

News Flash

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Further financial aid for entrepreneurs and real estate market support in the Czech Republic

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From the beginning of March 2020, almost all businesses have been affected by the preventive measures introduced by the government to prevent spread of coronavirus. Although restrictions are slowly being lifted, the impact of the pandemic on economic prospects of many entrepreneurs is still severe. In an effort to aid entrepreneurs as restrictions have not yet been fully lifted, the Czech government has recently approved to extend financial assistance to entrepreneurs and companies and announced legislative amendments supporting the real estate market. The measures below are described to 14 May 2020.

One-time compensation bonus extended and will be available for owners of small limited liability companies as well

From 12 March to 30 April 2020 entrepreneurs could apply for one-time financial assistance from the Czech government upon request – CZK 500 per day, CZK 25,000 in total. As amendment to the Act on the Compensation Bonus has been recently approved, entrepreneurs may apply for the compensation bonus from 1 May until 8 June 2020 as well, i.e. further CZK 19,500.

This benefit will be paid if the following conditions are met:

- The entrepreneur is considered a self-employed person in accordance with the Pensions Insurance Act;
- The entrepreneur does not have employment relationship based on that in pension insured;
- The entrepreneur signs the affidavit that he/she could not perform his self-employment activities in full range due to the COVID-19.

From the compensation bonus may newly benefit also owners of small limited liability companies if met certain conditions (e.g. 2019 turnover at least CZK 180,000). The financial support could be provided to a small limited liability business of max. 2 partners. Both partners may apply for the compensation bonus only if they are not already profiting from another form of state financial aid. The relevant amendment is awaiting the completion of the legislative process.

Where to apply: Financial Administration of the Czech Republic

When and how to apply: The application form is available on the website of the Financial Administration from 7 May 2020. The form needs to be filled out and sent to tax authorities i.e. via email, electronic data box, with verified digital signature or personally at the offices of the Financial Administration.

Nursing allowance increased (“ošetřovné”)

The entrepreneurs who had to close down/reduce their business to take care of their children were previously able to claim a nursing allowance of CZK 424 for each day during the entire period of the state of emergency. Upon the proposal of the Ministry of Industry and Trade (MPO) the Czech government has recently decided that entrepreneurs will newly be able to receive daily nursing allowance of CZK 500 until 30 June 2020. The increase will be already applicable for April.

Entrepreneurs will be entitled to the nursing allowance if they meet the following conditions:

1. Entrepreneurs who cannot work due to care for a child under the age of 13 attending a school or other childcare facility closed due to nationwide restrictive measures in response to the epidemic;

it should be extended to the period when parents decide not to send child to school for voluntary attendance.

2. Entrepreneurs who cannot work due to care for a dependent child up to the age of 26 who is dependent on the help of others (at least with 1st degree of dependency) under the Social Services Act and who is unable to attend a school due to its closure.

Where to apply: Trade Licensing Office (“Živnostenský úřad“)

When and how to apply: From 11 May 2020 on (may be paid retrospectively for April) the application may be filed via electronic data box, email with verified digital signature or via post. The application form is available on the website of [MPO](#); in addition it will be necessary to submit a declaration that the entrepreneur is performing self-employment as their main activity and the other parent is not already drawing the nursing allowance.

Electronic recording of sales (EET) temporarily suspended

On 6 May 2020, the Chamber of Deputies approved the proposal of the Ministry of Finance to postpone the Electronic Record of Sales for all waves until the end of 2020.

The taxpayers falling into the first and the second wave (i.e. wholesale, retail, catering and accommodation), as well as the taxpayers who were originally scheduled to start recording on 1st May 2020, will not start recording their sales until 1 January 2021. The amendment to the law, which extends the postponement of the Electronic Record of Sales until 1 January 2021 is currently being discussed in the Parliament.

Acquisition tax abolished

The Czech Ministry of Finance has also proposed adopting a series of tax measures in the area of real estate acquisition tax (hereinafter “acquisition tax”). On 30 April 2020, the government approved the amended proposal, which will be consequently discussed in the Chamber of Deputies.

A main part of the proposal is a complete abolition of the 4% acquisition tax paid by the buyer from the total purchase price of the real estate. The proposal of the law should be effective retroactively. The taxpayers whose acquisition tax is due from 31 March 2020, i.e. a record in the Land Register occurred in December 2019 and beyond will no longer be obliged to pay the acquisition tax.

To compensate the impact on the state budget in abolishing the acquisition tax, the proposal also includes the abolition of the deduction of interest on newly concluded residential mortgage loans from the personal income tax base (currently up to CZK 300,000 per annum). Interest deductions will still be available to any buyer who acquires the real estate in December 2021 at the latest. This means that for the real estates acquired between December 2019 and December 2021, the buyer will not pay any acquisition tax and at the same time will be allowed to deduct the interest on mortgage loan from the tax base.

Moreover, the proposal extends the period for exempting natural person’s income from the sale of real estate from the current 5 to 10 years. If the income is used to procure housing, the exemption should be maintained. The extension of the time test will be effective for real estate acquired after 1st January 2021.

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Contact

Kateřina Hrůzová

Tax Manager

E-Mail: Katerina.Hruzova@accace.com

Phone: +420 222 753 480



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