

# LEGAL ALERT

## SELECTION OF LEGAL UPDATES

April 2024



### **Proposed Amendment to the Labor Code: Changes to Termination Conditions, Probationary Periods, and Severance Pay**

The Ministry of Labor and Social Affairs is preparing an amendment to the Labor Code that aims to introduce several groundbreaking changes, particularly for employees. According to the ministry, these changes are intended to increase the flexibility of the labour market.

One of the discussed changes is the employer's ability to terminate an employee without providing a reason. This increased uncertainty for the employee is to be balanced by higher severance pay, which could amount to up to six times the employee's average earnings.

Additionally, there is a proposal to introduce a shorter notice period. Under the new rules, the notice period would commence on the day following the delivery of the termination notice. For "problematic" employees, the notice period could be shortened to one month. Conversely, there is consideration for extending the probationary period (by agreement with the employee).

The amendment is also expected to affect severance pay for employees whose employment is terminated due to loss of medical fitness caused by a work injury or occupational disease. These costs would newly be borne by insurance companies instead of employers. Employees returning from parental leave should also have the option to enter into a part-time contract with their employer for the same job they performed before taking parental leave.

### **Proposed EU Regulation on Artificial Intelligence**

The final version of a new regulation aimed at establishing harmonized rules for artificial intelligence is currently being finalized within the EU. This proposal will then be submitted for approval by the European Parliament, likely within this month. This represents the world's first legal framework specifically addressing the regulation of artificial intelligence.

The primary objective of the proposed regulation is to ensure the safety of artificial intelligence (AI) systems that are marketed within the Union, ensuring they comply with existing legal standards concerning fundamental rights and values of the Union. It aims to provide legal certainty, thereby facilitating investment and innovation in AI, and to promote the development of a unified market for lawful, safe, and trustworthy AI applications while preventing market fragmentation.

The regulation seeks to prohibit certain AI practices, impose specific requirements on certain high-risk AI systems, and establish obligations for their operators, as well as rules for market monitoring and supervision. The regulation would apply to providers who market or operate AI systems within the Union, regardless of whether these providers are based within the Union or in a third country. It would also apply to providers and users of AI systems located in a third country if the system's output is used within the Union.

### **According to the Ombudsman, Using Buildings Approved for Permanent Residence for Recreational Purposes is Circumventing the Building Act**

The Public Defender of Rights has addressed complaints from residents who were disturbed by neighboring apartments, designated for permanent residence, being used by vacationers for short-term accommodation.

In a published press release, the Ombudsman states that a building should only be used for its approved purpose. Offering short-term rentals in buildings designated for permanent residence is deemed inconsistent with the occupancy permit and is considered a circumvention of the Building Act. Property owners should have such apartments reapproved for their new use. However, he warns that not all applications for reapproval may be successful (for example, if the local zoning plan does not permit accommodation in the area).

The Building Authority, in cooperation with the Trade Licensing Office, can verify the purpose of the services provided and conduct unannounced inspections. However, the Ombudsman's office has found that the chances of "catching" violations during these inspections are essentially nil since the inspections are conducted during regular business hours, while tenants, who are mostly tourists, often return to the apartments late in the evening.

In cases where the Building Authority determines that an infraction has occurred, it will issue a decision that can prohibit the use of the apartments for short-term stays.

### **Has the Amendment to the Agricultural Land Fund Protection Act, Aimed at Preventing Construction on the Highest Quality Arable Land, Reached a Deadlock?**

The government proposal for this amendment, intended to protect the highest quality agricultural land from being broadly taken over for commercial

and storage purposes, was submitted to the Chamber of Deputies in early November 2023. The second reading of the proposal did not occur until early April 2024. During the second reading, several amendments were proposed. For some, this is a necessary step for landscape protection, while others argue it could negatively impact economic development.

According to the explanatory report, the proposal seeks to establish a ban on the removal of agricultural land classified under protection grades I and II for commercial or storage purposes exceeding an area of 1 hectare. Such projects should be located outside the agricultural land fund, preferably on less fertile land. The ban on removing agricultural land classified under protection grades I and II also applies to solar energy conversion projects, regardless of their area, according to the original proposal.

### **Violation of the Tenant's Obligation to Pay Service Advances**

In its recent decision, the Supreme Court addressed the situation in which a homeowners association (hereinafter referred to as the "HOA") is entitled to decide whether and what services it will provide to the owners. This is particularly relevant when a unit owner fails to pay the HOA for the services provided.

The Supreme Court stated that although there is no legal obligation for the HOA to ensure the delivery of services to unit owners, it is clear from §1208(d) of the Civil Code that the HOA can choose to do so. The unit owner (service recipient) is, of course, obligated to pay the HOA for the costs incurred in providing these services.

Although both the service provider and the recipient have obligations to fulfill and rights to demand fulfillment, these obligations are not interdependent. Therefore, the obligation to fulfill is not

conditional on simultaneous counter-performance (it is not a reciprocal obligation within the meaning of § 1911 of the Civil Code). By failing to pay the service advances or any outstanding amounts resulting from their settlement, the unit owner falls into arrears with this obligation, incurs a duty to pay interest on the overdue amount (§ 1970 of the Civil Code), and the HOA can seek payment of the owed amount (through legal proceedings and subsequently through enforcement proceedings). However, non-payment of service costs cannot lead to the unit owner's "exclusion" from the HOA.

The Supreme Court also noted that although this is not a synallagmatic obligation, it does not mean that the HOA must always provide the services decided upon by the assembly in full and regardless of whether the unit owner pays for them—i.e., the HOA should not provide services at its own expense or at the expense of other unit owners. The Supreme Court reasoned that if the HOA can decide what services to provide to unit owners, it can also decide not to provide these services or (if technically feasible) not to provide them to unit owners who owe payments for their provision.

*(according to the judgment of the Supreme Court of the Czech Republic, case no. 26 Cdo 3535/2022)*

### **Inability to Proceed with Incidental Dispute Due to Deletion of Debtor from Commercial Register**

In a recent judgment, the Supreme Court concluded that if a debtor is deleted from the commercial register without a legal successor after the finality of a decision to terminate bankruptcy proceedings under § 308 paragraph 1 letter c) of the Insolvency Act converted an incidental dispute over the determination of the order of claims into a dispute over the

determination of the order of claims for the duration of the insolvency proceedings, and the debtor became a participant in the dispute instead of the insolvency administrator (§ 159 paragraphs 4 and 5 of the Insolvency Act), the incidental dispute cannot continue due to the debtor's loss of capacity to participate in the proceedings (§ 19 of the Code of Civil Procedure).

*(according to the judgment of the Supreme Court of the Czech Republic, case no. 29 ICdo 155/2022)*

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If you have any questions or need consultation, please do not hesitate to contact us via email at [info@sirokyzrzavecky.cz](mailto:info@sirokyzrzavecky.cz).

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