

DEBT: Requirements in other countries are less strict

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The disadvantage is that the debtor has to sell all of his property, while the whole process, which takes place under close scrutiny of the court, is time-consuming and financially draining.

Prvá Oddělovacia considers it an advantage that after successfully completing the whole process, one gets a second chance and can start again from the beginning. The disadvantage is that the current personal bankruptcy scheme is not even an option for a person in material need.

Planned legal changes

The process of filing for personal bankruptcy is considered to be especially demanding, as debtors are required to sell all of their prop-

erty and then allocate a significant portion of their income for the next three years to settle their debts. In some countries the process is simpler, whereby debtors can decide whether to sell their assets, and creditors do not have a claim on their future income, or debtors keep their assets and pay most of their income to creditors for a set period of time, the SITA newswire wrote.

Yet, the ministry is currently working on an amendment to the existing personal bankruptcy legislation, and plans to introduce the changes - which could become effective in late 2015 - later this year. Justice Ministry spokesperson Alexandra Donevová explained that the changes are to tie in with the European Commission's efforts to devise within the EU comparable rules for cases when, as a con-

sequence of a poor business decision, a private individual is not allowed a second chance.

"The main aim of the change to the Act on Bankruptcy and Restructuring, which is under preparation, is making the scheme of personal bankruptcies functional," Donevová told The Slovak Spectator, adding that comparisons of statistical data indicate that the number of personal bankruptcies in neighbouring countries is several times higher than in Slovakia. "We believe that the situation of consumers in neighbouring countries does not differ so much [from that in Slovakia] to explain such a high difference."

The fact that a consumer cannot eliminate his debt without selling all of his assets, and is at the same time required to prove that he is

actively looking for a job or starting a new business, is considered by the Justice Ministry to be one of the chief shortcomings of the current law, and the reason why comparatively few people file for bankruptcy. However, to do this, he needs to have at least met the minimum requirements in terms of home or business-related assets, said Donevová.

According to Bystrická, eliminating those legal conditions should encourage more people to file for bankruptcy.

Prvá Oddělovacia also views Slovakia's personal bankruptcy process as too demanding, and hopes that the new legislation will make it available and affordable to more people.

When comparing bankruptcy statistics of the CRIF - Slovak Credit Bureau in Slov-

akia and the Czech Republic, the number of personal bankruptcies in both countries has been increasing in annual terms since 2008, but the growth patterns differ. While Slovakia registered the biggest annual increase between 2010 and 2011, up 55.66 percent, in the Czech Republic the growth dynamics of bankruptcies has been decreasing since 2009, except for a year-on-year change between 2012 and 2013 (up only 13.03 percent), but still remained higher than in Slovakia.

In 2013, 6,518 bankruptcies per 100,000 citizens were in Slovakia, while in the Czech Republic it was 182,284, Marková cited national statistics.

Marková said more debtors in the Czech Republic file for bankruptcy than in Slovakia because the process in the latter is more stringent.

In Slovakia when a debtor files for bankruptcy, his assets are sold and the revenues are used to settle any enrolled debts. But the debtor must pay hundreds in fees. Next, the debtor enters a three-year probationary period during which he must meet additional obligations ordered by the court, which can include allocating up to 70 percent of the debtor's income toward his debts. Once these conditions are met, any remaining debts at the end of the probationary period can then be cancelled by the court.

According to Marková, in the Czech Republic personal

bankruptcy is considered to be the most convenient way to eliminate debt.

"The main reason is the relatively low financial demands," said Marková, adding that the debtor needs to settle 30 percent of his debt during a five-year period, and is obliged to pay fees to an insolvency trustee. After this period, the debtor is no longer required to pay the remainder of his debt.

Bankruptcy outlook for 2014

The CRIF - Slovak Credit Bureau in Slovakia expects a further increase in personal bankruptcies in 2014.

"Even though outlook prognoses for development of Slovakia's economy in 2014 are in most indicators more favourable than they were for 2013, and a faster economy, a moderate drop in unemployment as well as bigger growth of the nominal wage in the country's economic growth are expected, we assume that the number of personal bankruptcies will also increase in 2014," Marková said. "Citizens took out loans to a bigger extent in a period of favourable economic development, and their financial problems grew gradually. Many of them have already used up their financial reserves, and improving their financial situation, even in the case of fulfilment of the prognoses, has not to be sufficient for covering their obligation in full."

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