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# News Flash

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In relation to the current situation, the Czech Government approved a package of tax measures, the so-called Liberation Tax Package. It thus responds to the difficult situation affecting a large part of legal and natural persons. What areas do the measures concern?

### 1. Personal and corporate incomes tax

The statutory deadline for filing of 2019 personal and corporate income tax returns will remain on 1 April 2020 (or 1 July 2020 in case of a statutory audit or filing of the tax return by a tax advisor based on power of attorney).

However, if the tax return is filed after 1 April 2020, the Financial Administration will not impose any penalties for late filing if it is done till 1 July 2020. Similarly, the Financial Administration will waive any interests for late payment of 2019 tax (tax underpayment), if the payment is settled by 1 July 2020. Tax overpayments shall be refunded within 30 days from the date of filing of the tax return (counted from the deadline for filing of the tax return at earliest).

There is no need to request an extension of the filing deadline for personal or corporate income tax returns until July 1, 2020, or to prove the reasons for the delay caused by the COVID-19 epidemic.

The above also applies to the filing of withholding tax statements for 2019, but does not apply to payroll tax withholdings statements that must be carried out by 20 March 2020.

Notifications of income exempted from taxation received in 2019 must also be filed by the statutory deadline, i.e. by 1 April 2020.

The Financial Administration further disclosed they would hold a considerate approach towards the requests for tax delays, requests for reductions or exemptions from the obligation to pay tax advances, or requests for the dismissal of penalties in case of delay. For those applications whose submission is connected with the obligation to pay the administrative fee, the

administrative fee will be dropped if the application is submitted by 31 July 2020.

### 2. Social security

Up to the present date, no information has been published by the Czech Social Security Administration ("CSSA") about their approach to the reporting of 2019 incomes and expenses of entrepreneurs, resp. payment of contributions, and employers' insurance contributions. Therefore, the obligations and deadlines of employers and self-employed individuals are currently without any changes. The CSSA recommended the transition to electronic communication, specified the recommended procedure for self-employed persons when interrupting / terminating their activities, highlighted that it is possible to agreed extension of filing deadlines "remotely". For physical filing of forms, there are special boxes at the entrances of selected workplaces.

The statutory deadline for filing of 2019 overviews of incomes and expenses is within one month from the deadline for filing of the tax return. If the tax return of the entrepreneur is not prepared and filed by a tax advisor, the entrepreneur will be obliged to submit overviews for 2019 no later than 4 May 2020. In case of an underpayment, it is due no later than 8 days after submitting the overviews.

In the light of the currently changing situation, we expect further concession related to this topic. We will keep monitoring the situation and inform you in case of any changes.

### 3. Health insurance

Health insurance companies stipulate the approach individually, to the date of preparation

of this article, the following companies allowed filing of 2019 overviews of incomes and expenses by Monday 3 August 2020 without imposing a fine: VZP, ZPMV ČR, RBP-ZP, VoZP. Other health insurance companies are likely to join them gradually. The potential underpayment will then be payable for these health insurance companies no later than 8 days after the filing of 2019 overviews of incomes and expenses, i.e. no later than 11 August 2020. Overpayments are returned automatically.

If payments are delayed and penalties are due to the occurrence of coronavirus, payers (self-employed and employers) can file a so-called removal of the harshness of the law (a direct link with coronavirus spreads will have to be declared). All cases will be assessed individually.

We also recommend to entrepreneurs to consider applying for decreasing of prepayment.

The Health Insurance Bureau has assured that, in the event of coronavirus disease in another EU country, healthcare can be drawn into the Czech public health insurance account under the same conditions as for local insured persons. If necessary, a European Health Insurance Card has to be declared to the provider.

#### **4. Value Added Tax Return (VATR) and VAT Control Statement (VATCS)**

The statutory deadline for filing of the VATR and VATCS cannot be extended; penalties for late filing of VAT and VATCS will be treated as follows:

- The tax authorities will dismiss fines for the late filing of VATCS in the amount of CZK 1,000 that occurred between 1 March to 31 July 2020 without the necessity to prove any relations to COVID-19 epidemic. Such fines relate to the late filing of the VATCS by the taxpayer without any official appeal from the tax authorities.

- The dismissal of other fines for late filing of VATCS or VATR incl. late payment interests imposed from 1 March to 31 July 2020 will be granted based on a taxpayer's individual request if connection to COVID-19 epidemic is sufficiently proven (e.g. decrease in revenues, accountant or key person infected, etc.). Such request shall not be subject to any administrative fees

#### **5. Electronic Evidence of Sales (hereinafter "EET")**

Since it is not legally possible to postpone the start of the third and fourth phase of EET (relevant to for e.g. the liberal professions, transport, and manufacturing industry) which are effective as from 1st May 2020, the Financial and Customs Administration have committed to refrain from enforcing and inspecting of EET obligations of tax payers concerned for the duration of a three month period. During this "tolerance period" from 1 May 2020 to 31 July 2020, no penalties in connection with late commence of EET within the third and fourth phase will be levied.

#### **6. Financial support for small and medium entrepreneurs**

On Monday, 16 March 2020, Českomoravská záruční a rozvojová bank, a.s. („ČMZRB“) commenced receiving applications for the COVID loan program. The aim of this program is to alleviate the situation of small and medium-sized enterprises in connection with COVID-19 epidemic and subsequent preventive measures. Applications may be submitted by 31 December 2020 or until the planned allocation of the call is exhausted, or the amount by which the assistance will be increased (Note: the originally planned amount of CZK 600 million was increased to CZK 1.7 billion, the government promised any further increase). The ČMZRB will decide on the allocation of the interest-free loan

with regard to the presumption of meeting the qualifying criteria.

Through the program, entrepreneurs can obtain an interest-free loan in the range from CZK 500,000 to CZK 15 million intended for operational financing, i.e. to pay employees' wages, rent, energy costs, purchase of supplies, payment of supplier invoices, etc. Conversely, the loan will not be used to finance investment into the assets of the applicant.

Loan applications will only be submitted electronically to the ČMZRB e-mailroom. Documents proving that the entrepreneur has been in difficult situation in relation to COVID-19 epidemic and follow-up measures will form an essential part of the application. Practically, such

documents should confirm the cancellation of orders by customers, the impossibility to fulfil their supplier - customer obligations due to failure to provide contracted inputs, cancelling tours in case of travel agencies, etc. In addition, the applicant shall provide for e.g. financial data for the three closed accounting periods as well as a financial forecast for the three coming accounting periods.

If you are interested in obtaining detailed information on the conditions under which the interest-free loan can be obtained, or if you require assistance in preparing the application, we will be pleased to assist you.

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