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EDITORIAL



Dear Readers,
For almost a month we have been living in a state of emergency that none of us was prepared for. Suddenly we had to change how we behave and how we work. We are overwhelmed with information and so far the only effective remedies are hand washing, social distancing and wearing a face mask. All this is happening in the second decade of the 21st century, when a month ago our main topics were robots, neural networks or blockchain. We are doing our best to help. We put together a group of experts that focuses on monitoring government measures. They help us find solutions for you, our clients, and publish useful summaries on our [website](#). We would like to share our knowledge and experience with you in a series of webinars that will be held in Czech, English and German on 15 and 16 April. There has

never been so much uncertainty, so much information, so many losses, but on the other hand, so many ways to cover them, at least in part. Not only the economy, but the whole world around us will undoubtedly change in profound ways. Companies will have to resolve complicated questions, possibly of an existential nature. I want our advice to help you in times of uncertainty. This is an unprecedented time for us all. I wish you, your teams and company good spirits and energy. One day this will pass. I have no doubt that we can do it together and that we will emerge from this stronger.

Miroslav Janděčka
Managing Partner

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EMPLOYEE ENTITLEMENTS AND EMPLOYER RESPONSIBILITIES IN RELATION TO CORONAVIRUS

One of the most important conditions to take advantage of the *kurzarbeit* (subsidised short-time work) system is strict adherence to the Labour Code. Above all, this means not only paying wages to employees correctly, but also reporting wages. In the following, we will draw attention to the basic obligations that an employer must fulfil if employees are absent from the workplace due to coronavirus.

1. Obstacles on the part of the employee

The most common cause of absence of an employee is nursing a family member (NFM). This institute is not new, it has been used by employees for a long time. There were three major changes relating to coronavirus. On the one hand, it is possible to use NFM for the care of children up to 13 years of age (previously only children under 10). The second change is that NFM can be drawn not only in case of illness of the child, but also because of the closure of the school facility. Finally, the third change is that NFM can be drawn for the whole time of the school closure and not only for nine days.

If an employee is in quarantine, the procedure is the same as for incapacity for work. For the first 14 days, the employer pays the employee wage compensation of 60% of the average reduced earnings; from day 15 the employee will draw sickness benefit from the Social Security Administration. The government has decided to provide employers with an allowance for wage compensation for the first

14 days, amounting to 80% of the amount paid. This support is part of the „Antivirus“ programme, which we discuss below.

If an employee has become ill, i.e. has a standard incapacity for work, the regime is standard and everything is reimbursed in the normal way. The employer does not receive compensation for the first 14 days of compensation.

2. Obstacles on the part of the employer

If the employer decides not to stay in the workplace there are several variants. The most common solution used in practice is the introduction of home office. Wherever possible, workers can work from home and this is a standard work performance, i.e. there is no absence or time not worked. An employee cannot be ordered to work from home; both parties must agree on it. We recommend that this agreement be made in writing and, if this is not possible, at least by email. In a separate article, we also point out some related tax aspects.

Other solutions (such as holiday arrangements, compensatory leave, etc.) are discussed in a separate article [here](#).

The worst situation for companies is when they must completely or partially limit or shut down their operations, either directly by government order or indirectly, due to a decrease in sales, a reduction in demand, a lack of raw materials or similar causes. It is always necessary to decide correctly why employees are not able to perform their work. For this period, employees receive wage compensation, which is calculated from the average earnings for the last completed calendar quarter. The Labour Code sets forth how to calculate this wage compensation in paragraphs 207 - 209.

► **Establishments closed due to the state of emergency** (shops, restaurants, hotels, etc.) have an obstacle to work on the part of the employer under Section 208 of the Labour Code. Employees are entitled to wage compensation equal to 100% of their average earnings (the same scheme as for holiday pay). The government has decided to pay employers a contribution of 80% of the compensation paid, including contributions, i.e. from the so-called super-gross wage.

► **Closing an establishment for any reason other than a direct decision by the State is an obstacle on the part of the employer.** As we have already mentioned, it is necessary to correctly determine the reason for the closure of the establishment and subsequently the amount of compensation that employees are entitled to. This can be 60%, 80% or 100% of average earnings. If there are trade unions in the company or if this is provided for by an internal regulation, the compensation may be different (e.g. 70% instead of 60%). As for whether we have more options under the Labour Code, if it does not matter why employees cannot work, we do not have an answer. The difference in wages paid and thus the direct impact on employees is fundamental. This is most likely because we have not had a similar situation in the last 30 years. The Labour Code should be modified in this regard. On a positive note, even these cases are covered by aid in the form of an „Antivirus“ contribution decided by the government.

This is a relatively complex issue. We recommend that you always consult it with a company lawyer to ensure that the employer's procedure is in accordance with the Labour Code. Problems can be avoided in the future, even if only a minor mistake, will not give rise to the obligation to return the contribution. Many beneficiaries or companies using deductible items for research and development have already experienced this.

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HOME OFFICE AND ITS TAX IMPLICATIONS

Nowadays, many employers see home office as a way of maintaining the smooth running of a company and work. By minimising the risk of contracting and spreading the coronavirus, work at home is no longer perceived simply as a benefit, but as a necessity when the nature of the work permits.

The tax aspects of working from home are dealt with by the Coordination Committee of the Chamber of Tax Advisors (KOOV number 546 / 26.06.19). According to the Labour Code, dependent work can be performed not only at the employer's workplace, but also at another agreed place, including the employee's place of residence. This change of place of work requires the agreement of both parties, i.e. the employer cannot order the employee to work from home. Under the current legislation and when all legal conditions set by the Labour Code are met, the employer is obliged to reimburse the employee for the costs demonstrably incurred during the work. These costs are tax deductible for employers. The employee does not incur taxable income from employment and the compensation is not subject to social and health insurance.

► **Costs of wear and tear to property** - The employee is obliged to prove these costs. Compensation for wear and tear of own tools, equipment and items required for the performance of work may be determined by a lump sum. This expenditure will be considered proven up to the flat-rate amount specified in the collective agreement or in the employer's internal regulations, provided that the flat-rate amount has been demonstrably determined by the employer based on the calculation of actual expenditures.

► **Expenditures for electricity, water, gas and heating** - Unlike the compensation for wear and tear to property, these costs cannot be compensated according to a flat rate or quantified by an expert

opinion. The employee may require the employer to reimburse a proportion of these expenses. The proportion is determined based on the chosen criterion, e.g. the ratio of the floor area in the room in which the employee performs work to the total floor area of the house or apartment.

- ▶ **Telephone expenses** – If the employee does not have a company phone, a detailed record of all calls made within the scope of work must be kept. Or by comparing the reimbursement of telephone costs for another comparable period before starting work from home, while considering any adjustments to the price and fees of the service provider.
- ▶ **Compensation for internet connection costs** – The calculation of cost compensation should be based on the actual use of the internet for dependent work from home and any private use by the employee.
- ▶ **Catering allowance** – We recommend setting up a work shift within the home office, e.g. each employee must work at least five hours a day or fixed working hours from 9 a.m. to 2 p.m. The employee must keep track of all hours worked. If an employee has worked for at least three hours per day, he/she is entitled to a subsistence allowance.

We recommend that you set out the conditions for home office in an internal directive, specifying the working hours and how they are recorded, how employees are reached, how home office is monitored, occupational health and safety rules, reimbursement of costs incurred by employees when working from home and the method of communication between the employer and the employee.

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ROLE OF MEMBERS OF THE STATUTORY BODY IN THE TIME OF COVID-19

Almost every member of a statutory body knows they are obliged to act with due care, i.e. to take all steps inside and outside the company prudently, with the necessary knowledge, loyalty to the company and in its defensible interest.

But what does this mean to those in the statutory bodies of companies affected by COVID-19 and their responses to the situation? Let us go over a few fundamental tasks that each member of a statutory body should fulfil in line with their duties and the requirements imposed on them by the due managerial care rule.

Aware of the effects of the crisis on businesses, the state is taking a range of measures to mitigate the effects of COVID-19 and to adapt the business environment so that the most vulnerable companies can cope and resume business immediately after the effects of the crisis have faded away. To what extent the state succeeds in this policy is a question for another discussion. In this article we focus on the current topics which each member of a statutory body should concentrate on right now.

Company employer entitlements (Antivirus programme): As a member of the statutory body of a company that acts as an employer, you should be familiar with the Antivirus programme and, in accordance with the due diligence principle, apply for the relevant contribution. For details, see the [article](#) by our cooperating law firm Šmatlák Legal.

Tax reliefs (liberation packages): You should also focus on possible tax reliefs. Vít Křivánek discusses this issue in his article [Coronavirus Tax](#)

[Reliefs.](#)

Financial support (e.g. Covid II, support for larger companies through EGAP): You should also identify available options for state financial support. A comprehensive list of individual options is provided in the [article](#) by our colleagues Vladimír Veleba and Stanislav Klika. For example, the Czech-Moravian Guarantee and Development Bank has prepared a programme for small and medium-sized enterprises, which consists in the provision of a guarantee for their loans of CZK 500,000 to CZK 15 million. Two waves of these programmes (COVID I and COVID II) have already been rolled out, and the second round of COVID II should be opened in the near future.

Deferment of rent (bill on certain measures to mitigate the effects of the SARS CoV-2 coronavirus epidemic on tenants of business premises): The Chamber of Deputies approved a bill to „postpone“ rent. Practically, this would mean that landlords will not be able to terminate a lease agreement simply because the tenant does not pay the rent on time. The package of laws should cover both commercial and residential properties. If the bill is approved by the Senate in its current form, this will mean that although the rent can be paid later, it will generate interest. More information can be found [in our articles here](#).

Postponement of loan repayments (bill on certain repayment measures in connection with the COVID-19 pandemic): The Senate is discussing a bill that should allow companies and others to request loan repayments. The proposal provides for the suspension of mortgages, consumer loans and business loans for three months or six months. Entrepreneurs who are natural persons can defer payment of both principal and interest. Legal entities may postpone only the repayment of principal; interest must be paid.

Insolvency test (amendment to the Insolvency Act): The Chamber of Deputies also approved a bill that would help businesses in the event of insolvency and give them time to resume operations. If the law is passed in the submitted form, it will mean that members of statutory bodies will not have to file an insolvency petition immediately if the company is in bankruptcy. We discussed this in detail [here](#).

Compensation: The Crisis Act establishes the state's liability for damage caused in connection with emergency measures. Although at present it is not possible to anticipate how the state will stand up to the legal interpretation of these legal provisions, it is more than appropriate to document the damage incurred in case it could be claimed in the future. We wrote about it in detail [here](#).

Although we are aware of the wide range of responsibilities and problems that companies must face in this extraordinary period, we still recommend that you keep an eye on current developments. Many measures, including the aforementioned bills, are being dealt with in an accelerated process, so they can give rise to rights and obligations for their addressees in the coming days.

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STATE FINANCIAL AID RELATED TO CORONAVIRUS

The current situation affects all companies and businesses. The Government is promising direct assistance of approximately CZK 100 billion and guarantees of an additional CZK 900 billion. What specific aid can you use now?

1. COVID direct aid

One of the tools to support the Czech economy in connection with a pandemic is direct aid in the form of COVID programmes. Through the ČMZRB (Czech-Moravian Guarantee and Development Bank), the interest-free COVID I loan was provided. However, this support ended because the funds were exhausted and replaced by COVID II.

The COVID II programme is again under the auspices of the ČMZRB and consists of an 80% bank guarantee and subsequently a possible contribution to the interest paid in connection with the secured loan. The guarantee covers loans to overcome the economic crisis and is used to cover operating costs (e.g. wages, energy, rent, etc.). In view of the enormous interest in supporting COVID II, the first round of applications has already been completed. The interest in support was so great that it was closed within three hours because the limit for the first round, i.e. CZK 1.5 billion, was exhausted. On the same day, the limit was increased and the acceptance of applications was reopened. On the second day the first round was closed. The fate of the COVID II programme is not yet known, and any further round will be announced based on a decision of the Ministry of Industry and Trade. Nevertheless, the tendency of the state is to support economic entities in overcoming this difficult situation and we can assume that its support will continue. We expect to announce additional rounds for COVID II or other programmes with similar terms and conditions, which will also apply to establishments in Prague or large companies. According to the Minister of Industry and Trade, the COVID programme will be announced around Easter with support amounting to CZK 4-5 billion for Prague.

If you are interested in state aid and have failed to apply for an interest-free COVID I loan or a bank guarantee with a contribution to the interest paid, we recommend that you prepare for the possible application and the necessary documents, as it can be assumed that their content will be similar, if not the same, and that great interest will once again lead to a rapid closure of applications.

So how do we prepare? Acceptance of support applications is currently pending, so we cannot determine the unambiguous procedure. However, based on previous programmes, first check that you qualify for support. These include, for example, the condition of the size of the enterprise, the line of business, the purpose and location of the use of funds from the loan, etc. **In addition, check that your property is not subject to distraint or that you do not have arrears against state institutions such as tax authorities, health insurance companies, social security administrations, customs offices, etc.** If you notice arrears and the financial situation does not allow you to pay them, ask for a delay or payment schedule. If the application is accepted, arrears will be considered settled and the condition of indebtedness towards state institutions is fulfilled. One of the conditions is also not to record arrears due to your employees' wage claims. Arrears from wages or from state institutions are not an obstacle to receiving support only if they arose after 1 March 2020 due to problems arising from the spread of coronavirus.

It may be restrictive for some entities that they have benefited from de

minimis aid in the past, as the COVID programme is paid out of these funds and its maximum amount may not exceed EUR 200,000 over a three-year period (current and the two previous accounting years).

If the Ministry of Industry and Trade issues another round, have a pre-approved loan for which a COVID II bank guarantee is required. At the same time, fill in the application and other attachments that are on the ČMZRB website. If you do not use them under COVID II, they may be useful under another COVID programme, as the required information may be similar.

The terms and conditions of COVID II support can be found on the ČMZRB website, but also on our website and, if necessary, we are at your disposal to consult about the procedure or whether you qualify for support.

2. Measures in the area of loan repayment

The act under discussion should allow loan repayments to be postponed by three or six months. The postponement is not across the board and it is therefore necessary to ask for it.

The law applies to loans that were taken out and drawn before 26 March 2020. These are loans secured by real estate, right to immovable property or dedicated loans relating to real estate.

The Act does not apply to loans for which the debtor has been in default for more than 30 days as at 26 March 2020, overdraft loans, loans intended for trading in investment instruments, loans where the debtor is a pension company or loans for the lease of goods or leasing, for which the obligation to purchase the subject of the contract is not agreed or other possibility of acquiring title after a certain period of time. Likewise, the Act does not apply to deferred payment or financial guarantee, etc.

Credit repayments may be deferred for up to six months until 31 October 2020. However, if the debtor does not wish to benefit from this six-month deferral, they may apply for a three-month deferral until 31 July 2020. The deferral of instalments will start to apply the month following the debtor's notification to the creditor.

The duration of the loan is extended by this period by deferment of instalments. The creditor is entitled to interest for the period of deferred instalments. If the debtor is a business, the interest is in the amount agreed. In the case of consumer loans, the maximum interest is the repo rate set by the Czech National Bank increased by eight percentage points.

The debtor should notify the creditor of its decision to postpone the instalments in writing or by any other means specified by the creditor for the purpose of such notification. This method of notification should be readily accessible with use of funds remotely. If the creditor fails to make such a method available, notification may be made by any means where the debtor has a record that it has made a notification to the creditor. The notification should include the debtor's designation, a statement that the debtor wishes to benefit from a deferral of repayments due to the negative economic impact of the COVID-19 pandemic, and the credit designation. If the borrower has **more loans** to the lender, the borrower does not indicate all loans. Notification will apply to all loans between them. The creditor will acknowledge receipt of the deferral notice to the debtor. They will inform the debtor of the date of commencement and end of the deferral of instalments and of the amount, number and frequency of payments to be made by the debtor after the expiry of the deferral period. If the notification does not meet the requirements, the creditor will invite the debtor to remedy the defects of the notification.

The request for deferment of instalments is free of charge. Until 31 October 2020, the creditor will not be entitled to payments agreed

or fixed in the event of default in payments under the credit agreement. However, this does not apply to legal entities. Legal entities cannot dispose of assets that could serve to satisfy the creditor while the instalments are deferred.

3. „Kurzarbeit“ and the Antivirus programme as state aid in the form of wage compensation

On 31 March 2020, the Government of the Czech Republic approved resolution No. 353 Targeted Programme to Support Employment called „Antivirus“ pursuant to Section 120 of Act No. 435/2004 Coll., on Employment, as amended. The main objective of the Antivirus programme is to help companies protect jobs, reduce redundancies and mitigate the negative effects of the worldwide spread of COVID-19.

The Antivirus programme is intended for all employers whose wages are not covered by public budgets. The programme is implemented by the Labour Office of the Czech Republic and consists in the partial reimbursement of the total wage compensation paid to employees for the period of obstacles to work from 12 March to 30 April 2020. The Antivirus programme responds to the situation where obstacles arise for the employee (quarantine order, childcare) or the employer (order to close or restrict operations, restricted supply, sales, absent employees, etc.). The Antivirus programme recognises two schemes (Scheme A, Scheme B), which differ as regards the reason for the obstacle that affects the amount of the contribution.

- ▶ **Scheme A – Forced traffic restrictions and quarantine:** This scheme concerns the closure or limitation of operations on the basis of a crisis measure or a quarantine order by the competent authority (the Government of the Czech Republic, Ministry of Health, etc.). The contribution under Scheme A is 80% of the wage compensation. Scheme A covers the following situations:
 - **Employee ordered to stay in quarantine** – The employee is not working because he or she has been ordered to stay in quarantine. This is an important personal obstacle on the part of the employee. This is the same as in the case of temporary incapacity for work, where the employee receives wage compensation of 60% of the average reduced earnings paid by the employer for 14 days.
 - **The closure of operations and the impossibility of assigning work to employees in connection with the issuance of a crisis measure by the competent authorities** - This is the case when the employer is ordered to close or restrict operations on the basis of a government resolution on the adoption of emergency measures or on the basis of emergency measures of public health protection authorities. **In such a case, if the employer had to close or restrict its operations and activities, this is another obstacle on the part of the employer and it is obliged to pay employees 100% of the employee's average earnings for the entire duration of the obstacle.**
- ▶ **Scheme B - Related economic difficulties** – This scheme applies to obstacles on the part of the employer arising from the related economic difficulties caused by the spread of COVID-19. **The contribution under Scheme B is 60% of wage compensation.**
 - These are mainly cases where the employer cannot allocate work to employees, because a significant number of employees is missing either due to quarantine or nursing, or is forced to reduce operations due to a decrease in input supplies (raw materials, semi-finished products, services, etc.) or reduced demand for its products or services. In this case, the employee is paid wage compensation of 60-100% of the average earnings as stated in the employer's internal regulation (directive). It is necessary

to acquaint employees with the internal regulation and to prove this acquaintance by signing the directive, or another demonstrable method of informing employees. Signature sheets linked to the directive, demonstrable sending by e-mail, publication on the intranet or other available place (notice board at the terminal for working hours registration) can be used. In any case, it must be demonstrated during the inspection by the Occupational Safety Inspectorate that employees have been informed of this Directive.

The Antivirus programme has two steps. The first was launched on 6 April 2020, when it was possible to complete the first part of the application (registration, identification). The second part, where the actual entitlement to the aid will be quantified, will be launched from 9 April 2020, and the application will only be made after the payment of wages. The employer is obliged to deliver the quantification of the claim (bill) no later than the end of the calendar month following the expiration of the reported monthly period. The second part will also take place through the portal of the Labour Office.

4. Reliefs and refunds for self-employed persons

Restrictions imposed by the Government or the Ministry of Health directly or indirectly affected a large portion of self-employed persons. Given that self-employed persons are an important part of the Czech economy, the state is trying to help these entities in overcoming this difficult period. The aid consists of both monetary and non-monetary forms. Let us look at what relief and reimbursements apply to self-employed persons.

▶ Social insurance and health insurance premiums waived

All self-employed persons are exempt from minimum social security (pension) and health insurance payments for the period from March to August 2020, regardless of whether the self-employed works is a the person's main or secondary activity (for 2020: social insurance CZK 2,544, health insurance CZK 2,352). This amount is completely waived and will not have to be reimbursed at a later date. Thus, there is support in the form of unpaid premiums, the total amount of which can be up to CZK 29,376.

For self-employed persons who pay minimum advances, this means that nothing is paid.

For self-employed persons who pay advances higher than the minimum can choose whether to pay the difference between the advance payment and the minimum amount in each month or to not to pay any advance at all, this eventually resulting in a higher outstanding balance of premiums in the annual accounts. If the self-employed person chooses the second option, he or she will not be penalised for the unpaid difference. Practically, this means that self-employed persons do not have to pay any advances on health and social insurance between March and August 2020.

If you already paid a deposit for March, you do not have to worry about having paid it unnecessarily. The amount paid will be used for the premiums for September 2020. Although pension contributions are forgiven, the period of March to August 2020 is treated as paid and is included in the pension entitlements period.

The only mandatory levy is the payment of sickness insurance for voluntarily insured self-employed persons.

▶ Subsidies for nursing a family member

During the extraordinary measures, a self-employed person can apply for a subsidy for nursing a family member **in the amount of CZK 424 per day**. A self-employed person caring for a child under the age

of 13 who is unable to attend school or other childcare facilities due to closure in connection with coronavirus is eligible for the subsidy. The subsidy may also be drawn by a self-employed person who takes care of a member of the household who is dependent on help and whose condition has been determined by a doctor. **The grant is applied for each calendar month separately and the application, which can be found [HERE](#), must be filled in on the website of the Ministry of Industry and Trade. The completed application may be submitted to the Ministry of Industry and Trade by data box, by e-mail with an electronic signature or by post, the applicant sending signed originals.**

An applicant for a subsidy must meet the following conditions:

- when submitting the application for a subsidy and throughout the period when the subsidy is drawn, the applicant must be self-employed as their main activity and be unable to perform this activity due to the care of a family member;
- the applicant must be a small or medium-sized business;
- the applicant must be registered as a payer of income tax at the tax office,
- the applicant must have no arrears to selected state institutions (e.g. tax office, social security authority, health insurance companies, etc.).

► Compensation bonus

This week the Chamber of Deputies approved the much-discussed compensation bonus. The original proposal was extended and the result of the parliamentary meeting of 7 April 2020 is that more traders will reach this bonus. The compensation bonus is intended for self-employed persons who perform their main or secondary activity due to:

- receiving an invalidity or retirement pension;
- entitlement to parental benefit or maternity benefits;
- continuous preparation for future occupation (studies up to 26 years).

A self-employed person who, due to health threats or crisis measures, could not fully or partially carry out their activities to the normal extent due to:

- closure of the establishment or restriction of its operation;
- quarantine of self-employed persons or their employees;
- childcare or childcare in the case of their employee;
- reduced demand for their products or services;
- restriction or cessation of supplies or services required for the performance of the activity can claim a compensation bonus.

The amount of the compensation bonus is **set at CZK 500 for each day of the bonus period, which is from 12 March to 30 April 2020. In total, a self-employed person can receive up to CZK 25,000.** This bonus is exempt from tax and is therefore final.

The compensation bonus is applied for at the self-employed person's local tax authority for income tax. In addition to general information, the application must include a solemn declaration on the fulfilment of the conditions for entitlement to the bonus and the bank account where the amount is to be paid. The bonus application can be submitted by standard means and in this case also by e-mail without electronic signature. If you opt for an e-mail, take a picture of your own signed or scanned request and send it as an attachment.

► Other options

Self-employed persons are also subject to other concessions and benefits, which are described in our other articles. These include, for example, the so-called liberal tax packages, the Antivirus

programme (for self-employed persons who employ workers), postponement of rent, suspension of repayment of loans and mortgages, or the COVID programme.

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BRIEF OVERVIEW OF TAX RELIEF

The following tax breaks issued by the Ministry of Finance of the Czech Republic and the Parliament of the Czech Republic to date pursue a single objective: to support the cash flow of taxpayers. In the following I will try to systematically recapitulate them. In addition to these measures, in order to remove the harshness of penalties resulting from late payment or late filing of the return/control statement, you can make use of, for example, requests for remission or delay. According to the public promise of the Minister of Finance, the tax authorities will respond to these requests of crisis-affected entities.

Income tax

► Withdrawal period for submission of income tax returns without penalty until 1 July 2020

- First, I would point out that this measure concerns only personal and corporate income tax returns. In no case does the measure affect either value added tax returns or the charging of income tax on dependent activity withholding in the form of an advance.
- In case the tax return is filed and the tax paid by 1 July 2020, the tax subjects will not be obliged to pay interest on late payment and a penalty for late filing of the tax return.
- In view of this measure, self-employed persons will be able to submit the tax return by 3 August 2020.

► Remission of the June advance on personal and corporate income tax

- Applies only to entities with a tax period of the calendar year.
- The taxpayer will not have to pay the deposit at all.
- Entrepreneurs with a business year may apply for an income tax advance payment by individual application.
- Possibility of applying the loss for 2020 retroactively in 2018 and 2019.
- All entities that end up in a loss for the 2020 taxation period will be allowed to apply this loss retroactively in the 2018 and 2019 results (in the form of an additional tax return for the relevant periods).
- In practice, this will mean that businesses which posted taxable profits in 2018 and 2019 will receive part of this tax.

Value added tax

► VAT payers who supply, free of charge, protective equipment or the material used to produce such equipment are not required to pay VAT on that supply

- This applies both where the VAT payer donates protective means directly to the final customer or where the VAT payer supplies the material used for the production of these funds to another VAT payer.
- The waiver of VAT applies to **masks, respirators and other protective equipment**, as well as test kits or instruments and tools used to diagnose COVID-19. The list of this equipment is explicitly defined in the Decision of the Minister of Finance of the Czech Republic and published in the Financial Bulletin 6/2020.

- The measure will apply from 12 March 2020 for the entire duration of the emergency.
- The right to deduct will remain.

▶ **Remission of the fine for late submission of the VAT return**

- Businesses that were at least partially remitted a fine for failure to submit a control statement pursuant to Section 101h (1) (a) (b) (c) or (d), i.e. fines of CZK 10,000, 30,000 or 50,000, the penalty for late submission of the VAT return will be automatically waived for the period that fully or partially coincides with the period for which the respective control statement was late.
- The waiver is conditional on filing a VAT return no later than on the day of filing the VAT control statement.
- The measure is aimed at those cases where, because of the epidemic, VAT payers are not able to process and file their tax returns and control statements on time.
- **The remission does not concern late interest for late payment of VAT.** The waiver must be requested individually.
- At the same time, the penalty for late submission of VAT returns is automatically waived if the tax administrator has even partially complied with the application for remission of late interest related to the late payment of this VAT. The fine will not be waived without applying for interest remission.

▶ **Waiver of fine for late submission of control statement**

- Up to the value of CZK 1,000, the fine will be automatically waived if it arose between 1 March and 31 July 2020.
- Other fines (CZK 10,000 to CZK 50,000) will be waived at the taxpayer's individual request. Again, it can be assumed from the statement of the Ministry of Finance of the Czech Republic that the tax administrator will comply with the requests in cases related to the coronavirus pandemic.

EET

▶ **Suspension of the obligation to record sales electronically**

- Applies to entities covered by all stages of the EET.
- The suspension of records will apply for the emergency period and the following three months.

Waiver of tax accessories

▶ **A friendly approach by tax administrators to applications for tax remission or tax delays and its accessories**

- As I mentioned in the introduction, tax administrators will consider requests more openly than usual. However, it will be up to the taxpayer to show the negative impact of emergency measures on its business. If successful, the tax administrator should grant the request.

▶ **Waiver of penalties for late payment of tax**

- It concerns the remission of interest on late payment or interest on the amount retained.

- If a link between the pandemic and the late payment of the tax liability is established, both types of interest will be fully waived. For waiver, an official application must be made to the relevant tax authority.

▶ **Waiver of administrative fees for waiver requests, stay requests and other requests**

- All applications for waiver of tax accessories, as well as applications for **postponement filed by 31 July 2020 will not be subject to an administrative fee** (amounts of CZK 400 and CZK 1,000)
- Taxpayers will thus be able to apply completely free of charge.
- Similarly, no fee will be payable on the application for refund of import taxes or remission of the customs outstanding balance pursuant to Article 116 of Regulation (EU) No 952/2013 of the European Parliament and of the Council, also in respect of an application for authorisation of a tax relief or duty pursuant to Articles 110 and 112 of the Union Customs Code. For both applications, the fee will be waived if submitted by 31 July 2020.

Road tax

▶ **Advances on road tax due by 15 April 2020 and 15 July 2020 can be paid without penalty until 15 October 2020**

- In fact, the deadline for payment of two advances on road tax (due until 15 April 2020 and 15 July 2020) has been postponed without penalty in the form of default interest.
- The condition is that both advances should be paid no later than 15 October 2020. If the taxpayer pays the advances after that date, the automatic remission of default interest will not apply. Default interest will be incurred retroactively from 15 April or 15 July 2020.

Real estate acquisition tax

▶ **Exemption from fines for late tax return for real estate acquisition tax or for late tax payment**

- Applies to all real estate acquisition tax returns from 31 March to 31 July 2020.
- It will be possible to file a tax return without penalty until 31 August 2020.
- If the real estate tax is also paid by 31 August 2020, the interest on late payment will be waived. In practice, this will mean paying the tax with a delay of several months.

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