Q: What rights do employers have in terms of decreasing the salary of employees (due to reduction of workload) during this period?

A: Short of mutually agreed reduction of workloads or decreases of salaries (which would be mutually decided and formalized through the signing of an annex of an existing employment contracts), companies facing actual obstacles in their work process (either reduced workload or total cessation) have the option to invoke the Force Majeure clause of the Labour Law and unilaterally issue decisions to all employees for reduced pay. Employers should however be very careful in this procedure and seek professional guidance as the calculation of the reduced compensation during this period is not straightforward and needs detailed attention.

ROMANIA

Q: What are the real estate predictions in Romania, will the market face the same decline as it did in 2009?

A: We are not expecting a market decline, maybe only for rental and some tourist real estate investments. This is the time for cheap acquisitions.

Q: Do you think that we have any other activities we can take advantage of in Romania? For future development, but on short term?

A: The industry is having a big share for Romanian PIB, 25 % compared with an European average of 17 % and a lot of people are highly qualified to work on this, so any new developments in the industry



will be well assimilated. There is a great opportunity for a lot of investors previously looking at the Asian markets and now to Romania.

Q: What are the measures taken by employers and/or Romanian government regarding labor relations?

A: In order to mitigate the negative effect to the extent possible, the following practical measures have been taken :work from home or telework, reduction of work program and/or wages, technical unemployment, free days for parents.

The most recent government measures are those by which the government will support up to 75% of an employee’s salary, however each of these measures has different criteria, terms and conditions for payments.

Q: What is the main financial measure that was adopted by the Romanian government during the state of emergency?

A: The main financial measure that was issued by the Romanian government is that it will grant credit lines to companies, the Ministry of Public Finances will guarantee up to 80% of the value of the financing granted to SMEs considering the current COVID-19 situation and will also grant 100% of the interest for loans to be guaranteed, both for micro as well as for small and medium-sized enterprises.

SERBIA

Q: Is it possible to choose direct measures and to continue with tax payments on contributions and earnings?

A: Yes, there are no obstacles for the company to continue to pay its deferred liabilities before their due date.

Q: What are the penalties imposed on companies if the number of employees are reduced while using loans or if they pay a dividend by the end of the year in Serbia?

A: If during the term of the loan it is determined that the provisions of the program and the contract are not respected, the loan will be declared as a whole and the procedure for enforced collection of receivables will be initiated, by activating the collateral.

Q: Can a liquidity loan be used to purchase equipment, fixed assets?

A: Equipment cannot be bought with a liquidity loan. There are other types of investment investments loans available through the Development Fund of the Republic of Serbia.

Q: Does a company that uses a 65% tax and contribution refund subsidy for its employee in regular circumstances have the right to use the tax and contribution deferral measure without losing the right to the subsidy in the period following 3 months?

A: Yes, a company has right to use the measure of deferral of taxes and contributions.