

## Bankruptcy protection

If the entity **becomes insolvent or gets into a situation threatening with insolvency and has debts only against the National Tax and Customs Administration (NTCA)**, it is justified to submit a claim for payment facilitation.

If the entity **experiences temporary payment difficulties and has debts towards other creditors** but considering its economic situation there is a real possibility that it can normalize its economic management and will be able to operate in the future, requesting bankruptcy protection may be justified.

The aim of the **bankruptcy protection** of a debtor company is to avoid its insolvency and **maintain its further operation upon the agreement** with its creditors nevertheless to provide a more reasonable situation for its creditors compared to the liquidation.

For this reason the main body of the company, e.g. general meeting of the members can make a decision on starting bankruptcy proceeding. In this case when submitting the request for the imposition of bankruptcy proceeding the company will have the **legal right for** so called temporary moratorium, i.e. **payment deferral**. If the bankruptcy proceeding is ordered by the court, then the company is entitled for at least 120 days of payment deferral extendable for further 365 days. The main feature of the payment deferral is that during this period no **enforcement can be performed or initiated against the company**, and the company **will be relieved from the payment of the claims and from their legal consequences**.

It is important to note that the **payment deferral is not an end in itself** during its period the company has to be able to reach an agreement with its creditors. For this, a progress plan and agreement proposal is needed to be elaborated detailing how the company wants to recover from its payment difficulties and what terms it offers to its creditors.

It is important the **payment deferral does not exempt** the company **to fulfil certain payment obligations** that are needed to be met even if the company received the payment deferral. Speaking about the **NTCA labour taxes and contribution, and VAT, excise tax and product charges** belong here.

For the debts not involved by payment deferral, enforced by the NTCA **a claim for the suspension of enforcement proceeding may be submitted**. The **payment difficulty due to the emergency situation introduced due to the coronavirus epidemic can be a justifiable and reasonable circumstance** for it.

Nevertheless it should be considered when starting the bankruptcy proceeding that if no agreement is achieved by the creditors and the debtor, i.e. **if the proceeding is unsuccessful, the court obligatorily will order the liquidation of the company**.

An **agreement can be achieved in the liquidation proceeding** if the creditors accept the payment offer of the debtor.