

## GOVERNMENT PROPOSES RELIEF FOR TENANTS ON RENT AND SERVICE CHARGES FOR BUSINESS PREMISES DUE TO COVID-19

On 1 April 2020, the Czech government introduced a bill proposal aiming to help tenants of business premises to endure measures imposed by the government in recent weeks due to the spread of COVID-19. The proposed conditions of relief are summarized below.

Firstly, it is not important whether the premises serve fully or partially for the tenant's business activities. Also irrelevant is the purpose for use of the respective premises as stated in the lease agreement; what matters is the actual use of the premises. Under this scenario, the reliefs might be potentially applicable to office space as well as retail premises. The bill also envisages that the relief will apply to usufructuary leases ("pacht") when certain conditions are met.

Please note that the landlord cannot terminate the lease unilaterally until 31 March 2022 if the only reason for termination is the tenant's delay in payment of the rent or service charges due between 12 March 2020 and 30 June 2020. The tenant's delay in payment must be mainly caused by the restrictions imposed by the government due to COVID-19, limiting or preventing the tenant from engaging in its ordinary business activities. However, the tenant must always prove to the landlord (to a reasonable extent) that the delay is actually caused by the governmental restrictions related to limiting the spread of COVID-19.

Regarding the above, if the above-mentioned payment delays are not the only reasons for termination (i.e. failure to perform proper maintenance on the leased premises), termination of the lease is still possible.

Please note that if the tenant fails to pay the debt by 31 March 2022 (or if it is beyond doubt that the lessee will not repay the debt at all), the landlord is entitled to terminate the lease with the notice period of five days.

In our opinion, the limitation of the lease termination does not prevent the landlord from charging interest on late payment or imposing a contractual penalty or damages for delayed payment of the rent and service charges (depending on the terms of the specific contract) until the debt is fully repaid.

Please note that the above-mentioned relief does not apply if the lease of premises in general is the only source of income for the affected landlord or if the affected landlord cannot be reasonably required to bear the cost of the relief for another reason.

In conclusion, please note that this bill still has to be passed by both houses of parliament and signed by the president. Therefore, we cannot exclude that the final form of the bill may be modified during the remaining steps in the legislative procedure.

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