

REPORT

on

Aid measures encompassed by the *anti-crisis shield act* introduced by the Polish government

Legal state as at 31 March 2020

On 31 March 2020 the Polish Parliament enacted a package of “anti-crisis shield” special acts introducing measures aimed at counteracting adverse economic consequences of the spread of the SARS-CoV-2 coronavirus causing the COVID-19 disease.

Below we present significant changes introduced by those laws that will impact the activity of enterprises on the Polish market.

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1. Amendments to the Commercial Companies Code and other changes regarding corporate matters

1.1. Extension of the deadline for the preparation, approval and submission of financial statements

The act does not introduce new deadlines related to the financial statements. Pursuant to the act, the Minister of Finance is only entitled to issue an additional regulation which would introduce a new deadline for the preparation, approval and submission of financial statements to the National Court Register. By virtue of the published regulation dated 31 March 2020, the deadlines for the preparation of financial statement and their approval by the relevant internal authority of the company were extended by three months and in the case of the companies supervised by the Financial Supervision Authority by two months.

The deadline for the holding of an ordinary shareholders' meeting will be prolonged accordingly as well.

1.2. New rules regarding holding management board, supervisory board and shareholders' meetings

Management boards

The act introduces certain provisions in the Polish Commercial Companies Code that allow members of management boards of both limited liability and joint stock companies to participate in management board meetings and adopt resolutions by means of distance communication (e.g. via conference call or video call). In addition, management boards will be able to adopt resolutions in writing and members of management boards may vote on resolutions through another management board member. The above solutions are applicable where the articles of association of a company do not stipulate different provisions in that respect.

In addition, in case of joint stock companies the supervisory board should lay down detailed rules of participation in the management board meeting by means of distance communication

in the form of by-laws. The by-laws may not set out requirements and limitations which are not necessary to identify management board members and ensure the security of electronic communication.

Supervisory boards

The act changes certain provisions in the Polish Commercial Companies Code that allow members of supervisory boards of both limited liability and joint stock companies to participate in supervisory board meetings and adopt resolutions by means of distance communication (e.g. via conference call or video call). In addition, supervisory boards will be able to adopt resolutions in writing and members of supervisory boards may vote on resolutions through another supervisory board member. Resolutions adopted in writing and by means of distance communication are deemed effective where all supervisory board members had been notified of a draft resolution and at least half of supervisory board members participate in adopting the resolution. The above solutions are applicable where the articles of association of a company do not stipulate different provisions in that respect.

The act also extends the scope of matters that may be considered by the supervisory board using the abovementioned means. Thus, voting in this way will also be possible regarding the appointment of the chairperson and deputy chairperson of the supervisory board, as well as appointment, dismissal and suspension of a management board member.

Shareholders' meetings

The act changes certain provisions in the Polish Commercial Companies Code that allow shareholders of both limited liability and joint stock companies to participate in shareholders' meetings and adopt resolutions by means of distance communication (e.g. via conference call or video call). The possibility to participate in shareholders' meeting in the abovementioned manner should be decided by the person convening the meeting. The above solution is applicable where the articles of association of a company do not stipulate different provisions in that respect.

The supervisory board – or where the supervisory board is not established the shareholders – should lay down detailed rules of participation in the shareholders' meeting using the abovementioned means in the form of by-laws. The by-laws should set out requirements

which are necessary to identify shareholders and ensure the security of electronic communication. If the shareholders' meeting is conducted by means of distance communication, the invitation for such shareholders' meeting should include information on how to participate in the meeting, speak at the meeting, exercise the voting right and raise an objection to the resolution(s) adopted at the shareholders' meeting.

With respect to meetings convened before 31 March 2020, the person convening the meeting may decide to allow in the members of a given meeting to participate by means of distance communication, provided that such person convening meeting informs the shareholders in accordance with the procedure laid down for convening of given meeting and no later than 4 days before the date of such a meeting

The following two measures concerning listed joint stock companies enter into force on 3 September 2020:

- if the voting right is exercised by means of electronic communication, the company should immediately send an electronic confirmation of receipt of the vote to the shareholder,
- at the shareholder's request, submitted no later than three months after the date of the shareholders' meeting, the joint stock company is obliged to send a confirmation to the shareholder or his proxy that his vote has been properly registered and counted, unless such confirmation has been provided to the shareholder or his proxy earlier.

1.3. Minor changes regarding listed companies – approving remuneration policies and shareholders' meetings

Pursuant to the act, the Minister of Finance may, by way of an ordinance, determine another deadline by which shareholders' meetings of public companies are required to adopt resolutions on approving the remuneration policy for members of both the management board and supervisory board. However, such additional regulation has not yet been adopted.

The act also introduces another change: a public company should provide real-time broadcast of a shareholders' meeting. This does not prejudice the information obligations set out

in the regulations on public offerings and conditions for introducing financial instruments to the organized trading system and on public companies.

1.4. Central Register of Beneficial Owners

The act provides that in respect of companies registered in the National Court Register before 13 October 2019, the deadline for registration of Beneficial Owners which results from the AML law is postponed from April 13, 2020 to July 13, 2020.

2. Employment

2.1. Subsidies during standstills and reductions of working time

The act amending the act on special arrangements for the prevention, counteraction and combating of COVID-19, other infectious diseases and the crisis situations caused by them provides for various mechanisms based on labour law to help enterprises, including to grant subsidies, whose main objective is to protect jobs.

This subsidy comes from the resources of the Guaranteed Employee Benefits Fund (FGŚP) and includes financial support for the **payment of social security contributions and a subsidy for the remuneration** of employees during:

- standstill or
- reduced working time.

In order to apply for state : (i) the employer must not be in delay with the payment of social security and health insurance contributions, as well as contributions to the Guaranteed Employees Benefits Fund, Labour Fund or Solidarity Fund up to the third quarter of 2019, (ii) there are no grounds to announce bankruptcy, and (iii) the employer has noted a substantial decrease in turnover due to coronavirus COVID-19. Substantial decrease in turnover means a decrease in sales of goods or services (in volume or value) by:

- at least 15%, calculated as the proportion of the total turnover in any 2 consecutive calendar months in the period between January 1, 2020, and the day preceding the day

on which the application for the state support is filed to the total turnover from the analogous 2 consecutive calendar months from the previous calendar year; or

- at least 25% calculated as the proportion of the turnover from any calendar month in the period between January 1, 2020, and the day preceding the day on which the application for state support is filed to the turnover in the previous month. Month is understood as 30 consecutive days, if the comparative period does not start on the first day of the month.

Pursuant to the act, an employee on standstill receives their **remuneration reduced by up to 50%**, but not lower than the statutory minimum monthly wage determined on the basis of the provisions on minimum wage (in 2020 it is PLN 2,600 gross).

The above reduced remuneration can be subsidized by the state (from the resources of the Guaranteed Employee Benefits Fund) **in the amount of 50% of the statutory minimum wage** (i.e. up to PLN 1,300 gross). The state will also subsidize social security contributions due from the employer in relation to the part of the remuneration subsidized by the Guaranteed Employee Benefits Fund.

Moreover, the employer is entitled to **reduce the working time of its employees by 20%, but not more than 50% of full-time employment**. This means that each employee can have his working time reduced by **up to 20%** of his or her working hours, but if this causes a reduction in excess of 50% of full-time employment for the already engaged part-time employees, then the employer has to ensure 50% of full-time employment for them.

The remuneration of an employee whose working time has been reduced may be reduced accordingly. However, the remuneration cannot be lower than the statutory minimum wage (account being taken of the working time). In relation to reduced working time, the remuneration can be subsidized by the state by up to **50% of the remuneration after the reduction – but not more than 40% of the average remuneration** from the previous quarter as announced by the President of the Central Statistical Office (the average remuneration in the fourth quarter of 2019 was PLN 5,198.58).

The employer is obliged to agree the terms and conditions of work performance during a standstill or reduction of working time **in an agreement with the trade unions** or if there are no trade unions, an agreement should be entered into **with other employee representatives**. According to the act, in the event of difficulties in electing employee representatives (e.g. related to the absence of employees), the agreement may be concluded with employee representatives elected by employees previously for other purposes provided for in the labor law (e.g. for the implementation of variable working time). An agreement should be attached to the application for state support addressed to the provincial labour office.

The introduction of a standstill/reduced working time as specified above does not require agreements with individual employees.

What is important is that subsidies cannot be granted in respect of the salary of employees whose salary in the month preceding the submission of the application for support was higher than 300% of the average monthly salary in the fourth quarter of the previous year (i.e. PLN 15,595.74).

State support is given **for three months** (from the date of submitting the application). It may be prolonged by the Council of Ministers.

Moreover, employers **will not be allowed to terminate employment contracts with employees who received support from the state** – for the term of the support and three months after that period, otherwise, the employer will be obliged to return the subsidy.

2.2. Subsidies for micro, small and medium-sized employers

A micro-employer is defined as an employer that in one of the last two years had an average of fewer than 10 employees and turnover/assets worth EUR 2 million. The figures in relation to small and medium-sized employers are, respectively: up to 50 employees/EUR 10 million and up to 250 employees/EUR 50 million.

Companies in the above categories may obtain subsidies if their turnover falls as a result of the coronavirus COVID-19 pandemic, i.e. in the event of a decrease, in quantity or value,

in the sales of goods and services, calculated as a proportion of the aggregate sales during any two indicated consecutive calendar months after January 1, 2020, until the day preceding the day of filing the application for support, to the aggregate sales during two analogous calendar months in the preceding year.

Additional financial support in the event of a decrease in turnover by:

- at least 30% – subsidy may be granted for the sum of 50% of salaries of the employees (including social security contributions), **but no more than 50% of the minimum wages** plus social security contributions payable by the employer;
- at least 50% – subsidy may be granted for the sum of 70% of salaries of the employees (including social security contributions), **but no more than 70% of the minimum wages** plus social security contributions payable by employer; and
- at least 80% – subsidy may be granted for the sum of 90% of salaries of the employees (including social security contributions), **but no more than 90% of the minimum wages** plus social security contributions payable by employer.

State support is given **for three months** (from the date of submitting the application). It may be prolonged by the Council of Ministers.

Employers also **will not be allowed to terminate employment contracts with employees** who received support from the state – during the term of the support and during the same period after that support, otherwise, the employer will be obliged to return the subsidy.

2.3. Changes concerning medical examinations

The act provides for a suspension of the obligation to perform periodic medical examinations. This means that employers can temporarily admit employees to work, even if they do not hold a valid medical certificate confirming their ability to perform work .

When the epidemic is officially declared over, the employer will have to refer its employees for periodic check-ups immediately, but no later than within 60 days of the epidemic being declared over.

Moreover, if a doctor authorized to make initial and follow-up check-ups is not available, another doctor can examine a candidate/employee and issue a certificate. The certificate will lose its validity 30 days after the epidemic is declared over.

2.4. Changes concerning flexible working time and less favorable conditions of employment

Employers who suffer from a decrease in turnover as specified in the act will be able to:

- limit the period of uninterrupted rest during a 24-hour period to eight hours (the minimum under the Labour Code is 11 hours) and the period of uninterrupted rest during a week to 32 hours (the minimum under the Labour Code is 35 hours).
- enter into an agreement on the introduction of a balanced working system under which it is possible to extend the daily working time up to 12 hours and the settlement period up to 12 months. It is possible without the necessity of meeting the currently binding conditions for introducing such working system; and
- enter into an agreement on the application of less favorable conditions of employment than those arising from their individual employment contracts, in the scope and for the period of time determined in the agreement.

The above mentioned agreements should be concluded with the trade unions or if there are no trade unions, an agreement should be entered into with other employee representatives.

2.5. Changes concerning permits for foreigners

In connection with the coronavirus COVID-19 pandemic, foreigners are temporarily exempted from the obligation to apply for prolongation of residence permits and work permits. If the deadline for submitting an application for a temporary or permanent residence permit falls during an epidemic or the work permit expires during an epidemic, that deadline will be extended. Within 30 days from the end of the epidemic, foreigners will be obliged to submit an application for extending the validity of documents legalizing their stay in Poland.

3. Financial market

3.1. Performance of reporting and other obligations by financial institutions

During the time of an epidemic danger or declared epidemic, the Minister of Finance will be entitled to determine:

- the deadlines, other than those defined in the acts in force, for preparing, approving, and publishing statements, information, reports, and similar documents, and for paying fees and performing other obligations by financial institutions. These changes apply to a number of acts regarding the functioning of the financial market in Poland, including the act on financial supervision and secondary legislation enacted on the basis of those acts; and
- the deadlines, other than those defined in the acts in force, for enterprises' meeting the recording obligations and the obligations to prepare, approve, and give access to statements and information, including financial statements, as mentioned in the Accountancy Act and the Act on Public Finance and in the secondary legislation enacted on the basis of those acts.

3.2. Procedure before the Polish Financial Supervision Authority

The deadlines for the Polish Financial Supervision Authority (KNF) to take actions, including supervisory actions, the deadlines for the pursuance of matters, and the prescribed deadlines for the issue of a decision or a decree concluding proceedings in the case or for the submission of an objection will not begin to run, and if they have already begun to run, are suspended, until the state of an epidemic danger or of an epidemic is declared over, unless the KNF issues a decision determining the matter, carries out an action, issues a decision or a decree concluding proceedings in the case, or submits an objection.

In matters pertaining to the responsibilities of the KNF, the deadline for time limitation defined in the provisions of administrative law will not begin to run and, if it has already begun, becomes suspended, until the state of an epidemic danger or of an epidemic is declared over.

If a state of epidemic danger or of an epidemic is declared, in the effective period of such states and in the period of one month after they are declared over, the requirement of approval by the KNF of the information memorandum in connection with the public offering of financial instruments is not applicable.

3.3. Extension of the activities of Korporacja Ubezpieczeń Kredytów Eksportowych (the Export Facility Insurance Corporation)

The changes extend the list of instruments and events that may be insured by Korporacja Ubezpieczeń Kredytów Eksportowych (KUKE). The extension of KUKE's responsibilities will allow enterprises to use insurance guaranteed by the State Treasury to a greater extent.

The act provides for covering the following facilities by export insurance:

- the facilities granted to subsidiary enterprises in the situations where such insurance will directly cover the sale of goods or the provision of service by such subsidiary enterprise; and
- working capital facilities and investment facilities as well as other instruments of a financial nature as specified in the act, granted to Polish enterprises for the purpose of their investing abroad or expanding their foreign investments.

To date, granting export insurance for facilities of such kind and other instruments of a financial nature has not been possible.

The extension of the list of financial instruments subject to insurance to include, for example, leasing, means KUKE will be able to respond more effectively to the needs of various sectors of the economy affected by the consequences of the coronavirus COVID-19 pandemic, e.g. the transportation sector.

In connection with COVID-19, insurance may cover e.g. credit portfolios of financial institutions for sectors and enterprises whose core activity is the export of goods and services, for new financial lines. In this way, new financing which is indispensable for the maintenance of the activities of many companies may be provided.

3.4. Non-application by Bank Gospodarstwa Krajowego and Polski Fundusz Rozwoju of public procurement law in the implementation of relief instruments

The fulfilment of tasks related to the service of funds designated for the implementation of government programmes and other programmes using public funds relating to the support instruments necessary to counteract the adverse economic consequences of COVID-19 is planned to be assigned to Bank Gospodarstwa Krajowego (BGK) as a state bank experienced in supporting the economic policy of the Polish government, socio-economic government programmes, and local government programmes, regional development programmes, as well as programmes for the management of EU funds, international financial institution funds and other public funds as well as Polski Fundusz Rozwoju (the Polish Development Fund - PFR). In principle, the public procurement laws must be applied by BGK and PFR in their activities.

As many enterprises are expected to find themselves in a difficult situation in the near future, the amendment deformalizes and expedites the procedures regarding the purchase of goods and services by abolishing the requirement to apply the procedures under the Act – Public Procurement Law, which is necessary for BGK and PFR to fulfil its tasks.

3.5. Additional changes in respect of consumer facility

For one year from the date of entry into force of the Act of 3 March 2020 on special measures to prevent, counteract and combat COVID-19 :

- the maximum amount of non-interest costs of the consumer facility is limited to 5% in respect of the facility with maturity shorter than 30 days and in respect of the facility with maturity not shorter than 30 days it is calculated according to the formula: $MPKK \leq (K \times 15\%) + (K \times n/R \times 6\%)$, and the total non-interest costs of the consumer facility may not, in any event, be higher than 45% of the total amount of the facility; and
- when granting further facilities, before the repayment of the first consumer facility, in the period of 120 days after the date of disbursement of the first of the facilities by the same lender or other entity linked with the lender, for the purpose of calculation

of non-interest costs of the consumer facility, only the amount of the first facility is taken into consideration, but the non-interest costs of the consumer facility are the total of non-interest costs of all the facilities granted in that period.

After the lapse of the above annual deadline, the existing limits of non-interest costs of the facility apply.

Any breach of the foregoing provisions may be treated as a practice violating collective consumer interests as mentioned in the Act on Competition and Consumer Protection

3.6. Immediate liquidity support to enterprises

Additional financing

The head of the district will be entitled to **grant to an entrepreneur** (a natural person who does not have any employees) additional financing for a part of the costs of its business activity in the event of the fall in business turnover as a consequence of COVID-19.

Additional financing will depend on the level of the decrease in income and will be made for up to 90% of the minimum monthly remuneration. Additional financing will be granted every month for the period of not more than three months. The government will be entitled to extend this period.

A condition for granting additional financing is the entrepreneur not being in arrears in the payment of tax liabilities and social security contributions and similar payments due until the end of the third quarter of 2019.

The entrepreneur is obliged to carry on its business activity in the period in respect of which the additional financing has been granted and thereafter in a period of equal length.

Loan

The head of the district may grant a one-off loan to cover the current costs of the business activity of a **micro enterprise** that carried on its activity before 1 March 2020.

The loan may be granted up to PLN 5,000. Interest on the loan is fixed and is 0.05 of the discount rate for bills of exchange/promissory notes accepted by the National Bank of Poland. The loan may be unsecured.

The loan repayment period may not be longer than 12 months, with a grace period for the repayment of the principal and interest, which is three months of the date on which the loan is granted. The government will be entitled to extend this period.

The loan with interest is subject to redemption on the condition that for the period of three months of the date on which the loan is granted, the micro enterprise does not reduce the number of its employees.

3.7. Liquidity guarantees granted by Bank Gospodarstwa Krajowego

Bank Gospodarstwa Krajowego (BGK) will grant sureties and guarantees of the repayment of credit facilities contracted by enterprises, **except micro and small enterprises**, for the purpose of assuring financial liquidity.

The surety or guarantee may constitute state aid.

The surety or guarantee will cover not more than 80% of the outstanding amount of the facility for which the surety or guarantee is granted.

BGK will finance its activities with contracted facilities, loans, or with the issuance of bonds at home and abroad, which may be secured by the State Treasury.

3.8. Extension of the activity of Polski Fundusz Rozwoju (the Polish Development Fund)

Besides the act on the “anti-crisis shield”, as a wider package of amendments adopted by the Polish Parliament, additional changes were made to the Act on the Development Institution System extending the responsibilities of Polski Fundusz Rozwoju (PFR).

The designed changes include solutions enabling the PFR to fully participate in the actions taken to combat the crisis caused by COVID-19. The PFR is to be an additional option, apart

from BGK, as an alternative platform through which the programme of combating the consequences of the COVID-19 pandemic is to be performed. The governmental programme will define, in particular, the terms and period of providing financial support by the PFR, the method of preparation and the elements of annual plans for the provision of such support as well as of reports from the realization of the programme.

According to the act, the PFR will be able to take measures serving the purpose of preventing or mitigating the effects of crisis situations, including COVID-19, by:

- providing financial support to enterprises and other affected entities, including nonrefundable support or the support in the form of guarantees and sureties;
- removing or covering, in full or in part, the damage or losses caused by such situations; and
- using the PFR's own funds or funds out of other sources, in the form of equity investments or debt instruments, including by granting loans, guarantees, and sureties.

The support granted by the PFR to enterprises will in part constitute state aid and will have to meet the requirements of Art. 107(2)(b) of the Treaty on the Functioning of the EU.

Concurrently, the PFR will be able to offer, on an arm's-length basis, instruments that do not meet the requirements for state aid and the commercial activity of the PFR will be separated from the activity commissioned by public administration institutions.

Other restrictions imposed by the provisions existing so far are also removed, e.g. by admitting the grant of financing to enterprises in other forms than the subscription of stocks of shares or shares (which are newly issued shares) such as the purchase of shares (out of the existing share capital) and the subscription and purchase of bonds and other securities. The same purpose is served by the laying down separate laws on granting state aid through the intermediary other PFR.

The PFR will be entitled to allocate tasks to the group entities subordinated to the PFR (subsidiaries and investment funds) and to other development institutions (BGK, PARP, KUKE, PAIiH and ARP). The competition procedure will then not need to be followed. Since these operations would be within the PFR group or in the development institution system (i.e. among entities operating for the purpose of public good), the solution does not violate EU

law. Additionally, an option is created which provides for mandating tasks related to combating COVID-19 to other entities such as banks and investment funds.

The funds provided to development institutions for the realization of their tasks, including for the alleviation for the consequences of COVID-19, in the years 2020-2029 are estimated to total PLN 11.7 billion, of which PLN 6.7 billion to be spent in 2020.

3.9. Changes in bank facility agreements regarding facilities granted to small and medium-sized enterprises

The bank may change the terms or due dates for the repayment of a facility (loan) allowed to **micro, small or medium-sized enterprise** (SME), if:

- the facility (loan) was allowed before 8 March 2020; and
- such change is justified by the borrower's financial and business situation as assessed by the bank not earlier than on 30 September 2019.

A change is made on the terms agreed by the bank and the borrower, and it may not cause an aggravation of the borrower's financial and business situation.

The purpose of the provision is to enable banks to take into consideration an extraordinary situation in which some debtors from the SME sector may find themselves as a result of the spread of COVID-19 and to repeal – its seems - the regulations of the banking law concerning the requirement for the bank's clients to be creditworthy.

The fact must be stressed that the foregoing provision ensures flexibility to banks and does not obligate them to restructure the borrower's existing indebtedness or extend the deadlines for its repayment (renewal).

3.10. Relief actions of banks announced by the Association of Polish Banks and the guidelines of the Polish Financial Supervision Authority

In the context of the package of "anti-crisis shield" acts, it is worth recalling the declaration of the Association of Polish Banks (ZBP), which, in its notice of 16 March 2020, presented relief measures to be taken by banks, addressed to clients (individuals and enterprises) who

have or will have problems paying their liabilities to their banks in connection with the dangers caused by COVID-19.

The relief measures to be taken by banks, possibly simplified and deformed, include:

- **Facility holidays.** Banks will postpone (suspend) the repayment of principal and interest installments or principal instalments for a period of up to three months and will automatically extend the total period of facility repayment by the same period provided the effective term of the security for the facility repayment is extended.
- **Renewal of credit lines.** Banks will provide relief to enterprises that were creditworthy by the end of 2019 by renewing, at the client's request, financing for a period of six months.
- **Deferred repayment of lease instalments.** Banks will defer the repayment of the lease installments due from the lessees (where the bank or its lease company belonging to the same group is the financing entity) on the same terms as those applied by the bank in respect of the deferment of facility repayment.
- **Deferred payments under factoring agreements.** Banks will defer the payments due from clients under factoring agreements (where the bank or its lease company belonging to the same group is the factor) on the same terms as those applied by the bank in respect of the deferment of facility repayment.
- **Non-charging of fees and commissions for the acceptance and consideration of applications.** Banks will not charge fees or commissions for the acceptance and consideration of applications for the suspension of principal and interest installments or principal instalments. Banks will facilitate the submission of such applications in deformed way.
- **Facilitated access to short-term facilities for companies.** Banks will provide their clients (enterprises) with access to a short-term facility for the purpose of stabilizing the financial situation of those who have been affected by the COVID-19 pandemic.
- **Raising the maximum amount of contactless payments from PLN 50 to PLN 100.** The maximum amount of contactless payments will be raised to PLN 100 and several thousand additional POS devices will be installed at locations where payment

transactions are executed. The above changes will be introduced step-by-step, as they require changes in payment organization systems and physical update of each payment terminal. Moreover, with the unchanged provisions of the PSD2 Directive on the limit on the number of transactions without the use of a PIN, it may still be necessary to enter the PIN despite a contactless transaction not exceeding PLN 100 (or even PLN 50).

In accordance with the notice, the banks associated with ZBP declared that the foregoing principles will be immediately implemented and applied. The foregoing will take place irrespective of the solutions implemented under the “anti-crisis shield” act.

At the same time, please note that in its statement of 31 March 2020, the Polish Financial Supervision Authority provided the following additional guidelines to Polish banks on existing financing provided to clients who are currently affected by the COVID-19 pandemic. According to these guidelines:

- Renewal of the existing financing under the conditions as at 31 December 2019 should not be made for more than one year.
- Banks may increase the amount of financing to existing clients above the level as at 31 December 2019 based on simplified positive liquidity projections, but banks must monitor such exposures at a frequency higher than the standard quarterly review.
- Banks may waive the requirement to ask borrowers for an additional, specific way of securing the credit exposure. If credit exposures are covered by a BGK guarantee, this guarantee may be treated as a "special way of securing" the credit exposure. If the amount of the BGK guarantee is lower than the amount of the credit exposure, the bank must make its best efforts to obtain security for the remaining part of the loan (and the unsecured part must be included in the calculation of the bank's risk-weighted assets with the weight of 150%).

4. Tax law and levies

4.1. Deferment of the date of payment of an annual perpetual usufruct fee and the facilitation of redemption of monetary receivables related to the real properties owned by the State Treasury

After the planned act comes into force, **the date for payment of the 2020 annual fee for perpetual usufruct** of the property owned by the municipality or the State Treasury will be postponed from March 31, 2020, to **June 30, 2020**.

In addition, **the procedure of redemption, deferral and distribution in instalments of monetary receivables** due to the State Treasury for letting for lease, lease holding or using real estate owned by the State Treasury, falling for payment in respect of the period of an epidemic (or danger of an epidemic) **has been simplified**, granting the above powers regarding redemption, deferral and payment in installments to the head of the village or mayor of the city, without the need to obtain the provincial governor's consent.

The date for payment of the 2020 fee for the transformation of perpetual usufruct right into ownership right in respect of that land is also to be deferred to June 30, 2020.

4.2. Option for enterprises whose financial liquidity worsened to be released from property tax

Municipality councils have been granted the right to adopt a resolution on **releasing** specific groups of enterprises whose financial liquidity worsened in connection with the coronavirus COVID-19 pandemic **from payment of property tax for a part of 2020**.

In addition, in relation to specific groups of enterprises whose financial liquidity worsened in connection with the coronavirus COVID-19 pandemic the municipality councils have been granted the right to **adopt a resolution extending the date for payment of the property tax instalments** payable in the period from April to June 2020, to September 30, 2020, at the latest.

4.3. Extension of the time limit for the issuance of individual tax rulings

The time limit for consideration of applications for the issue of individual tax rulings submitted but not considered until the effective date of the act as well as of applications submitted after the effective date of the act but before the date of declaring the state of an epidemic (or danger of an epidemic) **has been extended by three months**, which is an important move for real estate transactions,

The minister of finance may extend the time limit for the issue of tax rulings for subsequent periods; however, not longer than by three months.

5. Real Estate

5.1. Expiry of mutual obligations of the parties to lease, tenancy or other similar contractual relations in large-area shopping centers

The act provides that during the period of the prohibition to conduct business activities in a commercial facility **with a sales area exceeding 2,000 m², the mutual obligations of the parties** under a lease, tenancy or other similar agreement whereby commercial space is made available, **expire**. The entity defined in the act as the "entitled to use the commercial space" (a tenant, **leaseholder**) should, **within three months** from the date of lifting the prohibition to conduct business activities in a commercial facility with a sales area exceeding 2,000 m², submit an unconditional and binding offer to the entity providing the facility for lease to extend the term of the agreement **on the existing terms and conditions** by the duration of the prohibition to conduct business activity **extended** by six additional months. **The ineffective lapse of the time limit for the submission of an offer will result in the facility provider 's (lessor's) not being bound by the provisions of the act relating to the expiry of mutual obligations.**

Also, the provisions states that does not prejudice relevant provisions of the Civil Code regulating the relations of obligations of the parties in situations where legal restrictions on freedom of business activity are introduced.

5.2. Prolongation of term of agreement for the lease of premises to June 30, 2020

The act provides for an **extension to June 30, 2020, of the term of any agreements for the lease of premises entered into before the effective date of the act**, where such term expires after that date but before June 30, 2020, on unchanged terms and conditions. In order to make the extension of the period of lease effective, **the tenant** must submit a statement of intent to the landlord not later than the last day of the term of the lease agreement.

The extension of the term of lease **does not apply to a tenant who**: (i) during the period of at least six months preceding the effective date of the act was in delay with the payment of rent, of fees for the use of premises other than rent, or charges not attributable to the landlord but collected by it for at least one settlement period if the total value of these payments due exceeded the amount of the rent for one month; (ii) used the premises in a manner inconsistent with the agreement or contrary to the designed use of the premises or neglected its duties allowing damage to be done to the premises; (iii) during the term of lease rented, sub-rented or gave the premises or part of them for free use without the required prior consent of the landlord; (iv) leased residential premises while having a legal title to other residential premises located in the same village or town or city or not far from the same if the premises meet the requirements for replacement premises, unless the tenant cannot use those premises for reasons beyond its control.

5.3. Prohibition to terminate lease agreements or terminate the rent to June 30, 2020

The act introduced a restriction on the admissibility of termination of the lease agreement or on the amount of the rent **by the landlord** in the period from the effective date of the act to June 30, 2020.

The prohibition does not apply to the tenant of non-residential premises in the situation where the tenant: (i) violates the provisions of the lease agreement or laws relating to the manner of use of those premises; (ii) uses the premises that must be vacated for the reason of necessary demolition or repair of the building in which such premises are located.

Also, the prohibition to terminate does not apply to a tenant leasing residential premises in the situations indicated in the act.

Only in the event when the agreement for the lease of residential premises or the amount of the rent for the lease of residential premises is terminated before the effective date of the act and the notice period has not expired before that date, the time limit for termination is extended to June 30, 2020.

5.4. Partial suspension of effective force of legal provisions prohibiting trade on Sundays and statutory holidays

During the declared period of the state of an epidemic (or of a danger of an epidemic) and in the period of 30 days after its revocation, the prohibition to carry out trade-related activities of unloading, accepting, displaying **necessities** and entrusting an employee or an engaged person to carry out such activities, is abolished, but this prohibition continues to be in force on Saturdays on which statutory holidays fall.

The purpose of the foregoing change is to facilitate enterprises to smoothly provide stock of necessities to shops, yet, **it does not permit to trade on Sundays**, even in necessities.

6. Building law

6.1. Non-application of provisions of the building law in respect of investments implemented in counteracting coronavirus COVID-19

All actions **taken in counteracting coronavirus COVID-19** related to designing or carrying out the process of construction, reconstruction, repair, maintenance, and demolition of building facilities or to changing their designed use, are excluded from the regime of application of the building law, spatial planning and management provisions, including the existing urban planning acts and the provisions on the protection and conservation of historical monuments.

Although the conduct of the above-mentioned construction works or the change in the designed use of a building facility are excluded from the regime of the building law, the architectural and building administration authority must be immediately notified of works.

6.2. Suspension of time limits for tacit resolution or objection by the authority

The significant change for the building law practice (and for other proceedings as well) is that **the time limit for tacit resolution or objection** by the authority, the issue of a decision or other determination that entitles the party to take an action or impacts the scope of rights and obligations of the participant or party or to take stand by the authority or issue an individual ruling (except an individual ruling in the meaning of tax law) **does not begin to run and the time limit that began to run is suspended** for the duration of an epidemic (or a danger of an epidemic). Also, the authority may issue a decision ex officio, granting the demand of the party (participant) of the proceedings) in full, **a certificate of no grounds for raising an objection**, express a position or issue an individual ruling.

7. Criminal law

Despite limitations in courts' activity, court hearings will be held (even if in different appeals) in urgent matters, for example in matters relating to temporary arrest, detention or precautionary measures.

During the state of epidemic danger or state of epidemy declared due to COVID-19, the **statute of limitation** of crimes, misdemeanors, fiscal crimes and fiscal misdemeanors and the **statute of limitation** of enforcing penalties **do not run**.

7.1. Crimes and misdemeanors

As a general rule, according to the Art. 296 of the Criminal Code, whoever being obliged by a statutory provision, decision of a competent authority or a contract to manage the financial matters or business activity of a natural person or a legal entity, inflicts substantial material damage upon such person or entity by abusing the granted authority or failing to fulfil the incumbent duties, is subject to the penalty of deprivation of liberty for between 3 months and 5 years. Based on the act, if such a person does not determine or does not pursue claims following from the non-performance or the improper performance of a public procurement agreement **caused by circumstances connected with the appearance of COVID-19** or

changes a public procurement agreement in compliance with the provisions of the act, does not commit this crime. The decision not to pursue claims following from non-performance or improper performance of a public procurement agreement due to COVID-19 will not threaten the criminal prosecution. Such managerial decision will not be deemed as made to the detriment of a company.

During the epidemic declared due to COVID-19, the purchase of products or services necessary to combat the epidemic, in violation of official duties or binding legal provisions, **if such a violation is made in public interest and without it the purchase of products or services will not be possible or will be significantly threatened, does not constitute the crime** penalized in the Art. 296 of the Criminal Code or in the Art. 231 of the Criminal Code (abuse of authority or failure to fulfil duties by a public official), nor the disciplinary tort nor the breach of public finance discipline.

In the Criminal Code the penalties provided **for the exposure of another person for infection** of a disease, including a contagious disease have been strengthened and the deliberate exposure to infection of many persons has been penalized (the imprisonment up to 10 years). Moreover, the penalties for continuous harassment (stalking) and theft of identity have been strengthened (the imprisonment for up to 8 years).

The act provided for a new misdemeanor in the **Code of Misdemeanors**, based on which whoever deliberately, while not complying with the orders to behave in specific manner, legally made by officers of the Police or the Border Guards, makes it impossible or significantly hinders the performance of official duties, is subject to arrest, limitation of liberty or fine.

7.2. Proceedings

If in course of criminal proceedings the products relevant for health or public safety have been seized, a prosecutor or a court can decide to **pass them free of charge to healthcare entities**, the State Fire Services, the Polish Armed Forces, the Police, the Border Guards or state institutions and local government.

The Code of the Criminal Procedure provides for a **new precautionary measure** applicable to the accused of a crime committed against a member of medical staff while performing medical care duties or against a person assisted to assist medical staff in such duties,

including imposition of injunction to stay away from the victim for an indicated distance, or prohibition of communication or prohibition of publication, including through IT systems or telecommunications networks, any content that infringes legally protected personal rights of the victim.

The Criminal Executive Code provides for the possibility to serve the imprisonment in the **electronic supervision system** for a convicted person sentenced to the imprisonment up to one year and six months (previously the maximum sentence was one year).

During the state of epidemic danger or state of epidemy, a penitentiary court is entitled to grant a prison leave, provided that such a leave could lead to limitation or elimination of epidemy.

8. UOKiK & fines

8.1. Fines imposed by the President of UOKiK in Poland

The proposed amendments provide that the President of the Office of Competition and Consumer Protection (**UOKiK**) will be entitled to impose a fine of up to 10% of the turnover generated in the financial year preceding the year in which the penalty is imposed for multiple or large-scale breach (including unintentional breaches) of rules on maximum prices in reference to various products (services).

The President of UOKiK will also be entitled to impose a fine of up to 5% of the turnover generated in the financial year preceding the year in which the penalty is imposed (but no higher than PLN 50 million), as a result of failure (including unintentional failure) to provide information requested by the President of UOKiK or provision of false or misleading information, or making it impossible or difficult to commence or carry out an inspection by the President of UOKiK.

Said proceedings will be conducted based on the appropriate provisions of the Regulation on unfair contractual practices in the food retail sector.

It also worth mentioning actions undertaken at EU level besides the measures introduced by the European Commission in reference to state aid.

[The European Competition Network](#) (ECN) gave the green light for suppliers to cooperate in order to ensure the supply and fair distribution of scarce products to all consumers. The EU regulators declared that they will not actively intervene against necessary and temporary measures put in place in order to avoid a shortage of supply. At the same time, the ECN warned against price gouging and declared that EU regulators will not hesitate in taking action against companies taking advantage of the current situation by cartelizing or abusing their dominant position.

9. Restructuring

9.1. State aid for rescuing and restructuring enterprises in Poland – an update

The Parliament passed an amendment to the Act on the System of Development Institutions, which contains solutions enabling the full participation of the Polish Development Fund (PFR) in actions taken in connection with the COVID19 crisis.

However, the bill (which is as part of the anti-crisis shield,) on granting state aid for rescuing and restructuring enterprises (the R&R Bill) has not been enacted yet. The R&R Bill sets out the conditions and procedures for providing state aid to enterprises as well as the forms that the aid may take: rescuing, temporary restructuring support, restructuring. Pursuant to the Bill, the aid for rescuing, restructuring and temporarily restructuring enterprises is intended for enterprises that are threatened with insolvency or that are already insolvent. These enterprises must meet the following conditions set out in the R&R Bill: (i) they have conducted economic activity in a given sector for at least three years before the date of submitting the application for aid, (ii) they do not conduct economic activity in the iron and steel, coal or financial sectors, and (iii) they do not conduct economic activity on a market in which long-term structural overproduction occurs or may occur.

The R&R Bill also regulates specific conditions for granting aid to an enterprise that belongs to a capital group, making the aid conditional on the occurrence of external and serious reasons (i.e. not internal reasons related to the division of costs within the group).

In order to qualify for rescue or restructuring aid, an enterprise threatened with insolvency must demonstrate that it has lost more than half of its capital. With respect to large enterprises, they must demonstrate that during the last two years their debt to equity ratio was greater than 7.5, while the ratio of operating profit increased by depreciation to interest was lower than 1.

Aid for temporary restructuring may be granted to micro-, small and medium-sized enterprises that are in a difficult economic situation and that meet the conditions referred to above.

The R&R Bill states that aid may be granted only if it prevents or leads to the reduction of social difficulties or to overcoming market imperfections and if, without its granting, this objective would not be achieved or would be achieved to a lesser extent. By social difficulties and market imperfections, the R&R Bill means the risk of the market exit of a micro-, small or medium-sized enterprise whose activity is innovative, or that has a high potential for growth or strong links with other local or regional enterprises, if this would lead to restrictions or result in an increase in the number of enterprises going bankrupt.

In the case of other (large) businesses, there are important social issues such as regional unemployment that is higher than the EU or national average, the risk of interrupting the provision of an economically significant service, or the negative consequences of a business leaving the market – if it is significant for a region or sector. It should be stressed that for all businesses, the basis for receiving aid is the risk of exit from the market as a result of the difficulties caused by the coronavirus COVID-19 pandemic.

Aid is granted by the minister responsible for the economy, who may entrust the granting of aid to the Industrial Development Agency (in Polish: Agencja Rozwoju Przemysłu - ARP). The aid is granted from the state budget on the basis of a written application submitted by the enterprise.

Rescue aid is granted in the form of a loan. Collateral constituting no less than 50% of the planned amount of state aid is required to be provided for the repayment of the loan amount. The collateral may include a mortgage, a pledge or security transfer, a blank promissory note, or a statement on submission to execution under Art. 777 (1) (4-6) of the Civil Procedure Code. The amount of rescue aid is limited to the amount necessary to maintain the enterprise's core business for a period of no longer than six months.

Temporary restructuring aid is also granted in the form of a loan. It may be granted to a micro-, small or medium-sized enterprise that is in a difficult economic situation to enable it to conduct business activity for the time necessary to implement restructuring measures aimed at restoring its long-term ability to compete on the market. Temporary restructuring aid may also be granted to a micro-, small or medium-sized enterprise that is not in a difficult economic situation, but which requires urgent liquidity support due to the occurrence of exceptional and unforeseen circumstances.

The amount of temporary restructuring aid is limited to the amount necessary to continue the activity of the micro-, small or medium-sized enterprise in the period for which the aid was granted, but not longer than 18 months.

Restructuring aid may be granted to an enterprise that is in a difficult economic situation in order for it to implement a restructuring plan that will enable it to restore its long-term ability to compete on the market.

Restructuring aid may be granted if it prevents social difficulties or leads to overcoming market imperfections, and without the aid the enterprise would be restructured, sold or liquidated in such a way that the objective referred to above would not be achieved or would be achieved to a lesser extent.

Restructuring aid is limited to the minimum amount necessary to restore the long-term viability of the enterprise and it may only supplement the enterprise's own contribution. This contribution may comprise the enterprise's own resources or the resources of its shareholders or creditors. The contribution must constitute at least 50% of the restructuring costs.

With regard to a micro-, small or medium-sized enterprise that is in a difficult economic situation, the contribution to restructuring costs is as follows: 25% for a micro- or small enterprise; and 40% for a medium-sized enterprise.

Restructuring aid may be granted in the form of a loan, taking up shares or stocks in the increased share capital or a share in the increase of the share capital by increasing the nominal value of existing shares or stocks, or taking up bonds. It may also consist in changing the dates of loan repayments to the entity granting the aid or converting the loan into shares

of the enterprise. Restructuring aid may also be granted, for example, by postponing the date of execution of an administrative fine or by dividing it into instalments.

Aid may be granted up to the amount of funds allocated for this purpose in the state budget. The amount of funds may not exceed PLN 120 million per year. Aid will be granted until the funds are exhausted, and applications will be considered in the order in which they are received.

9.1. Planned amendments to the Bankruptcy Law

The Polish government is working on a bill to amend, among others, the Bankruptcy Law. According to the proposed amendments, the deadline to file for bankruptcy for a debtor that has become insolvent due to a state of emergency or an epidemic is to be three months from the date on which the epidemic state is officially declared over.

Debtors that are in financial difficulties because of COVID-19 will have three months after the end of the epidemic to regain liquidity and get themselves out of trouble. However, only debtors whose solvency problems were caused by the epidemic will be able to benefit from the extended deadline to file for bankruptcy – it will not apply to debtors that became insolvent before the market disruptions connected with the epidemic occurred. The amended Bankruptcy Law will also include a presumption that if a debtor became insolvent during a state of emergency or during the COVID-19 epidemic, it will be presumed to have been caused by the epidemic. The bill is currently at the stage of consultation between the relevant ministries.

10. Material and procedural deadlines

10.1. Suspension of administrative and criminal deadlines

The new law (Art. 15zzr) stipulates that during the time of an epidemic danger or an epidemic announced due to COVID-19 all the not-started deadlines and all the already initiated deadlines provided for by administrative law will be suspended, namely:

- Deadlines which must be met in order to obtain legal protection before a court or authority,
- Deadlines for performing by the party of the activities shaping its rights and obligations,
- Deadlines for time prescription,
- Deadlines which, if not complied with result in the expiry or change of in rem rights, as well as claims and receivables, and also falling into delay,
- Final deadlines, which if not met trigger negative effects for the party,
- Deadlines for performing by the entities or organizational units that have to be registered in a relevant register the activities that give rise to the obligation to register, as well as deadlines for the performance by these entities of their obligations under the provisions on their governance.

In addition, during the time of an epidemic danger or an epidemic announced due to COVID-19, the limitation period for criminal offenses and the limitation period for enforcement of criminal offenses, tax offenses and misdemeanors will not run.

In the course of parliamentary work the provision that would cause suspension of the deadlines arising from civil law was removed from Art. 15zzr. For this reason, it is necessary to take legal action to protect civil claims related to the statute of limitation and other civil material deadlines during the time of an epidemic danger or an epidemic.

10.2. Suspension of procedural deadlines

In accordance with Art. 15zzs of the act, during the time of an epidemic danger or an epidemic the procedural and court deadlines in: civil court proceedings, administrative court proceedings, criminal court proceedings, criminal fiscal proceedings, administrative proceedings, tax proceedings, customs proceedings and other proceedings conducted pursuant to other acts do not start, and the initiated deadlines in these proceedings are suspended for this period. No open sessions or hearings are held during this period, except for open sessions or hearings in urgent matters.

The above regulation does not cover the deadlines for performing actions provided for in the Electoral Code and the deadlines for motions and legal questions to the Constitutional Tribunal.

In addition to this, there is an exemption according to which the time limits will not be suspended in court proceedings classified as urgent matters. The urgent matters catalogue has been regulated in Art. 14a point 4 of the act and covers specific types of cases, such as some of criminal and family cases.

We would like to inform you that DLA Piper has set up team of experts in various areas of law who are available to assist you at any time in matters relating to coronavirus COVID-19.

Please feel free to submit any questions you might have to:

CoronaVirusResponseTeamPoland@dlapiper.com