

# Policy & Regulatory Measures Against the Coronavirus Pandemic in Poland



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## **I. INTRODUCTION**

The Coronavirus Pandemic (COVID-19) continues to significantly impact health, businesses and economies across the world. From country shutdowns, disruption of supply chains, crashes in stocks, drops in commodity prices and loss of daily income, the negative economic effects are numerous. Now regulators and governments are currently responding to this challenge globally through undertaking different actions.

In Poland, various measures – championed in particular by the Government – have been put in place, while others are currently being developed, to cushion the negative impact of the Coronavirus on businesses, households and the larger economy. These measures include special legal regulations, credit support facilities, and tax relief. This contribution highlights the key policy and regulatory actions taken in Poland in order to successfully mitigate the negative impact of the Covid-19 Pandemic in Poland.

## **II. GENERAL LEGAL FRAMEWORK**

The Polish Government has decided not to introduce an emergency state in Poland in accordance with terms laid down in the Polish Constitution. The main regulatory framework being a basis for the introduction of new measures to prevent and contain the Pandemic is included in the Act from 5<sup>th</sup> December 2008 on Prevention and Combatting infections and infectious diseases incurred by human beings (Journal of Laws of Republic of Poland, No 234, Position 1570) (“Act”). Article 46. 2 of this Act provides the legal foundation for implementing by the Minister for Health of legislation concerning a state of epidemic risk or epidemic state. Under Article 46.6 of the Act the following measures can be marshaled:

- 1 Timely limitation on certain manner of relocation,
- 2 Timely limitation or prohibition on trade and use of certain items or food products,
- 3 tidal limitations on the functioning of certain kinds of institutions or work establishments,

- 4 prohibition on organized events or other gatherings,
- 5 obligation to perform certain sanitary measures if their performance is related to the functioning of trade, service and commercial facilities or any other facilities,
- 6 commandments to make available real estate, premises, areas and delivery means of transport for counter epidemic actions foreseen in plans countering epidemics,
- 7 obligations to carry out protective vaccinations for groups of persons, some kinds of these protective vaccinations taking into account ways of spreading of the infection and contagious diseases as well as the epidemic situation in the area in which a state of epidemic risk and/or epidemic state has been announced.

As a response to the outbreak of the Covid-19 Pandemic, the Polish government has enacted the following legal acts on the basis of the aforementioned Act (as of 04<sup>th</sup> May 2020):

- 1 Legislation of Council of Ministers dated 2<sup>nd</sup> May 2020 on the introduction of certain limitations, writs and bans in connection with the epidemic state (Journal of Laws of Republic of Poland, 2020, Position 792),
- 2 Legislation of the Ministry of Education dated 10<sup>th</sup> April 2020 altering the regulations on specific solutions within the tidal (TIDAL?) limitation on the functioning of education system entities aimed at prevention, countervailing and combating COVID-19 (Journal of Laws of the Republic of Poland, 2020, Pos. 627),
- 3 Legislation of the Ministry of Family, Labor and Social Politics dated 10<sup>th</sup> April 2020 on the timely limitation of the functioning of forms of care of children under 3 (three) years old aimed at the prevention, countervailing and combating COVID-19 (Journal of Laws of the Republic of Poland, 2020, Position 657),
- 4 Legislation of the Ministry of Science and Tertiary Education dated 9<sup>th</sup> April 2020 altering the regulations on the tidal?? limitation of the functioning of certain entities of the System of Tertiary Education and Science aimed at the prevention, countervailing and combating COVID-19 (Journal of Laws of the Republic of Poland, 2020, Position 643),
- 5 Legislation of Council of Ministers dated 24<sup>th</sup> April 2020 on the prolongation of the period of receiving welfare allowance for countervailing COVID-19 (Journal of Laws of the Republic of Poland , Position 749),
- 6 Legislation of the Council of the Ministers dated 23<sup>rd</sup> April 2020 on the ban in air

traffic (Journal of Laws of the Republic of Poland, Position 734),

- 7 Legislation of the Ministry of Interior Affairs and Administration dated 28<sup>th</sup> April 2020 altering the regulations on the restoring of the timely border control over persons passing the state boundaries (Laws of Journal of the Republic of Poland, Position 786).

On the basis of the aforementioned legislation, the Polish government has introduced several limitations on constitutional rights and freedoms. Much as the situation related to Covid–19 Pandemic is dynamic and ever changing, the government has loosened legal provisions step by step, however, the following restrictions are still binding (as of the 4<sup>th</sup> May 2020).

- Prohibition of public gatherings (over 2 persons) exclusive of work establishments,
- Obligation to maintain social distancing (2 meters),
- Prohibition of relocation of minors up to 13 years of age without the care of an adult,
- Obligation to cover nose and mouth in public places,
- Ban on crossing Polish International borders by foreigners (exclusive of some cases),
- Obligation to undertake quarantine by persons returning to Poland from abroad and having had contact with infected persons (or persons who might have been infected) by the coronavirus or if they live with a person undertaking quarantine,
- Limitations on participation in events of a religious nature.

The government has presented a timeframe schedule consisting of multiple stages for the easing of the restrictions, however, the precise terms of the easing of restrictions have not been announced as yet. It is also possible that the government may introduce new limitations in the event of an increasing number of new infections.

### **III. LOCKDOWN**

The outbreak of the Pandemic Covid–19 virus has also led to the closure or limitation of

the activities of many state or local institutions. Some institutions have ceased to provide services at all or have been subject to the imposition of severe restrictions. The introduction of regulations by the Polish government according to which schools, pre-schools and nurseries were shut down in order to ensure sanitary security caused the situations in which many employees were seeking a temporarily discharge from work in order to provide care to their children at homes. This change resulted in a slow down of their work performance and an impairment upon businesses. As far as the Polish judiciary is concerned, all court hearings have been cancelled except for dates which were indispensable to the parties involved. Furthermore, the running of statutory limitation periods was suspended.

The Polish government has laid down new provisions subject for instance to the following measures:

- cancellation of classes at schools and at universities;
- limitation of activities of pre-schools and nurseries (children of working parents can return to schools and nurseries from 6<sup>th</sup> May and owners of these establishments have to observe guidelines enacted by Main Sanitary Inspectorate, Ministry for National Education and Ministry for Family, Labor and Social Policy. It should be stressed that local governments have the power to close down pre-schools and nurseries in the event of an epidemic risk;
- closure of institutions of culture (e.g. theatres, cinemas, concert halls, galleries and showrooms and communities centers remain closed).

In addition, the government has also taken some measures to ration business activities. Much as work establishments are excluded from the ban on social gatherings, employers can continue their businesses provided that they equip their employees with protective gloves, access to purification liquid and ensure social distancing within working places amounting to 1.5 meters. If an employer is unable to maintain the required social distance at work in his/her work establishment, then he/she is obliged to provide additional means of personal protection to employees against the Covid-19 infection.

Moreover, many new provisions have been introduced which prohibit or significantly limit the carrying out of certain kinds of businesses encompassing for instance:

- limitation upon the services of large format shops (however, from 4<sup>th</sup> May there will be a reopening of commercial facilities with a retail space of over 2000 m<sup>2</sup>, that means commercial shopping centers and other larger shops under certain conditions);
- limitation of services by restaurants (gastronomic services can only be provided in the form of “take away” and “on supply”);
- ban on providing services by the following facilities: shops for hairdressing, cosmetics, tattoos, fitness centers, gyms and swimming pools;
- introduction of limitations on the numbers of passengers on public transport (e.g. buses, trains, trams);
- restriction of national and international public movement as well as of international rail travel, a ban on use of playgrounds, zoological gardens, parks and a limitation on the number of customers queuing at shops, mail offices and in markets;
- limitation on services provided by hotels (hotel accommodation services can be offered provided that specific rules of security will be observed subject to separate regulations)

#### **IV. EMPLOYMENT**

In Poland, the situation on the labour market was very good for employees before the COVID-19 outbreak. We had an employee’s market and the lowest unemployment rate in the last 30 years however this changed abruptly with the outbreak of the epidemic. Many companies are struggling to survive on the market and employers have started to consider how to reduce employment and/or cut down payroll expenses. Some employers are trying to force their employees to use up their annual holiday leave, which is, however, contrary to the applicable law. The unemployment rate is forecast at 8 percent to 10 percent in the coming months.

The Act of 2<sup>nd</sup> March 2020 on special solutions related to the prevention, countering and fighting of COVID-19 and other contagious diseases and crises caused by them, which came into force as of 8<sup>th</sup> March 2020, provides for the possibility for the employer to limit some employees rights for a fixed period of time until the state of epidemic danger or a state of epidemic is called off.

Thus employees may be instructed to work in accordance with changed schedules, to work overtime, be forced to stay ready to perform work and may be instructed to remain on site at the employer's behest and additionally they may not have the right to use their holiday leave, including holiday leave on demand. This applies to certain groups of employers which are listed in the act and such employers may introduce necessary changes without the need to change their internal regulations and it is not necessary to amend employment contracts, either.

The government have proposed, and the Parliament has adopted a package of anti-crisis acts, jointly called the "Anti-Crisis Shield". In accordance with the relevant act, an employer pays a salary reduced by no more than 50 per cent- however no lower than the amount of the minimum salary - to an employee affected by the economic shutdown caused by reduced business turnover resulting from COVID-19. During a shutdown, such an employer is entitled to a salary subsidy of 50 per cent of the minimum salary plus social insurance premiums due from the employer on the benefits granted. The subsidy is provided from funds from the Guaranteed Employee Benefits Fund.

An employer, who reduced FTE (full-time equivalent) due to a drop in business caused by the COVID-19 outbreak, may reduce an employee's FTE by no more than 20 per cent, however, the salary may not be lower than the minimum salary. The employer will get a subsidy from the Guaranteed Employee Benefits Fund of up to a half of the salary, no more than 40 per cent of the average salary plus social insurance premiums due from the employer on the benefits granted.

The above solutions for employers also apply to foreign workers without the need to

follow any administrative procedures. In order to minimize the negative economic effects of COVID-19 for individuals who run their business in the form of a sole proprietorship and perform work under civil law contracts, they are entitled to a so-called shutdown benefit. This benefit is offered in the amount of 80 percent of the minimum salary in 2020.

At present, it is not possible to terminate employment contracts due to the COVID-19 epidemic. Neither the Labour Code nor the special COVID-19 acts provide for such a possibility. However, the Lower Chamber of the Polish Parliament has adopted the Bill of the Anti-Crisis Shield 3.0. The Government's proposals include solutions which would make it easier for employers to terminate employment e.g. by providing for the possibility to deliver a termination notice by e-mail, or terminate employment contracts with employees who have other sources of income, e.g. pensions but it remains to be seen if such changes will enter into force.

## **V. CONTRACTS AND AGREEMENTS**

The outbreak of the Pandemic has had a significant impact on the performance of contracts and contractual obligations.

The government through the Act dated 2<sup>nd</sup> March 2020 on specific solutions related to prevention, countervailing and combating COVID-19 and other infectious diseases and outbreaks of crisis situations (Journal of Laws of the Republic of Poland, 2020, Position 374 with later amendments) has introduced regulations subject to direct intervention with contents of lease relationships to protect tenants:

- direct expiration of mutual obligations resulting from a lease agreement to which the tenant is an entrepreneur imposed by a ban on conducting business activities within the period of the ban's duration,
- possibility to prolong by the tenant the length of a lease agreement (subject to the lease of an apartment or business premises) through a unilateral statement

- of the tenant,
- prohibition of termination of lease agreements by landlords until 30<sup>th</sup> June 2020 at least.

The government has also announced the introduction of introduce the so – called “**credit vacation**”, during which the obligation to repay credit instalments (regardless of introducing similar internal measures by banks) will be put on hold. The bill of this new legal act is currently subject to the legislative process and it may have far -reaching consequences as it goes further than the common practice of many banks. The bill foresees that each bank must suspend the fulfilment of a (credit) contract from the moment of receiving an application for credit suspension from a credit recipient. This suspension will not only cover the repayment of the credit itself but also the repayment of interest resulting from the credit. The suspension period should last a maximum of three months and during this period the bank will not be entitled to claim or collect any charges (fees) connected with credit transactions (with the exemption of monies for credit insurance). As the bill is currently being discussed in the Polish Parliament, it is still subject to possible amendments proposed by the members of the legislative body and its final version is expected to be passed by the Parliament by the end of May, 2020.

In addition to the aforementioned regulations envisaged by the Polish government, contractual obligations can also be modified and tailored on the basis of the current provisions of the Polish Civil Code with regard to force majeure clauses in these challenging times of the Covid-19 Pandemic.

In cases in which force majeure events make a contract impossible to perform, Article 475 § 1 of the Polish Civil Code applies stating:

*“If fulfillment of an obligation has become impossible as a result of circumstances for which the debtor is not responsible, the obligation expires.”*

In that case, a contract, which is impossible to perform is terminated by the power of law. It should be stressed that the impossibility to perform the contract should be

understood objectively and takes place in cases when not only the debtor but no one else in the given circumstances would be able to fulfill the contract. In other words a state of complete, permanent and objective inability of the parties to behave in a manner arising from the content of the obligation (not just a temporary difficulty) must occur.

The burden of proof of the impossibility of the carrying out of a contract lies with the debtor. If it turns out that the performance of the contract is not possible, then the contract is terminated. The consequence of the termination of a contract is the obligation of both parties to return to each other everything they have received from each other up until the date of termination.

Obviously, the current situation caused by the Covid-19 pandemic will often require parties to a contract to make mutual concessions in terms of their further performance. However, if negotiations fail, its parties may make use of the clause of an extraordinary change of conditions (*rebus sic stantibus*) as stated in Article No. 357<sup>1</sup> of the Polish Civil Code:

*“If, due to an extraordinary change in conditions, the performance of the service would be combined with excessive difficulties or would threaten one of the parties with a gross loss, which the parties did not anticipate at the conclusion of the contract, the court may, after considering the parties' interests, in accordance with the principles of equity, mark the manner of fulfilling the contractual obligation, the amount of the benefit or even decide to terminate the contract”.*

In order to invoke the above-mentioned regulation, it is necessary to bring the appropriate action to the court. Article 471 of the Polish Civil Code which is deemed to be the legal basis for the debtor's contractual liability provides as follows:

*“The debtor is obliged to rectify any damage resulting from non-performance or improper performance of the obligation, unless the non-performance or improper performance is a consequence of circumstances for which the debtor is not liable.”*

In connection with the above, force majeure as a result of the Covid-19 pandemic, may constitute a condition excluding the debtor's liability for non-performance or improper performance of an obligation. It is important to emphasize that contractual liability is based on the presumption of guilt. The burden of proof that the non-performance or improper performance of an obligation is a consequence of inability to perform an obligation caused by force majeure, lies with the party who is not fulfilling his/her obligation.

Whether Covid-19 will find application under the general term “force majeure” of a certain contract or will be adjudged a “superior power” event by operation of Polish law, will depend on the nature of the contract along with the unique facts and circumstances of each case. In the light of Covid-19, the parties to a contract may finally seek its termination or suspension or be relieved from the performance of their contractual obligations and duties in full or in part.

## **VI. GOVERNMENTAL FINANCIAL SUPPORT**

In its package of legal acts aimed at helping businesses deal with the consequences of the COVID-19 outbreak - also known as the Anti-Crisis Shield - the Polish Government provided some special solutions for small businesses and sole traders, one of which is a loan granted on preferential terms. Provided that a business employs fewer than 10 employees (this also includes sole traders) and its annual net turnover does not exceed the equivalent of 2 million Euro, a micro-entrepreneur, as defined in the Entrepreneurs' Law Act, is eligible to file a relevant application with the competent county labour office. Only micro entrepreneurs who conducted business activity before 1<sup>st</sup> March 2020 are eligible to obtain the loan. The loan may be granted in an amount of up to 5000 PLN and is paid from the funds of the Labour Fund. An entrepreneur does not have to meet any conditions related to the COVID-19 epidemic, such as a drop in revenue or deterioration of their economic situation.

The interest rate is fixed and amounts to 0.05 of the current rate on bills of exchange rediscounted by the National Bank of Poland. The repayment period may not be longer than 12 months, with a grace period for the repayment of the principal during 3 months as of the date on which the loan was granted. The Council of Ministers may yet adopt legislation which will extend the repayment period.

The loan is granted only once to cover current business expenses and it is uncertain how entrepreneurs are to document such expense however, it seems difficult for the authorities to verify whether the funds have been spent solely on business expenses.

The loan may be remitted at the micro-entrepreneur's request, provided that the micro-entrepreneur continues to conduct business activity during the period of 3 months as of the date on which the loan was granted. The income generated by remittance of the loan does not constitute revenue for the purposes of personal income tax provisions and the corporate income tax provisions. Expenses covered with the loan are generally tax-deductible expenses.

A loan for a micro-entrepreneur is a form of state-related aid and is provided to compensate for the negative economic consequences of the COVID-19 pandemic, the limit of which is 800 thousand euro and is unlikely that most micro-entrepreneurs could ever come close to that amount. However, micro-entrepreneurs have to state, whether they have obtained state aid in the past.

## **VII. TAXES AND SOCIAL SECURITY CONTRIBUTIONS**

In the sphere of taxes and social security contributions (ZUS), the Polish government has already introduced many significant legal measures to tackle the Pandemic crisis such as in particular:

- 1) New legislation from the Ministry of Finance dated 23<sup>rd</sup> April 2020 on the abandonment of the collection of interest for delays in certain tax arrearages on personal income tax for 2010 due to COVID-19;

- 2) New legislation from the Ministry of Finance dated 27<sup>th</sup> March 2020 on the prolongation of deadlines for the submission of tax returns on income gained (or losses suffered) and payment of corporate income tax;
- 3) New legislation from the Ministry of Finance dated 31<sup>st</sup> March 2020 on the determination of other deadlines for the fulfilment of obligations of elaboration, approval, making available and submission of reports or information to the appropriate authority;
- 4) New legislation from the Ministry of Finance dated 31<sup>st</sup> March 2020 on the prolongation of deadlines for elaborating and transferring of some tax-related information.

The aforementioned legal measures which have come into effect throughout the country generally seek to provide for relief on tax liabilities and social insurance contributions to tax authorities and social insurance institutions as a legislative response to the economic downturn created by the COVID-19 outbreak in Poland. Please find below some of the key regulations related to PIT (personal income tax) and social insurance contributions (ZUS).

PIT		1.	Reverse settlement of losses from 2020	<p>Any losses suffered in 2020, PIT- taxpayers can deduct from income generated in 2019 through a correction of the tax return for 2019. Losses in the amount of up to 5 Million PLN may be deducted from income from 2019. Any excess can be deducted in the coming years.</p> <p>The following two conditions must be met together in order to benefit from the aforementioned regulation:</p> <ul style="list-style-type: none"> <li>• loss suffered in 2020 resulting from non-agricultural activity</li> <li>• income in 2020 gained from non-agricultural activity subject to the flat rate tax or the composite rate of tax, however at least 50% lower than income generated</li> </ul>
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				in 2019 from this activity
PIT		2.	Deduction of donations provided to counter COVID-19 from tax base rate	<p>Tax payers (subject to the flat tax rate) can deduct donations from tax bases in 2020 which were made from 1<sup>st</sup> January 2020 until 30<sup>th</sup> September 2020 to counteract COVID-19 in favor of:</p> <ul style="list-style-type: none"> <li>• healthcare entities,</li> <li>• material reserve agencies,</li> <li>• central base of sanitary and anti-epidemic reserves</li> </ul> <p>In the event of making donations</p> <ul style="list-style-type: none"> <li>• until 30<sup>th</sup> April 2020 – 200% of the value of the donation can be deducted</li> <li>• in May 2020 r. – 150% of the value of the donation can be deducted</li> <li>• from 1<sup>st</sup> June 2020 until 30<sup>th</sup> September 2020 – the value of the donation can be deducted</li> </ul>
PIT		3.	Prolongation of the deadline for payment of tax on income generated from fixed assets (building)	<p>The payment of this income tax has been prolonged until 20<sup>th</sup> July 2020 for the period March – May 2020.</p> <p>The following conditions must be met jointly to benefit from this prolongation:</p> <ul style="list-style-type: none"> <li>• suffering negative economic consequences due to COVID-19,</li> <li>• generation of income in a month at least lower than 50% compared to analogue month of the previous tax year</li> </ul> <p>However, the second requirement does not apply to</p> <ul style="list-style-type: none"> <li>• tax payers who used to determine their form of taxation without the necessity to establish the income or</li> <li>• who commenced with carrying out business activities in the last quarter of 2019 and did not generate any income from their businesses or</li> </ul>

				<ul style="list-style-type: none"> <li>• who commenced with their activities in 2020</li> </ul>
PIT		4.	Postponement of applying for an exemption for bad debts for debtors	<p>Tax payers who failed to meet their financial obligations within 90 days from the day of elapse of the payment deadline, will be exempted from the obligation to increase the tax basis resulting from this failure.</p> <p>A condition for this exemption is inter alia that the taxpayer suffered negative consequences from COVID-19 within the given settlement period.</p>
PIT		5.	Waiver of advance payments	Small taxpayers who generated income from sales (gross) up to a maximum of the amount of 2 Million Euros have the right to refrain from advance payments within the tax year in the period of March – December 2020 provided that such a tax payer suffered adverse consequences due to COVID-19.
PIT		6.	Prolongation of the deadline for submission of transfer prices	The deadline for submission of information on transfer prices which apply to affiliated entities has been prolonged until 30 <sup>th</sup> September 2020. However, this prolongment is only relevant to those entities by which the annual financial year began after 31 <sup>st</sup> December 2018 and ended prior to 31 <sup>st</sup> December 2019.
PIT		7.	Loan granting and loan remission	<p>In order to combat consequences of COVID-19, local authorities can grant a one-time loan amounting to 5000 PLN to micro-entrepreneurs to help them to cover running costs of their business activities.</p> <p>Micro-entrepreneurs who received the aforementioned loan can apply for their remissions along with interest provided that they will continue to carry out their business activities over a period of 3 months after the day of receiving the loan. The income generated from the loan remission will not be deemed a tax income.</p>
PIT		8.	Exemption of paid “off the clock” from PIT	In 2020, the off the clock paid in certain cases in connection with COVID- 19 to the following

			<p>persons will be exempted from PIT:</p> <ul style="list-style-type: none"> <li>• conducting non-agriculture business activities and</li> <li>• engaged through an agency contract or contract for work and services</li> </ul>
PIT		9.	<p>Lack of penalties for delay in submission of income statements (by 31<sup>st</sup> May 2020 at the latest)</p> <p>The submission of statements on generated income (suffered losses) for the year 2019 to the tax authorities and the payment of tax income by natural persons after the elapse of the deadline, however, not later than by 31<sup>st</sup> May 2020, will be deemed a voluntary disclosure. In this case the appropriate tax authority does not initiate proceedings subject to fiscal offence or fiscal felony or fiscal misdemeanor. In addition, in the event of paying income tax within the period between 01.05.2020 and 01.06.2020 for the year 2019, no interests will be charged for tax arrears.</p>
PIT		10.	<p>Possibility of applying the tax rate of 5% from income generated from qualified intellectual property rights used for countervailing COVID-19</p> <p>Tax payers who will gain in 2020 income from qualified intellectual property rights used for countervailing COVID- 19, can within the tax year apply to this income a tax rate amounting to 5% while counting advance payments for this tax.</p>
ZUS		11.	<p>Total exemption or exemption in the amount of 50% from the payment of social security contributions due for the period between March -May 2020</p> <p>This relief applies to tax payers:</p> <ul style="list-style-type: none"> <li>• who have been registered as tax payers prior to 1<sup>st</sup> February 2020 and from 1<sup>st</sup> February 2020 until 30<sup>th</sup> April 2020 and who have registered less than 10 persons to the Social Security Institution;</li> <li>• who conduct non-agricultural business activity and pay their own social or health contributions and whose income for the month preceding the month in which the relevant application was submitted, did not exceed 300% of the average remuneration meaning 15 681 PLN and who conducted their business activities prior to 1<sup>st</sup> April 2020.</li> </ul> <p>Tax payers who were registered as tax payers prior to 1<sup>st</sup> February 2020 and from 1<sup>st</sup> February until 30<sup>th</sup> April 2020 and who registered between 10 and 49 persons to the Social Security Institution can apply for exemption from the</p>

				<p>paying of social contributions at 50 % from the entire amount of contributions provided in the settlement declarations for each calendar month.</p> <p>The number of insured persons will be calculated without taking into account young workers.</p> <p>The aforementioned relief regulation does not apply to entrepreneurs who were in difficult financial situations already in December 2019 and failed to meet their financial obligations including the payment of social security contributions and this limitation results from EU law.</p> <p>In order to benefit from the above exemption subject to social security contributions within the so-called "Anti-Crisis Shield", entrepreneurs have to submit the appropriate application to the Social Security Institution by 30<sup>th</sup> June 2020 at the latest.</p>
ZUS		12.	Remission of default interest	Due to economic reasons related to COVID-19, ZUS may upon request of the tax payer depart from collection of default interest on the payment of social security contributions due after 31 <sup>st</sup> December 2019. An application for this relief shall be filed to ZUS within the epidemic period or within 30 days following the day of its call off.
Change within accountancy		13.	Change of the deadline for submission of financial reports	The deadline for submission of financial reports to tax authorities has been prolonged until 31 <sup>st</sup> July 2020 for individuals conducting business activities and keeping accountancy books

## VIII. INSOLVENCY AND ENFORCEMENT PROCEEDINGS

In the situation where many companies are being closed down during the pandemic, there is a doubt as to whether they need to file for insolvency. The Act of 2<sup>nd</sup> March 2020 on special solutions related to prevention, countering and fighting COVID-19 plus other contagious diseases and crises caused by them, which came into force as of 8<sup>th</sup> March 2020, was designated to solve this issue. Pursuant to the Act, if insolvency is caused by the COVID-19 epidemic, the 30-day deadline provided for under Insolvency Law to file a petition for insolvency starts to apply only after the state of the epidemic or epidemic danger is pronounced over. and where insolvency is attributable to reasons other than COVID-19, the said petition must be filed by the deadline set forth in Article 21 of the Insolvency Law. In the COVID-19 Act, the legislator decided to introduce a presumption that, if insolvency occurred during a state of epidemic danger or a state of epidemic, it is assumed that the insolvency was caused by the epidemic. However it is a rebuttable presumption which may lead to a possibility of attributing liability for tax obligations or outstanding company liabilities.

Unfortunately, the Government has not provided any incentives to initiate restructuring proceedings instead of filing for insolvency. The Anti-Crisis Shield 2.0 excluded entities which undergo restructuring from financial aid from the Polish Development Fund.

In accordance with the COVID-19 Act of 2<sup>nd</sup> March 2020, the Council of Ministers may, by way of legislation, suspend administrative enforcement proceedings for cash receivables, by setting the time and territorial extent of such each suspension. The said provision came into force as of 31<sup>st</sup> March 2020 however, no legislation has been passed on the issue to date.

The latest Anti-Crisis Shield 3.0 provides far-reaching protection of OR FOR? debtors. Pursuant to Article 53 of the amendment, a debtor's income may be better protected, if a member of the debtor's family loses their job during the epidemic, or the debtor's salary is cut due to actions aimed at preventing infection by the Covid-19 virus. In such a situation, the amount of the debtor's salary, which is protected against enforcement (in

the amount of the minimum salary, i.e. 1920 PLN net) is to be increased by 25 per cent per each family member who has lost their job and is supported by the debtor. Such an unemployed family member may not obtain any income during that period. The family member includes a spouse or a parent of a common child, or a child of up to 25 years of age, as well as a child older than 25 years, if the child has been declared disabled and is entitled to the relevant benefits.

## **IX. FINAL REMARKS**

The measures and regulations introduced so far by the Polish government seem to be an appropriate response to the negative social and economic impact of the COVID-19 outbreak. By covering the worst hit and most vulnerable sectors, the measures and regulations have been proven to be adequate means to mitigate and reduce the adverse effects of the pandemic upon individuals and corporations. In Poland, Covid-19 numbers are lower than in many Western European countries - around 15 000 confirmed infections and 700 deaths, according to America's Johns Hopkins University as of 9<sup>th</sup> May 2020. It is our view if credit to individuals and businesses is stimulated and sustained at this time with fiscal relief and regulatory forbearance granted to individuals and corporates, the challenges posed to entities and disruptions to commercial transactions in the wake of the Coronavirus pandemic, will be substantially mitigated. All the above-discussed and presented interventions should enhance the capacity of the economy to absorb the shocks from a global pandemic like the COVID-19 virus and to promote its stability.

Should you seek further advice on this subject, please contact us at the following addresses:

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