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Slovakia: Rescue procedures in insolvency

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Slovakia

Phase:

Management

Type:

Rescue procedures in insolvency

Last modified: 10 December, 2021

Native name: **Zákon č. 7/2005 Z.z. o konkurze a reštrukturalizácii a o zmene a doplnení niektorých zákonov**

English name: **Act No. 7/2005 Coll. on bankruptcy and restructuring and on changes and supplements to some laws**

Article

3, 10a, 11, 108-120, 129-135, 143-148, 151-156

Description

According to the Act, a company at risk of insolvency, or a creditor of a company at risk of insolvency, may decide to file for reorganisation or for bankruptcy if the insolvency is considered imminent.

If there is a filing for reorganisation, the company has to submit a reorganisation plan to the court and the court will appoint a trustee who is in charge of inspecting the plan and giving an opinion to the court. If the opinion is positive, i.e. the company has reasonable probabilities of getting out of insolvency, the court authorises the start of restructuring no later than 15 days after the presentation of the plan. The company's assets are then protected from individual claims to allow for normal continuation of operations. During the restructuring, it is not allowed to carry out organisational changes at the debtor such as a merger, fusion or split off.

If the opinion is negative, the court orders the termination of the reorganisation proceedings. Creditors have a role too, as the reorganisation plan must be approved by the majority of each group of secured and unsecured creditors within 90 days of the start of the proceedings. If the creditors' committee rejects the plan, the reorganisation is converted into a bankruptcy procedure.

The reorganisation proceedings are terminated by order of the court on indication of the trustee. The reorganisation might have a positive outcome, i.e. the company is able to return to normal business operations, or a negative one where further bankruptcy procedures will follow. Once the reorganisation plan is completed a notice is published in the Official Business Journal.

On 1 January 2016, amendments to the Act No. 7/2005 (Article 10a) introduced a new tool that may mitigate the work of bankruptcy trustees. This is the public Insolvency Register ([Register úpadcov](#)) - an information system providing comprehensive information on all ongoing bankruptcies in the country.

Comments

The option to rescue the company through the restructuring procedure was applied in about 10% of recorded cases of insolvency in 2014-2016.

According to the experts, the number of companies using restructuring is long-term low. In 2020, during the COVID-19 pandemic, the number of insolvency cases increased. Nevertheless, the number of companies using restructuring was low. In total 22 cases were recorded. It is assumed that after the COVID-19 crisis the number of restructuring will increase. According to available information, the restructuring took place mainly in commerce, the manufacturing industry and construction and rather in small than medium and large companies.

Cost covered by

Not applicable

Involved actors other than national government

Other






Involvement others

Court, Creditors

Thresholds

No, applicable in all circumstances

Sources

-  Bankruptcy - Slovakia
-  Fedorková, K. and Czillingová, J. (2014), Restructuring as a part of company crisis management, European Scientific Journal
-  Quick and (un)reasonable – Amendment of Slovak Bankruptcy and Restructuring Act
-  Zákon o konkurze a reštrukturalizácii a o zmene a doplnení niektorých zákonov 7/2005 účinný od 01.03.2017
-  Register úpadcov

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