

## DEBT RELIEF FOR INDIVIDUALS AS A LEGAL INSTITUTE IN CZECH LAW



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**Abstract.** In the article, we will familiarize ourselves with the debt relief process and the calculation of the non-seizable amount valid from January 1. 2023. Let us use two model cases. The first case involves an employee with a meager income, a gross wage of 20,000 CZK, and liabilities to creditors up to 1 million CZK. This person is someone whom banks did not assess their financial creditworthiness and their ability to repay obligations. The second case features a former entrepreneur who did not have a high income because most of the money was reinvested in the business. Banking loans for the company were guaranteed by promissory notes and secured by this individual, not only the company. In this case, the liabilities exceeded the amount of 25 million CZK. Finally, we will present the procedure and conditions for debt relief approval by the court.

**Keywords:** *Debt relief process, Czech law, low income, bank loans.*

### Introduction

In biblical times, there was a mechanism in the Jewish model of how not to open the socioeconomic scissors. One of the measures is the institution of the Year of Mercy. This system is dealt with in detail in chapter 25 of Leviticus.<sup>1</sup> Every 49 years, there comes a year of grace when the real estate is returned to its original owners, according to the initial land distribution among the tribes when they entered the Canaan region. In the Jubilee Year, debts were to be forgiven, Israelis enslaved due to their indebtedness would be set free, and taxes would be eliminated. The generation following the indebted or impoverished father regained their land and had a chance to start farming again. The transgressions of the fathers did not fall so heavily on the heads of their sons and daughters. There were also obligations to tithe all crops, a ten percent tax.<sup>2</sup>

The state is aware that even today, for individuals in tow of debts, sanctions, penalties, and executions, these persons get into the impossibility of repaying debts, cease to be employed, the black economy flourishes, and thus both the tax and pension deficit grow. The debt relief event follows the previous Summer of Mercy. During this event, the Ministry of Finance and the Ministry of Labor and Social Affairs, prepared a state Merciful Summer for 2023, which should concern debts with tax offices, tax debts, debts with the Czech Social Security Administration, or other institutions.<sup>3</sup>

If the debtors pay the original tax debt or outstanding insurance premiums from 1 July to 30 November 2023 and meet other promotion conditions, penalties, interest, and other debt accessories will be forgiven. The proposal also includes the possibility of applying for extraordinary deletion of small tax arrears up to CZK 200. However, this institute allows only partial debt relief for natural persons.

In the case of legal entities, the institute is slightly different, namely that the entire property is sold in the event of bankruptcy. The proceeds are used to pay liabilities, and the company is deleted

<sup>1</sup> **Leviticus** is the Old Testament's third book, also called Moses's third book.

<sup>2</sup> Karel NEDBÁLEK, Naděžda MALINOVÁ, *Rej Masek, Colloquium conversation ABOUT ALL*. Slušovice: Čibe a.s., law firm Mgr. Karel Nedbálek and father, 2021. ISBN 978-80-270-9202-4, p. 207. p. 27.

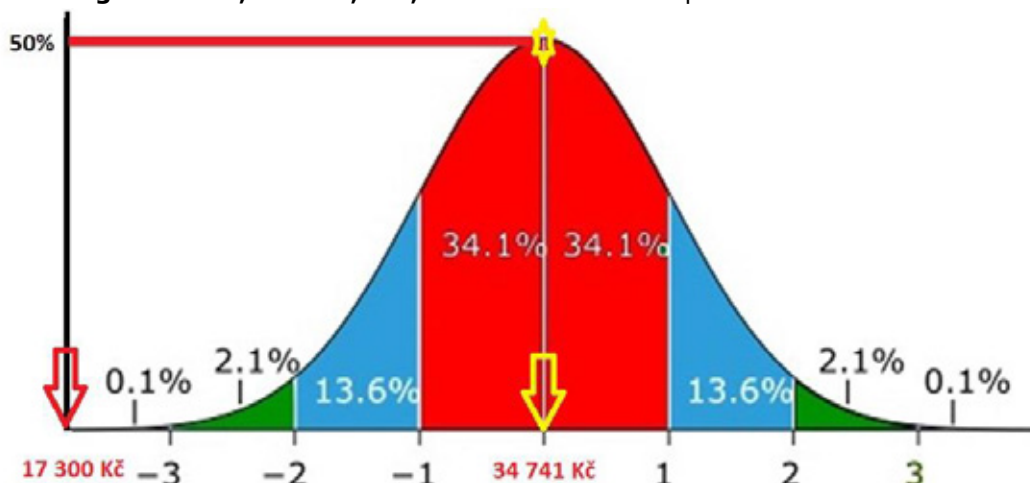
<sup>3</sup> **The Merciful Summer** is sometimes joined by other entities, like Moneta Money Bank, Raiffeisen bank and Česká spořitelna, Stavební spořitelna, Pražské vodovody a kanalizace and others.

from the Commercial Register. The recovery rate is usually up to 10% to satisfy creditors; a large part goes to monetization costs, i.e., administrating this process. Also, the value of assets is significantly less than the initial investment in purchasing and maintaining a functional and profitable company. For prospective companies, the institute of reorganization is used. Reorganization usually means the gradual satisfaction of creditors' claims while maintaining the operation of the debtor's business. Measures are provided to restore the management of this enterprise according to the reorganization plan, which the insolvency court must approve. Creditors continuously monitor the performance of the repayment schedule.<sup>4</sup>

A debt relief system is used under the Insolvency Act for natural persons. The debtor may propose to the insolvency court that their bankruptcy or impending bankruptcy be resolved by debt relief. Suppose the insolvency court decides on debt relief and the debtor duly and timely fulfills all obligations under the approved debt relief method. In that case, the insolvency court will exempt the debtor from the payment of receivables included in debt relief to the extent that they have not yet been satisfied.<sup>5</sup> Debtors can free themselves from all their debts at minimum installments of CZK 2200 to 3000 monthly for five years.<sup>6</sup> Between 2008 and 2022, 282,000 debt relief cases were carried out, of which 147,800 have already been completed. At the end of last year, there were 107,200 in the running. The average debt of people entering debt relief is gradually rising, and now it is around a million CZK. It is two million for sole traders performing their activities as a secondary. It is nine million CZK for sole traders operating a trade as their primary activity.

**Research methodology.** The research methodology involves a comprehensive analysis of legal sources, employing a systematic approach to examine and interpret primary legal documents such as statutes, regulations, and case law of the baseline topic of debt relief process in Czech Republic.

**Model cases of debt relief.** Let us use two model cases. The first is where the employee has a meager income, a gross salary of CZK 20,000, and liabilities to creditors up to CZK 1 million. This is a person when banks have yet to evaluate financial creditworthiness and the possibility of repaying obligations. The second case is a former entrepreneur who did not have a high income because he reinvested most of the money in the business. He valued bank loans on a bill of exchange to the bank, guaranteeing them as a natural person. The liabilities of this case exceeded CZK 25 million. The original company was declared bankrupt, and assets, i.e., receivables, inventories, machinery, buildings, and land, were sold in this proceeding in a specific brief period at an excessive cost and de facto at a lower price than they were acquired. Proceeds from bankruptcy range between 5-10% of the total debts. This means that the former entrepreneur is left with the rest of the indicated amount. This former entrepreneur must find a job. Let us assume that the gross income will **be the median wage amount, CZK 34,741**, and the debt to be repaid is CZK 22.5 million.



Graph No. 1: Gaussian distribution of wage probability

<sup>4</sup> Act No. 182/2006 Coll., the Bankruptcy Act and Methods of its Resolution (Insolvency Act), Section 316.

<sup>5</sup> Act No. 182/2006 Coll., the Bankruptcy Act and Methods of its Resolution (Insolvency Act), Sections 389-414 (from now on referred to as IR).

<sup>6</sup> Pavel CEHL, The number of permitted debt relief dropped significantly last year, *novinky.cz*, 2023 [online] [retrieved 2023-6 26], Available online: [https://www.novinky.cz/clanek/ekonomika-pocet-povolenych-oddluzeni-loni-vyrazne-klesl-40419072\\_](https://www.novinky.cz/clanek/ekonomika-pocet-povolenych-oddluzeni-loni-vyrazne-klesl-40419072_)

**The Gaussian** wage probability distribution is the distribution of specific quantities into quartiles, which divides the statistical population into four equal parts (quartiles), each representing 25% of the data, along the horizontal axis. It can be seen from the graph that if we do not consider the quartile of the colors black and green, we will only consider the quartile of red and blue. Based on the hypotheses, we can make accurate predictions with a 95% confidence level. We can also apply this perspective to the salary and want to examine this part.

Median salary – first quarter of 2023. In Q1 2023, the monthly nominal wage for the recalculated number of employees in the national economy, the median so-called salary<sup>7</sup>, was CZK 34,741. Eighty percent of employees received wages between CZK 18,601 and CZK 65,512. The median represents the middle value of the employee's pay in the wage distribution. Half of the wage values are lower, and the other half is higher than the median.<sup>8</sup>

The average gross monthly nominal<sup>9</sup> wage is higher than the median, which includes the share of wage funds, including overtime pay, remuneration, wage compensation, and others, per employee per month. About two-thirds of employees are paid less than the national *average*. From the gross wage, the employer also pays the relevant amounts for health insurance, social security, and advances on income taxes for the employee. The employee is paid a net wage.

Minimum wage. From 1 January 2023, the introductory minimum wage rate will increase to CZK 17,300. This increase was decided in 2022 by Government Decree No. 465/2022 Coll.

Living and subsistence minimum.

- **The subsistence** minimum is the minimum socially recognized limit of monetary income to ensure nutrition and other essential personal needs.
- **The subsistence minimum** is the minimum threshold of monetary income deemed necessary to ensure food and other essential personal needs at a level required for survival. In addition to the subsistence minimum, this institute was introduced to increase motivation for adults in material need.<sup>10</sup>

**Neither the subsistence minimum nor the subsistence minimum** includes the necessary housing costs. The subsistence minimum consists of all net cash income of an individual or jointly appraised persons from work, business, capital assets, rent, pensions, sickness insurance benefits, state social support and other social benefits, unemployment and retraining benefits, alimony, etc.

The following types of income are not included in the calculation:

- housing allowance, housing benefits, and one-off social benefits,
- income from the sale of real estate and compensation for the release of the dwelling used to cover the costs of satisfying housing needs,
- compensation for damage and funds for the removal of the consequences of a natural disaster,
- financial assistance to crime victims.
- social assistance provided by the employer,
- support and contributions from the resources of the foundation and the association,
- scholarships
- income from the work of pupils and students from practical education and practical training,
- income from employment, in the case of payment of a dependent child who is systematically preparing for a future profession at secondary school,
- income from self-employment of dependent children during the holiday months, July and August,
- rewards for donating blood, organs,

<sup>7</sup> **Median** – the size of wages, which divides the set of ascending wage totals into two equally numerous halves. The first half of wages below the average and the second half of the above-average wage.

<sup>8</sup> **Czech Statistical Office**, *Average wages - first quarter of 2023. Average wage decreased by 6.7% in real terms*, czso.cz, 2023 [online] [retrieved 2023-6-20], Available online. <https://www.czso.cz/cri/average-mzdy-1-quarter-2023>.

<sup>9</sup> The average gross monthly nominal wage in Q1 2023 totaled CZK 41,265 per recalculated number of employees in the national economy, which is CZK 3,265 (8.6%) more than in the same period of 2022. Consumer prices increased by 16.4% over the period, so wages fell in real terms.

<sup>10</sup> **The subsistence and subsistence minimum** are regulated by Act No. 110/2006 Coll., on the subsistence and subsistence minimum. The valid amounts of the subsistence and subsistence minimum are set by Government Regulation No. 436/2022 Coll., on increasing the amounts of the subsistence minimum and the subsistence minimum.

- tax bonuses,
- care allowances (within the group of jointly assessed persons),
- part of the contribution to cover the needs of the child due to health reasons,
- mobility allowances and special aid allowances,
- special pension contributions for participants in the national struggle for the establishment and liberation of Czechoslovakia,
- income arising under a decision of the European Court of Human Rights for just satisfaction or the amicable settlement of affairs.

Calculation procedure. When calculating the unseizable minimum, we proceed according to the following procedure:

1. **We determine the net salary.** We deduct the unseizable amount (CZK 13,638) + the amount for each dependent person (CZK 3409.50) from the net wage. Add up and round up to the whole CZK.
2. **This part is fully sizable if the difference between the net wage and the unseizable amounts is more significant than one and a half times the basic unseizable amount.** CZK 30,685.50 (or lower remainder) is rounded down pursuant to Section 279 of the Code of Civil Procedure to an amount divisible by three. The amount of CZK 30,685.50 is CZK 10,228. Any rest is added to the debtor's basic unseizable amount. Currently, however, the rounding is CZK 1.50. In this case, it will be necessary to proceed so that the wage is not based on pennies and to adjust the distribution of this remainder between the debtor and the deductions from wages.
3. **From the first third of the remainder of the net salary,** claims are paid according to their ranking, regardless of whether they are preferential or other claims. The employer may claim flat-rate compensation against such claims.
4. **From the second third of the remainder of the net salary,** regardless of the ranking, the maintenance claim is first satisfied, and then the preferential shares according to the order in which the enforcement order was served on the wage payer. Suppose the amount deducted from the second third needs to be increased to satisfy all maintenance claims. In that case, the ordinary maintenance of all creditors is met first, followed by arrears for an earlier period, according to the ratio of routine maintenance. In the last place from the circle of care is substitute maintenance. If the amount is insufficient to satisfy all the beneficiaries, it will be satisfied proportionately, similarly to the upkeep owed. Suppose the amount deducted from the second third would not cover the ordinary maintenance of all creditors. In that case, the amount deducted from the second third will be divided between them in proportion to the amount of routine maintenance, regardless of the amount of arrears.
5. **The third is paid to the debtor.**
6. **The fully seizable part of the remainder of the net salary is added to the second third of the remainder of the net pay to the extent necessary to satisfy preferential claims.** The remaining part is added to the first third.

**Unseizable minimum calculator,**<sup>11</sup> here, we can find out straightforwardly without guaranteeing your unseizable wage value.

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<sup>11</sup> **Unseizable amount 2023 - calculator, kurzy.cz, 2023 [online] [retrieved 2023-6 21],** Available online: <https://www.kurzy.cz/kalkulacka/nezabavitelna-castka-2023/>

Table 1.

### Calculation of the unseizable amount from the median salary

Calculator of amounts for 2023  
 Deductions within  
 Net monthly income in CZK  
 Number of dependents  
 Unseizable amount in CZK  
 Total deduction in CZK  
 Amount after deduction in CZK

Kalkulačka nezabavitelné částky 2023	
Srážky v rámci	Insolvence / Odstlu
Čistý měsíční příjem v Kč	28 208
Manželka/Manžel	Ano
Počet vzíživovaných osob (dětí...)	1
Společný přechovný pohledávky?	Ne
Základní nezabavitelná částka v Kč	20 457
Celková srážka v Kč	5 206
Výplata po srážce v Kč	23 062

Calculation of the unseizable amount 2023. When calculating execution, the calculator requires you to enter several input data, the most important of which is the net salary. The calculation of wage deductions is also affected by whether the person has a spouse and the number of children, as these facts are reflected in the unseizable amount. The basis for the calculation, that is, the amount of deductions, is always the net salary of the borrower. This is calculated by deducting from the gross wage amounts stipulated by law, such as social security and public health insurance contributions; other incomes that have the character of wages or salaries are also added. These include, among others, remuneration from an agreement to perform work or a contract to perform work, sickness pay, pension, unemployment benefits, parental leave, etc. Those and other types of income can be affected by execution.

The term unseizable amount, or the unseizable minimum, refers to the part of the salary that may never be seized from the debtor and must always be paid, as it ensures basic living needs and covers housing costs. Based on:

- **the subsistence minimum** currently amounts to CZK 4,860 from 1 January 2023.
- **normative housing costs** are set at CZK 15,597 from 1 January 2023.<sup>12</sup>

The **unseizable amount for debtors equals two-thirds of the sum of these two items (valid from 1 January 2023). Currently, it is CZK 13,638.**

To this is also added the unseizable amount for each dependent person (spouse, dependent children), which is one-fourth of the sum of the subsistence minimum and normative costs, i.e., from 1 January 2023 in the amount of CZK 3,409.50. According to Section 3 of the Regulation on Unseizable Amounts, the total unseizable amount is always rounded up to the whole CZK. One-quarter of the unseizable amount is counted against the debtor's spouse, even if they have separate income. One-quarter of the unseizable amount is calculated separately for a child maintained by the spouses separately if deductions are made from the wages of both spouses. One-quarter of the unseizable amount is not considered for individuals for whom enforcement is still ongoing for maintenance claims.

Since 1 January 2023, the subsistence minimum and normative housing costs have increased. At the same time, these changes were reflected in the so-called limit amount, i.e., the value of the fully seizable amount, the calculation method of which has also changed slightly and currently amounts to CZK 30,685.50.<sup>13</sup>

<sup>12</sup> **Normative costs of housing, in a rental apartment of 1 or 2 persons, in a municipality with a population of 70,000 plus an increase in normative costs of CZK 14,197 + CZK 1,400 = CZK 15,597.**

<sup>13</sup> **Seizable amounts** of CZK 30,685.50 1.5x the sum of the subsistence minimum and normative housing costs, i.e.,  $1.5 * (4,860 + 15,597)$ .

Table 2.

**Values of unseizable amounts for 2023**

	2023	from 1 January 2023
<i>Subsistence minimum of an individual</i>		4 860 CZK
<i>The cost of living for 1-2 people</i>		14 197 + 1400 CZK
<i>Basic unseizable amount (ZNČ)</i>		20 457 CZK
<i>Two-thirds of (ZNČ)</i>		13 638 CZK
<i>One and a half times (ZNČ)</i>		30685,50 CZK
<i>One-fourth of the unseizable amount per next person</i>		3 409,50 CZK
<i>One-third of the remainder of the net salary</i>		10 228,50 CZK

**Examples of unseizable amounts:**

- 1. A divorced employee **with one child will have a basic unseizable amount of CZK 17,048 (CZK 13,638 + 3409.50).**
- 2. **A married employee (wife and one child) will have an unseizable amount of CZK 20,457 (CZK 13,638 + 3409.50 + 3409.50).**

**The sum of the unseizable amounts** per debtor, spouse, and dependents is deducted from the net salary of the debtor.

The balance above the limit of up to CZK 30,685.50 (= limit of the fully seizable amount) is divided into thirds rounded to whole crowns. In contrast, any net salary balance over CZK 30,685.50 is considered a fully seizable amount and is always used to pay installments to creditors.

In the case of enforcement:

- **The first third is** intended for paying **non-preferential claims** <sup>14</sup> (and preferential claims if the second third is insufficient to pay them).
- **The second third is intended to cover the payment of preferential claims.** If there are none, then the second third belongs to the debtor.<sup>15</sup>
- **The third** always belongs to the debtor.

In case of insolvency:

- **the first and second thirds are for** the repayment of receivables (as for preferential claims in execution),
- **the third** always belongs to the debtor.

## Calculation model example-Variant 1:

1. The monthly net income of the debtor is CZK 17,370. He is divorced and has one child. Preferential claims have no calculation of the primary, unseizable amount:  
CZK 13,638 (per debtor) + CZK 3,409.50 (per child) = CZK 17,048.
2. Balance after deduction from net salary CZK 17,370 – CZK 17,048 = CZK 322.
3. Division into thirds: CZK 322 / 3 = CZK 107, the first third goes to the payment of the receivable, The second + third belong to the borrower.  
The debtor will therefore receive a total of CZK 17,048 from his income + 2x CZK 107 = CZK 17263.

If he had any preferential claim, he would only be paid to:

17 048, - CZK + 107, - CZK = 17155, - CZK.

<sup>14</sup> **Preferential claims are** those that have priority over others in satisfaction and are precisely defined by law (No. 99/1963 Coll., Code of Civil Procedure, Section 279(2)). These include, for example, maintenance debts, compensation for damage caused by bodily harm or intentional criminal offense, debts on taxes, social and health insurance, etc. A complete overview is available for viewing.

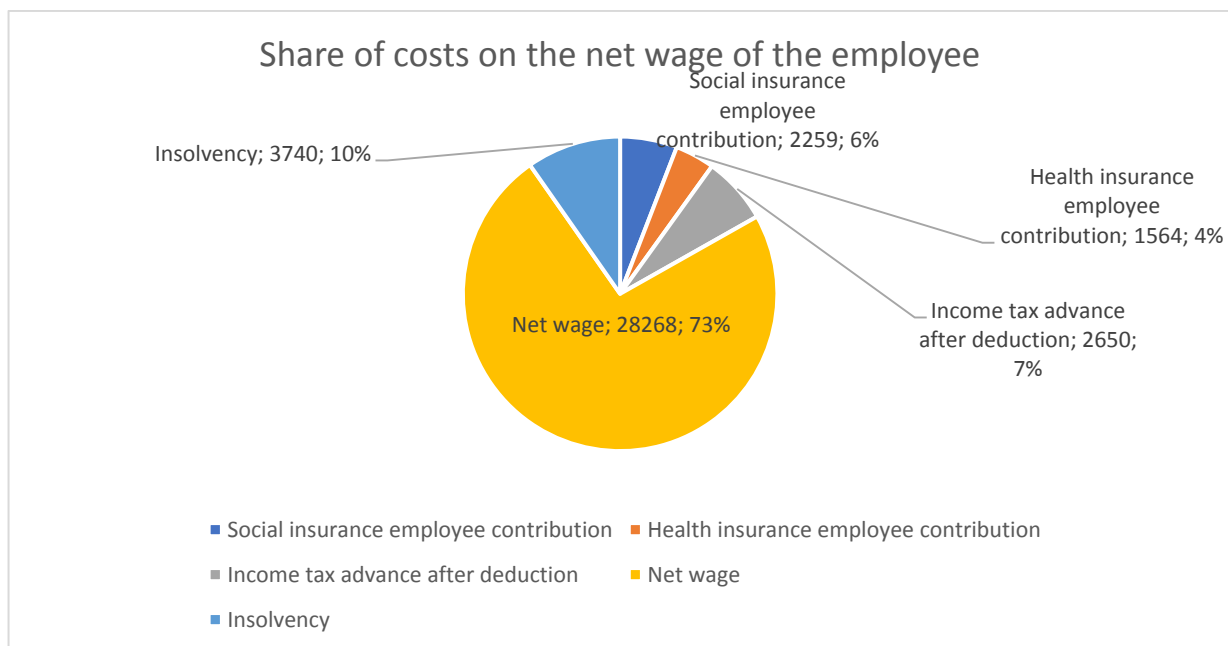
<sup>15</sup> **Non-preferential claims are** considered to be all **others** that are not mentioned in the law. These include unpaid invoices for water, electricity, gas, and other purchased services, mobile services, internet, television, outstanding rent, mortgage payments, overdue fines for riding public transport, and other loans, etc.



Table 3.

**Contributions to the insolvency administrator option I**

<i>Gross salary</i>	20 000 CZK
<i>Social insurance employee</i>	1 300 CZK
<i>Health insurance employee</i>	900 CZK
<i>Advance tax after discount</i>	430 CZK
<i>Take-home pay</i>	17 370 CZK
<i>Insolvency</i>	1 244 CZK

*Graph 2. Share of costs in the employee's net wage, option I*

Furthermore, the employer pays social and health insurance for employees, so in terms of net wages, it costs more than 50%. When this amount is not enough for the insolvency administrator's remuneration, which is at least CZK 1089 per month, the debtor must find a donor or increase the salary at the employer by at least CZK 4,000 gross per month.

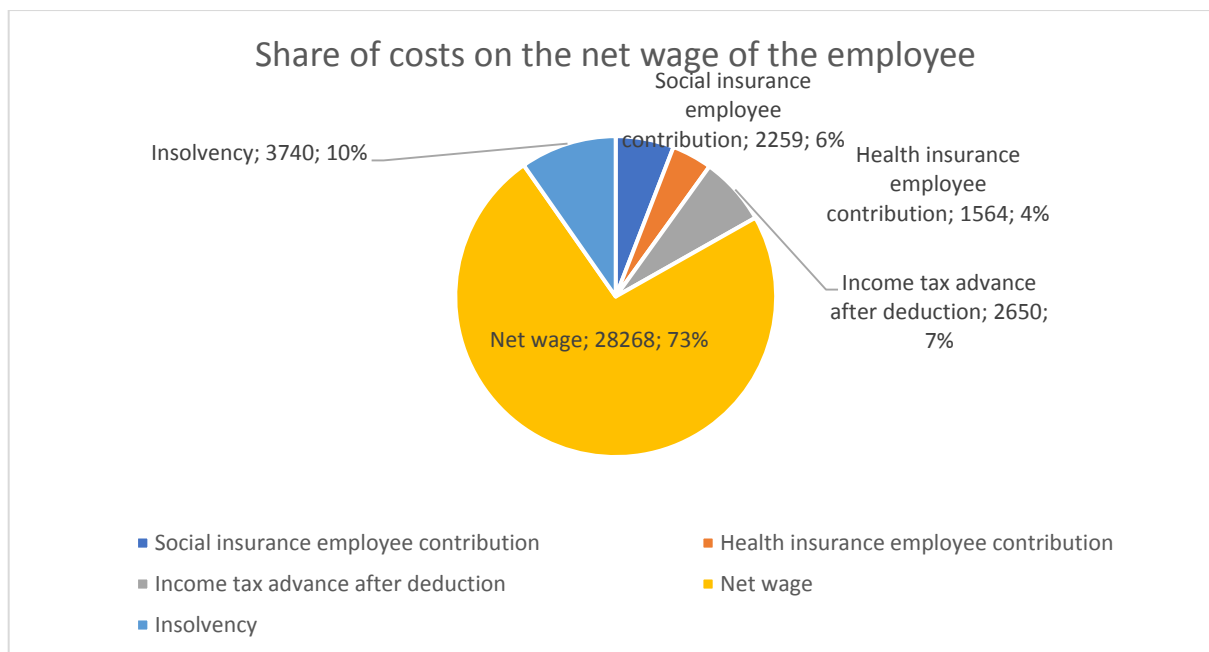
Calculation model example -Variant 2:

*The initial assignment is the same. Only the debtor's gross income is CZK 34,741, the current median wage of 1Q 2023.*

Table 4.

**Contributions to the insolvency administrator option II**

<i>Gross salary</i>	34 741 CZK
<i>Social insurance employee</i>	2 259 CZK
<i>Health insurance employee</i>	1 564 CZK
<i>Advance tax after discount</i>	2 650 CZK
<i>Take-home pay</i>	28 268 CZK
<i>Insolvency</i>	3 740 CZK



Graph 3. Cost share in employee's net wage: option II.

1. unseizable amount = CZK 20,457.

CZK 13,638 (per debtor) + CZK 3,409.50 (wife) + CZK 3,409.50 (per child) = CZK 20,457.

2nd balance after deduction from net salary: CZK 28,268 - CZK 20,457 = CZK 7,811.

3. Division into thirds (considering the amount of the balance, only the limit amount is divided):

CZK 7,811 / 3 = CZK 2603 (rounded down to the whole CZK, any difference in the crown is left to the debtor).

**The first third, or even the second third** (if there are preferential ones), goes to claims.

**The third** belongs to the debtor. The debtor will receive CZK 20,457 + 2x CZK 2603 + 1 = CZK 25664, with a preferential claim of CZK 2603 less.

The amount is not above the limit of CZK 30,685.50, so it is not used to pay receivables.

If these two items are insufficient to satisfy preferential claims, the first third is satisfied with the non-preferential claims. Other non-preferential claims may be helped only from the first third and the fully seizable part of the remainder of the net salary.

Own debt relief

The debtor is entitled to file a debt relief petition, and the court decides on approving debt relief under the given conditions in the debtor's insolvency case. **The court approves the debtor's relief by fulfilling the repayment schedule and** monetizing the bankruptcy estate.

**The debtor** is required to pay unsecured creditors to pay their receivables through the insolvency administrator generally on the 25th day of the month of the income he obtains after the approval of debt relief to the same extent that preferential claims can be satisfied from this income during enforcement or **execution**, after deduction of the regular monthly advance on remuneration and reimbursement of the insolvency administrator's cash expenses, including VAT, an advance on compensation for the reviewed applications of claims according to their number, including VAT, according to the statutory rate, as well as maintenance set by the court for the debtor's children, for the duration of this maintenance obligation and after full payment of the draftsman's remuneration,<sup>16</sup> if it has been appropriately applied.

**The debtor must pay installments to** creditors on the 25th of the relevant month from his income from permanent employment, which he receives from his employer, and any performance under donation contracts.

<sup>16</sup> **Act No. 182/2006 Coll.**, on Bankruptcy and Methods of its Resolution (Insolvency Act), pursuant to the provision. § 390 and par. 5.



**The debtor** is also required to pay the insolvency administrator for each commenced calendar month from the decision to grant debt relief to the end of the repayment schedule, always on the 25th day of the month, the amount of CZK 1089, an advance on his remuneration and reimbursement of cash expenses. The debtor is also ordered to pay the insolvency administrator an advance on the income from the number of examined applications of claims, which amounts to CZK 302.5 for each concerned application of claim.

**The payer** of the debtor's income, which is debt relief at the time of approval, and any other subordinate debtor is ordered to make deductions from the debtor's wages, salary, or other income of the debtor to the same extent as preferential claims can be satisfied from this income during enforcement or execution, but to send them to the insolvency administrator on the account. Amounts deducted from the debtor's wages above seizable, the payer sends the minimum to the insolvency administrator.

**The payer of gifts is required not to** pay the amounts to which he has committed in the donation contracts to the debtor but to send them to the insolvency administrator on the account.

**The insolvency administrator is required to keep the amount of** CZK 900 plus VAT at the statutory rate, if the insolvency administrator is the payer of the fee, as a regular monthly advance on his remuneration and reimbursement of cash expenses, as well as to keep an advance on the pay for reviewed applications of receivables according to their number plus VAT, from the amount that the payer of income and the payer of gifts in the relevant month remit, according to the statutory rate, if the insolvency administrator is its payer, the remaining amount after payment of maintenance and the remaining amount after total cost of the remuneration of the author of the proposal under the provisions. § 390a paragraph. 5 IR, if it has been appropriately applied and has not yet been paid, and advances on remuneration and reimbursement of cash expenses of the insolvency administrator for six months intended for the deposit plus VAT at the statutory rate, if the insolvency administrator is its payer, distributed among the creditors in the manner specified in the operative part IV. of this decision. The insolvency administrator will remit the relevant installments (after the payment.

of advances) to individual creditors after crediting the amount from the payer of income and gifts (payments committed in donation contracts) the 25th day of the month.

**The insolvency administrator must deposit from the monthly installments intended for debt relief an amount corresponding to his remuneration and reimbursement of cash expenses for six months.** This includes the amount corresponding to VAT, according to the statutory rate, if the insolvency administrator is the payer. The deposit is an advance payment of his remuneration and reimbursement of cash expenses. The advance is to be made to a particular account with a bank or savings and credit cooperative established to deposit these advances. The insolvency administrator is obliged to distribute the deposited amount as an extraordinary installment among unsecured creditors within the last installment unless it is used to pay the insolvency administrator's remuneration and reimbursement of cash expenses or to pay other claims against the insolvency estate and equivalent receivables.

**The court obliges the debtor to hand over to the insolvency administrator** for monetization the following assets belonging to the debtor's bankruptcy estate:

1. any funds deposited with the debtor's income payer or a bailiff (in particular, deductions from the debtor's income).
2. assets that may become part of the bankruptcy estate under Section 412(1)(b) IZ provisions.

**The court obliges the insolvency administrator** to check after three years from the approval of debt relief whether the debtor meets the conditions for termination of debt relief after three years under the provisions. § 412a paragraph. 1, letter b), must. § 412a section. Four or mouth. § 412a paragraph. 6 IZ, and to immediately submit a report on the fulfillment of debt relief to the insolvency court or expressly communicate that these conditions are not met.

#### **Procedure for justification.**

**The insolvency court** has an official obligation of the debtor to monitor throughout the duration of debt relief within the meaning of § 395 paragraph. 1 point. a) IZ **honest intent**. As soon as it becomes apparent in the insolvency proceedings that the debtor did not pursue an honest intention by debt relief, the court cancels the debt relief. The debtor is not only monitored that by filing a debt relief petition, he does not have a dishonest intention, but also a reckless or negligent approach to

the performance of obligations in insolvency proceedings, and the fact that the debtor has not declared all his assets, including receivables,<sup>17</sup> is a reason for canceling the approved debt relief.

**The debtor is obliged to avoid reckless** and negligent performance of his obligations throughout the duration of the insolvency proceedings if the insolvency court finds during the debt relief facts that are the reason for the decision under the provisions. § 418 IZ should cancel debt relief, which corresponds to the insolvency court's obligation to ensure that such actions of the debtor do not unfairly prejudice or insufficiently favor the participants in the insolvency proceedings.

**In the case under consideration, the insolvency court must** monitor that the debtor's dishonest intention cannot be found in the facts claimed by the creditor. It is essential that the debtor is now trying to settle his obligations honestly and is ready to fulfill all his obligations arising from the debt relief institute. One of the principles on which insolvency proceedings are based is achieving rapid, economical, and maximum satisfaction of creditors.

**The debtor must endeavor to** resolve his obligations lawfully. According to the court, the debtor should get a chance to fix his bankruptcy through debt relief and, under supervision, transparently repay the highest possible amount to his creditors. Under the current legislation, debt relief can be adequately fulfilled and then exempt from paying the rest of the debts even with lower satisfaction of unsecured creditors, provided that the debtor makes all reasonable efforts to satisfy them as much as possible. If, during debt relief, it turns out that the debtor's intention to be relieved of debt was not honest, or his approach to fulfilling his obligations in the insolvency proceedings would prove reckless or negligent, the insolvency court retains the option to cancel the approved debt relief.

**The court must consider it established that the** debtor fulfills his obligations stipulated by the insolvency order, i.e., provides assistance to the insolvency administrator, duly pays advances on remuneration and out-of-pocket expenses, and performs gainful activity commensurate with his possibilities and abilities, and it is, therefore, clear that he is trying to resolve his situation, to settle with creditors and to remedy the problem caused by the previous wasteful management of his assets.

**The court relies on the inventory of the bankruptcy estate** submitted by the insolvency administrator, from which it must be clear that the debtor no longer owns any valuable realizable assets not registered in the insolvency estate. Regarding any other assets it finds, the insolvency administrator will proceed with due managerial care and monetize these assets as profitably as possible.

**For the duration of the effects of debt relief approval by** fulfilling the repayment schedule with the monetization of the bankruptcy estate, the debtor is obliged to:

- a) **to engage in reasonable gainful employment** and, if unemployed, to seek an income; nor may he refuse a viable opportunity to obtain payment.
- b) **the value obtained by inheritance, gift, and ineffective legal act, as well as assets** that the debtor did not specify in the list of assets, although this obligation had issued the insolvency administrator for monetization and proceeds, as well as other of their extraordinary income and part of the proceeds of monetization of property belonging to the joint property of spouses, use for exceptional installments beyond the repayment schedule,
- c) **always by 15 March and 15 September** of the calendar year to submit to the insolvency court and the insolvency administrator a summary of their income for the past six calendar months,
- d) **not to conceal any of their income** and, at the request of the insolvency court or insolvency administrator, submit for inspection their tax returns for the duration of the effects of debt relief approval,
- e) **not to take on new obligations that it would be unable to meet when they fall due.**

By § 418 paragraph. 1 IR, the court cancels the approved debt relief and at the same time declares the debtor's assets bankrupt if:

- a) the **debtor fails to fulfill substantial obligations** under the approved debt relief method or,
- b) **as a result of the culpable conduct** incurred by the debtor after the approval of debt relief financial obligation for more than 30 days after the due date, or,

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<sup>17</sup> **Resolution of the Supreme Court in Brno** 29 NSČR 77/2021-B-40 of 21 December 2021.

- c) **due to circumstances caused by him, the debtor is not** able to repay in full or receivables under the provisions of § 395 paragraph 1, letter b) IR for more than three months if they arose after the bankruptcy decision.

### Conclusions

After summarizing the above, we come to an unequivocal conclusion. The creditor irresponsibly lends money or performs services without expecting to be paid only the base, the nominal, but relies upon. On penalty arrangements, increased interest, and the subsequent creation of an enforceable title.

It depends on the fact that the creditor can seize assets by execution.

The borrower also behaves irresponsibly and does not adhere to the repayment schedule.

1. Elimination of debts.
2. Sell what you do not need or do not carry anything.
3. A life commensurate with possibilities.
4. Mastering the discipline of regular saving.
5. Wise investing.
6. Living in your own house or apartment.
7. Long-term thinking.

According to the above points, Tomáš Baťa Sr. (1876) educated the young men and women he employed to order, discipline, and investigation and stated that two young people who had brought the ability to earn money into marriage and were disciplined in the reasonable use of funds by ten years of experience of independent housekeeping would be with their savings around 150,000 CZK. **Young men** can earn CZK 100,000 by their 24th year, and young women 50,000 CZK. With 10% interest on savings, interest accounts for one-third of this saved capital. This will make starting a family with a solid economic future possible. The young people will become capitalists because their money will work for them. Ten percent interest on their capital is sufficient for the most necessary expenditure.<sup>18</sup> The price of a half-house in Zlín in the times of Tomáš Baťa Sr. was up to CZK 50,000. Nothing educates today's creditors and debtors, and nothing leads to greater responsibility to manage the funds entrusted to them and how to use them.

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8. Act No. 182/2006 Coll., the Bankruptcy Act and Methods of its Resolution (Insolvency Act), Section 316. Leviticus is the Old Testament's third book, also called Moses's third book.

<sup>18</sup> Karel, NEDBÁLEK, *Baťové versus Czechoslovakia, aspect 2021 KN*. Slušovice: Čibe a. s., law firm Mgr. Karel Nedbálek a otec, 2021, ISBN 978-80-908245-0-8, p. 23.