



## TPA Newsletter, Special Edition 4/2020

### Recapitulation of government measures to support entrepreneurs

Dear clients and business partners, in this newsletter we recapitulate the government measures to support entrepreneurs as per 24th March 2020.

#### 1. Employers and employees

##### 1.1. Compensation of paid salaries

The government has approved the proposals by the Ministry of Labour and Social Affairs to support employees and employers in the context of the “Antivirus” program. Through the Employment Office of the Czech Republic, the government will compensate funds paid out by companies.

**Mode A: Employee quarantine.** Compensation of salary or pay will be paid out to employees by their employers at 60 % of the average salary. The employer will be provided with a government contribution equal to 100% of such salary compensation paid.

**Mode B: Closed businesses by the government decision.** This is the situation when the employer has been ordered to close operation on the basis of the decision government in connection with the COVID-19 infection. Compensation of salary or pay will be paid out to employees by their employers at 100 % of the average salary. The employer will be provided with a government contribution equal to 80% of such salary compensation paid.

**Mode C: Obstacles due to a quarantine order or childcare among a significant part of the employees.** 30 % of the employees of companies, plants or other organizational parts is what is meant by a significant part. Compensation of salary or pay will be paid out to employees by their employers at 100 % of the average salary. The employer will be provided with a government contribution equal to 80% of such salary compensation paid.

**Mode D: Limitation of supply (raw materials, products, services) required for the employer’s activity due to quarantine measures (or generally, production drops).** Compensation of salary or pay will be paid out to employees by their employers at 80 % of the average salary. The employer will be provided with a government contribution equal to 50% of such salary compensation paid.

**Mode E: Limitation of demand for services, products or other company products.** Compensation of salary or pay will be paid out to employees by their employers at 60 % of the average salary. The employer will be provided with a government contribution equal to 50% of such salary compensation paid.



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### 1.2. Care-giver's allowance for employees and self-employed persons

The government has decided to amend several regulations for payment of a care-giver's allowance (e.g. parents unable to work as they take care of their children). Time has been stretched to the period during which the ban on school attendance remains effective. Further, the child age limit has been increased from 10 to 13 years. Persons who have to care for a disabled person after closure of daily social welfare institution are also to have a claim for a care-giver's allowance. Self-employed persons will also have a claim to a care-giver's allowance.

## 2. Income tax for individuals and corporations

### 2.1. Filing of tax returns and tax payment for 2019

On Monday 16<sup>th</sup> March 2020, in connection with the measures taken by the Czech Government, the Ministry of Finance made public the so-called Liberation Package I.

On the basis of Liberation Package I, there will be a pardon of penalties for late filing and late income tax payment assuming that the delay will not be past 1<sup>st</sup> July 2020. This is a "uniform" pardon which does not have to be requested. It is a relief which applies to both individuals (entrepreneurial and non-entrepreneurial) and corporations (e.g. non-audited companies or institutions).

Taxpayers who have a deadline for filing a tax return on 1<sup>st</sup> July 2020, either due to mandatory verification of financial statements by an auditor or whose tax return is processed and filed by a tax advisor, have to request pardon of penalties individually if they file the tax return or pay tax after the stated date.

### 2.2. Income tax advances

On 24<sup>th</sup> March 2020, the Ministry of Finance made public the so-called Liberation Package II, which uniformly excuses June income tax advances, regardless whether for individuals or corporations. In practice this means that all tax payers, who were on the basis of previous tax returns obliged to pay income tax deposits due on 15<sup>th</sup> June 2020, will not have to pay it at all.

If taxpayers paid deposits on 15<sup>th</sup> March 2020, they can request that the tax administrator refund these deposits by a refund request. This is a request to the tax administrator to fix deposits differently from the outcome from the last known tax obligation. In the request, which is not subject to an administrative fee, it is necessary to state the reasons in connection with the spread of COVID-19. Should the tax administrator approve, a deposit which has already been paid will be refunded on the basis of a request made by the tax

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subject. In accordance with Liberation Package II, the above-mentioned filing of the request will be exempt from administrative fees until 31<sup>st</sup> July 2020.

### 2.3. The possibility of retrospective deduction of tax loss

The Ministry of Finance is planning to implement the institute of “loss carryback”. This possibility introduces a retrospective effect in which a tax loss which occurred for 2020 can be exercised against profits accounted for in the tax return for 2018 and 2019. Details on this measure are still missing.

### 2.4. VAT

Financial authorities will automatically excuse fines amounting to CZK 1,000 for not filing control statements arising between 1<sup>st</sup> March and 31<sup>st</sup> July 2020. Other fines in connection with control statements amounting to CZK 10K to CZK 50K will be excused by individual request if the payer proves connection with the error and exceptional measures that have been passed (e.g. substantiation of the influence of quarantine, illness, connected care of a family member concerning a payer, their representative or persons crucial to the payer’s activity).

## 3. Self-employed persons

### 3.1. Health insurance

From the filing date for income tax, there remains the obligation of a self-employed person to file the Overview of incomes and expenses and the sum of insurance deposits for 2019. Health insurance companies will not penalize late filing of overviews until 3. 8. 2020 if payers utilize the latest possible term 1. 7. 2020 for filing income tax returns. It still applies that the back payment for 2019 has to be made within 8 days of filing the overview, thus by 11. 8. 2020 at the latest.

### 3.2. Social insurance

The procedure for filing the self-employed person Overview for 2019 is not on the Ministry of Labour and Social Affairs webpages or, more precisely, it has not been dealt with by the Czech Social Security Administration. We expect, however, that it will be similar to filing the health insurance overview.

### 3.3. Advance payments for social and health security for 2020

On 23. 3. 2020, the government approved a bill which pardons for 6 months the minimum mandatory advance payments for social security.

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All self-employed persons (who perform their activities as main or supplementary) will thus not have to pay advances for social security during the period from March to August 2020:

- The entire advance amount will be excused for self-employed persons who are to pay minimum advance amounts (the amount CZK 2,544 in the case of social insurance, and CZK 2,352 in the case of health insurance).
- Self-employed persons who are to pay a higher advance than the minimum amount also do not have to pay any advance during this period.

When filing the overview for 2020 they then back-pay only the difference between the minimum deposit and the true deposit amount which they were to pay between March and August.

As regards self-employed persons who have already paid the March deposit, this amount will be considered an advance deposit payment for September.

## 4. Loans

### 4.1. Interest-free loans for operational costs – COVID I

Acceptance of requests for the COVID I interest-free loan was stopped on 20. 3. 2020. The requests are currently being evaluated so that the first loans can be provided within the next 14 days. In cooperation with the Czech Development Bank (“ČMZRB”) the Ministry of Industry and Commerce has been preparing another program named COVID II, aimed at supporting small and medium-sized entrepreneurs and self-employed persons by providing guarantees for commercial loans from CZK 10K, with a financial contribution to cover interest.

Current information from the government states that financial resources amounting to CZK 10B from operational programs are to be redirected into the program. At the same time, based on the statement from the Ministry of Industry and Commerce, one can expect that there will occur on the one hand an adjustment of the minimum loan limit due to the support of the smallest entrepreneurs and self-employed persons (whether in the bounds of this or another program) and, further, another increase of the target amount in order to ensure maximum efficiency of the program. In details, we refer to <https://www.cmzrb.cz/podnikatele/uvery/uver-covid/>.

### 4.2. Support for investment expenses – the EXPANZE loan

Small and medium-sized entrepreneurs who find themselves in difficulty due to the coronavirus pandemic can likewise attain through ČMRZB a loan to cover planned or realized investments. Although this is not

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a financial instrument prepared in connection with the current pandemic, it may be an interesting alternative for numerous entrepreneurs during the expected marked decline in future profits.

The advantageous loan can be used to finance eligible expenditures: these are fixed tangible assets – purchase of machines and devices, purchase and technical appreciation of constructions and purchase of plots of land. Fixed intangible assets are likewise eligible expenditures.

The provided loan is interest-free, without processing fees, and the amount thereof is CZK 1M – 45M or, more precisely, up to 45 % amount of a project's eligible expenditures. The maturity of the loan is up to 7 years or, more precisely 10 years (if the loan is mostly designated for purchasing immovable property), and ČMZRБ enables postponement of repayments for up to 3.5 years. At the same time, financing the project by means of a commercial loan provided by one of the contractual partners of ČMZRБ, amounting to at least 20%, is one of the conditions for acquiring the loan. ČMZRБ provides a financial contribution of up to CZK 2M to cover interests from the commercial loan. The projects can be realized anywhere on the territory of the CR, with the exception of the capital city of Prague.

## 5. Other reliefs

### 5.1. Late payment of real estate acquisition tax will not be penalized

The Minister of Finance has decided to pardon penalties connected with late filing and late payment of real estate acquisition tax if the above-mentioned obligations are fulfilled at the latest by 31. 8. 2020.

The liberation period starts with 31. 3. 2020.

### 5.2. EES has been postponed for a three-month period after the end of the state of emergency

Further, the Ministry of Finance is suspending electronic registration of sales ("EES") throughout the state of emergency and the subsequent three months. Suspension means that no payer will have to record their turnovers through EES and this obligation will not be checked by the authorities. The Ministry of Finance had already previously given notice that it would postpone the closing phase of EES by three months. For this reason, the Ministry of Finance has temporarily resorted completely to suspend EES. This step will be settled legislatively by a special Act.



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Kind regards

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