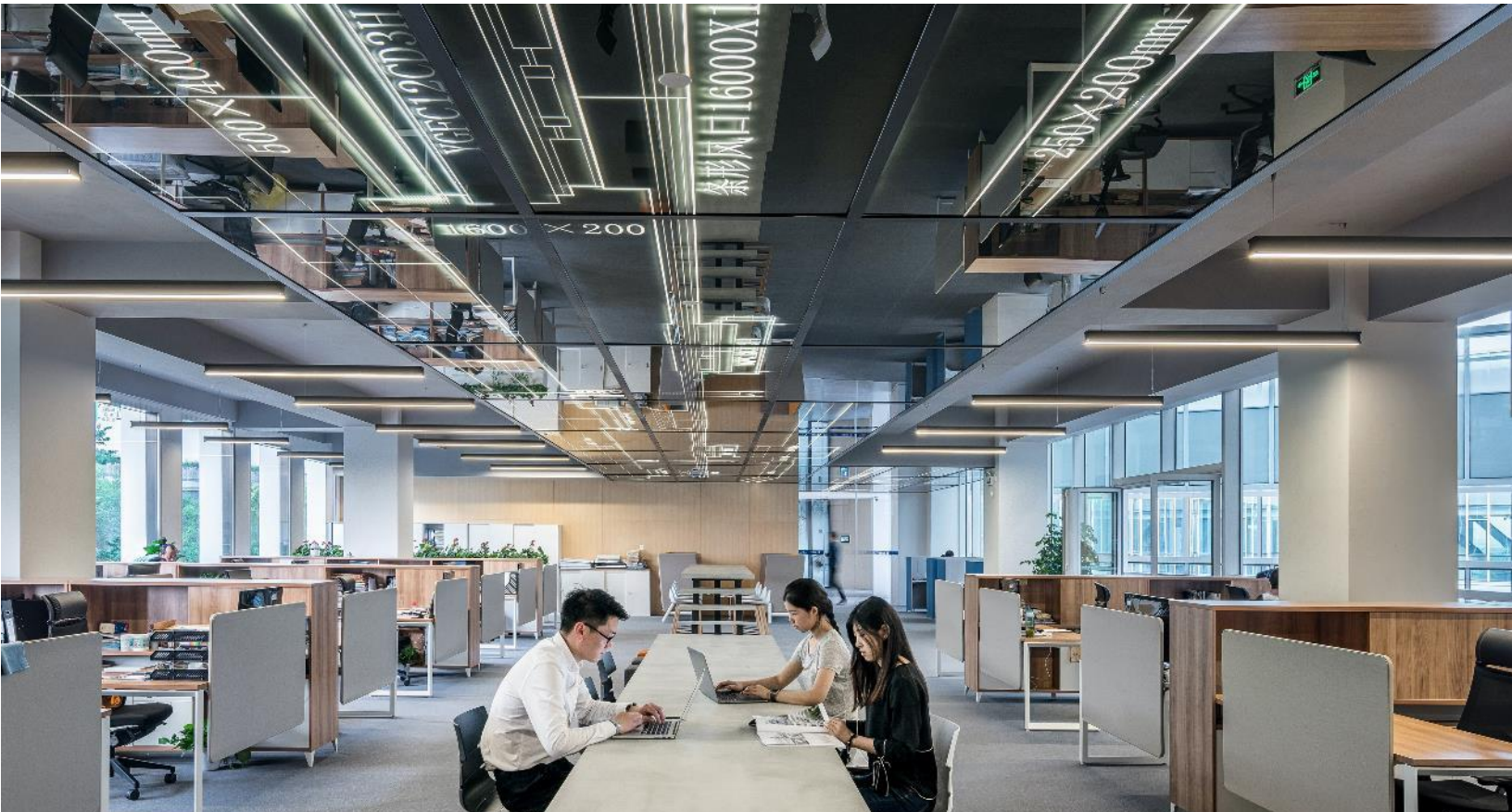


News Flash

2 June 2020

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**Covid-19: Further financial support
in the area of insurance premiums in
the Czech Republic**

Further financial support in the area of insurance premiums in the Czech Republic

With the aim to support employment, the Czech Ministry of Labor and Social Affairs (MoLSA) has prepared several packages that should aid employers in a difficult economic situation and prevent mass redundancies.

Extension of the targeted project (Antivirus) to support employment

Under the project, employers receive a contribution to compensate the wage they have been forced to pay even though employees have not been working due to closures, restrictions of business activities or quarantines (scheme A) or due to partial unemployment (scheme B).

The project was initially limited to wage compensation paid for March and April 2020. The government first agreed to extend the compensation **until 31 May 2020**, and so employers may apply for a contribution to wage compensation paid to employees in May, both under scheme A and B.

At a meeting on 25 May 2020, the government approved a further extension of the project until **31 August 2020**. However, this extension only applies to **scheme B** i.e. employers who have initiated partial unemployment.

At its meeting on 9 June 2020, the government approved the extension of the Antivirus program until **31 August 2020 also for scheme A**. The reason is that even today, employees are still ordered to quarantine (and a growing number of such employees cannot be ruled out) and that despite the release of measures, there are still employers who cannot fully carry out their activities with regard to the restriction on events over 500 people (festivals, cultural events, exhibitions, etc.).

Please find more information about the Antivirus project summarized [in this article](#).

Possibility of postponing payments of contributions to social security

On 20 May 2020, the Senate approved a bill to reduce the penalties on delayed payments of social security contributions and contributions to the state employment policy paid by the employer. According to the newly approved legislation, employers may **only defer payment** of social security contributions (24.8%) for May, June and July 2020.

However, they are still obliged to withhold and pay contributions from gross wages of the employees (6.5%) and submit a monthly overview of the total amount of contributions to the Czech Social Security Administration (CSSA). According to the amendment, it will also be possible to provide an overview of the total amount of contributions in electronic form, starting with the overview for June 2020.

However, the deferral of the payments to social security **will not remain without any penalties**. If the contributions for May, June and July 2020 are paid no later by 20 October 2020, employers will be penalized at a reduced rate of 4%. Otherwise, the penalties would be at the full rate of 18%.

In the event that employers decide to defer payments of contributions paid by the employer, it will not be necessary to notify the CSSA. According to CSSA, employers will not be penalized if the total amount of penalties does not exceed CZK 1,000.

The deadline for deregistering and registering employees brought forward

The unfortunate amendment to the legislation above approved the moving forward the deadline for filing the registration and deregistration of the employees to CSSA. Until recently, employers are obliged to report the employee's entry or exit within 8 calendar days. However, with effect from **1 September 2020**, the deadline has been brought forward and the employers will be obliged to notify the CSSA (electronically) no later than **the next working day**. If the CSSA is not notified by the next working day, the employers **may receive a fine** of CZK 20,000.

This amendment causes additional administrative burdens for employers and payroll accountants, although reducing administrative burdens should be the goal of government proposals. The Chamber of Tax Advisers, the Association of Accountants and other institutions consider this change to be disproportionate. Unfortunately, according to the latest information, the MoLSA is not currently considering changing the law.

Waiver of social security contributions – the "C" scheme of the Antivirus project

In the Chamber of Deputies, the government bill on the waiver of social security contributions and contributions to the state employment policy is now also awaiting discussion.

The waiver of contributions means a reduction in the assessment base for the employer, i.e. a waiver of 24.8% of the total income of employees, and the waiver for June, July and August 2020 is expected.

The waiver of contributions will only apply to **smaller companies** - they will be available only to employers who do not employ more than 50 employees in the employment relationship participating in sickness insurance.

The employer will also have to meet the following conditions:

- In due time payment of contributions for employees,
- Maintaining at least 90% of employment compared to March 2020 and corresponding labor costs;
- Tax residence in the Czech Republic.

The achievement of the conditions will be assessed each month separately.

The aid will not be provided to public sector employers or health insurance providers covered by health insurance. Concurrent drawing of contributions from schemes A and B is also excluded.

It will not be necessary to apply for a waiver of contributions. The employers only need to decrease the amount of contributions in monthly overviews sent to CSSA and pay the corresponding reduced amount.

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