



In this special edition of *eurofenix* we bring you short updates from our members regarding insolvency measures in response to the COVID-19 crisis in their jurisdictions. To contribute to a future edition, please contact: paulnewson@insol-europe.org

Croatia: Emergency measures in response to the COVID-19 crisis



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The measures in the Republic of Croatia can, in principle, be divided into two groups, the first of which relates to the (primarily financial) assistance to the economy, and the second, to the revision of the regulatory framework partly related to bankruptcy proceedings.

Part of the direct assistance to entrepreneurs, the government issued a regulation through which it would pay employers an amount of HRK 4,000 (€530) per employee, with an additional payment of a portion of the contributions (in the first month it was HRK 3,250 (€425) without contributions), provided that the employers kept their workers employed for twice the amount of time they received this payment for¹.

Another change is the date when the payment of VAT (value added tax) becomes due, which is determined to be due only after the payment of an invoice, while, until now, it was prescribed that the VAT payment was due immediately after issuing an invoice (except for lower-income businesses).

Regarding insolvency proceedings, the regulatory framework is undergoing change and a special act entitled “*Act on Emergency Measures in Enforcement and Bankruptcy Procedures during Special Circumstances*” will prescribe a



moratorium on the initiation of automatic mandatory bankruptcy proceedings by FINA² after 120 days of continuous insolvency.

Also, prior to this, electronic public auctions conducted by FINA for the sale of assets in court (enforcement procedures), including bankruptcy proceedings, were suspended until the extraordinary circumstances had elapsed. This extends also to enforcement proceedings on funds.

Part of the measures related to bankruptcy proceedings seem appropriate at the moment, with the assumed ratio being leaving additional time for entrepreneurs

to adjust to the new circumstances, although the question remains as to how long they will remain in effect, and what the effect on the duration of the proceedings and their final the outcome will be, given the deferred time of the initiation of proceedings for businesses that were already eligible for initiating bankruptcy proceedings even before the extraordinary circumstances occurred. ■



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Footnotes:

- 1 The average net salary in the Republic of Croatia in 2019 was HRK 6 418 (EUR 855).
- 2 FINA - Financial Agency, a government-owned legal entity that (among other things) performs a part of its technical and administrative activities in bankruptcy and enforcement proceedings.