

CORONAVIRUS TAX RELIEF

Situation at 11 June 2020, 14:00 (will be continuously updated)

The tax relief issued by the Government of the Czech Republic and the Ministry of Finance of the Czech Republic has the sole objective of supporting the cash flow of affected entities. Since the announcement of the state of emergency, a number of measures have been issued in various tax areas. For better clarity we divide this article according to individual taxes. All of tax reliefs can also be found in Financial Newsletters 4/2020, 5/2020, 6/2020, 7/2020 and 9/2020 (announced on 10 June), [published on the website](#) of the Ministry of Finance of the Czech Republic.

The latest tax measures are primarily aimed at further postponing of the obligation to file tax returns or pay tax obligations. They concern income taxes, real estate acquisition taxes and value added tax. The measures also concern the exemption regime for tax accessories.


Income Tax - UPDATE

Protective period for filing income tax returns without penalty is newly extended to 18 August 2020

- ▶ The new measure extends the current "sanctionless" period in which it is possible to file a tax return for income tax. The last day is no longer 1 July 2020, but newly 18 August 2020
- ▶ At the same time, the new deadline for filing returns without penalty also applies to tax entities that have a legal obligation to have their financial statements verified by an auditor, or have used the services of a tax advisor or attorney to prepare and file returns. On the part of the Ministry of Finance of the Czech Republic, this is a reaction to the extension of the statutory deadline for discussing the regular financial statements of a business company, which was Act No. 191/2020 Coll. with regard to emergency

measures, extended so that it expires 3 months from the day following the end of the emergency measures in the event of an epidemic (no later than 31 December 2020).

- ▶ An exception applies to the so-called "selected entities" (companies with a turnover of more than CZK 2 billion, banks, savings banks, insurance companies, investment funds, etc. - see § 11 para. 2 of Act 456/2011 Coll., On Financial Administration). The new extension until 18 August 2020 does not include these "selected entities".
- ▶ Please note that this measure only applies to personal and corporate income tax returns. This measure does not affect either VAT returns or the income tax on dependent activity levied by advance payment in no case. This means that late filing or payment of VAT payers, as well as employers paying their employees' income tax by means of monthly advances, will not be tolerated.
- ▶ This measure in question also applies to entities having a financial year from 1 February 2019 to 31 March 2020, or from 1 March 2019 to 29 February 2020.
- ▶ If filing the tax return and paying the tax by 18 August 2020, taxpayers will not be obliged to pay interest on late payment or the penalty for late filing of the tax return.
- ▶ We emphasise that this is not a postponement of the deadline for filing a return - it is only an "impunity" period.
- ▶ We believe that sanctions will be waived only if the tax return is filed and the tax is paid no later than 18 August 2020. Otherwise, by fulfilling the obligations after 18 August 2020, there is a risk of sanctions counted retroactively from 1 April 2020.
- ▶ It is not yet clear how the health insurance companies or Czech Social Security Administration will react in relation to



the deadline for submitting reports for self-employed persons. So far, they have set a deadline of 3 August 2020 for submission.

Automatic remission of June advance on personal and corporate income tax

- ▶ Applies only to entities with a calendar year taxable period.
- ▶ This is the second deposit for quarterly payers and the first deposit for semi-annual payers.
- ▶ Taxpayers will not have to pay the deposit at all.
- ▶ Entrepreneurs with a business year may apply for an income tax advance payment remission through an individual request.

Possibility of applying the loss for 2020 retroactively in 2018 and 2019 (“carry loss back”)

- ▶ 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 entrepreneurs who posted taxable profits in 2018 and 2019 will receive part of this tax refund.
- ▶ This measure is part of the draft legislative changes of the Income Tax Act. The final version will be known only after the approval by the Parliament of the Czech Republic.

Value Added Tax (VAT) - UPDATE

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.

- ▶ The new measure of 10 June 2020 is valid from 18 May 2020 to 31 July 2020.
- ▶ This applies both in the case where the VAT payer donates protective means directly to the final customer, or in the case when 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. Their list is explicitly defined in the Decision of the Minister of Finance of the Czech Republic and published in the Financial Bulletin 9/2020.
- ▶ The right to deduct shall remain.

VAT payers who deliver goods or services free of charge to specified entities are not obliged to pay VAT on this transaction

- ▶ The measure responds to the considerable support and expression of solidarity of all citizens and entrepreneurs towards entities that are now involved in saving the health of the population
- ▶ VAT payers do not have to pay output VAT on provided gifts or services (provided free of charge) to the following entities:
 - health service providers (entities authorized to provide health services)
 - basic components of the integrated rescue system (Fire Brigade of the Czech Republic, fire protection units included in the area coverage of the region, providers of the emergency medical service and the Police of the Czech Republic)
 - Army of the Czech Republic,
 - social services facilities (e.g. day services centers, day care centers, sheltered housing, shelters, low-threshold day centers, social counseling centers and others).
- ▶ This will include, for example, donating medical supplies, refreshments provided as part of free assistance to these subjects. That means assistance related to stopping the spread of SARS-CoV-2.
- ▶ The measure shall apply from 12 March 2020 for the entire duration of the emergency.
- ▶ The right to deduct shall remain.
- ▶ This is a measure announced on 15 April 2020 in Financial Bulletin 7/2020.

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.

Electronic Sales Register (EET)

Suspension of the obligation to record sales electronically

- ▶ It applies to entities covered by all stages of the EET.
- ▶ The suspension of records shall apply for the period of emergency and the following three months.

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 shall not apply. Default interest shall be incurred retroactively from 15 April, resp. on 15 July 2020.

Real Estate Acquisition Tax - UPDATE

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

- ▶ According to the Financial Bulletin No. 9/2020, the deadline for filing and paying this tax has been postponed until 31 December 2020.
- ▶ It applies to all real estate acquisition tax returns with a deadline from 31 March to 31 November 2020.
- ▶ The new measure allows to file a tax return without penalty until 31 December 2020 (previously it was only possible

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.

Possible cancellation of the entire real estate acquisition tax

- ▶ The Ministry of Finance is likely to propose an overall abolition of the real estate acquisition tax. This should happen in the near future.
- ▶ With the abolition of the tax, it will probably be proposed to abolish the possibility of deducting interest on mortgage loans from the tax base. An extension of the time test for exemption in the sale of immovable property is also contemplated. More information to be [found here](#).

Waiver of Tax Accessory - UPDATE

The area waiver of interest on arrears and interest on arrears in the case of permitted arrears


- ▶ Tax subjects who have been allowed to defer tax (or spread it in installments) in connection with extraordinary measures will be automatically forgiven the interest on arrears, resp. interest on delays. It will therefore not be necessary to apply for this waiver individually (the tax administrator will not assess anything individually).
- ▶ This is an important measure for the benefit of all those who have been and are economically affected by the situation.

Waiver of penalties for late payment of tax

- ▶ It concerns the waiver of interest on late payment or interest on the amount retained.
- ▶ If a link between the coronavirus pandemic and the late payment of the tax liability is established, both types of interest will be fully waived. A formal application must be made to the relevant tax authority.

Waiver of late payment of tax return

- ▶ Thanks to the decision of the Minister of Finance, the tax administrator will generally waive the fine resulting from late filing of tax



returns beyond the current legislation. This concerns all tax returns.

- ▶ However, a necessary condition is at least partial compliance with the request for waiver of interest for late payment related to this tax based on or in compliance with the request for retention of this tax. Without filing a request for waiver (or for deferment), the fine for late submission will not be waived.
- ▶ If the conditions are met, the fine will be waived automatically.

Waiver of administrative fees for waiver requests, postponement requests and other requests

- ▶ Administrative fees are waived for the following applications:
 - Request for postponement of tax and its accessories,
 - Request for remission of tax accessories
 - Request for a confirmation of debtlessness,
 - Request a personal tax account status confirmation,
 - Request for refund of import taxes or remission of a custom duties outstanding under Article 116 of Regulation (EU) No 952/2013,
 - Request for authorization of tax relief or custom duties pursuant to Articles 110 and 112 of the Union Customs Code.
- ▶ It applies to all the above stated applications submitted by 31 July 2020.
- ▶ Taxpayers will thus be able to apply completely free of charge.

Flat-rate waiver of a fine for late settlement of personal income tax from dependent activity in the form of advances submitted by 31 May 2020

- ▶ Payers who have submitted a personal income tax statement from dependent activity collected by deduction in the form of an advance payment after the statutory deadline, by 31 May 2020, will not be forced to pay a fine for late settlement.
- ▶ If they have already paid the fine, it will be refunded.

Flat-rate remission of interest due to correction of the advance on personal income tax from dependent activity performed by the taxpayer in case the taxpayer's compulsory foreign insurance is proven

- ▶ The remission, for example, affects the tax base for a taxpayer who is subject to compulsory foreign insurance of the same type and is governed by the law of another Member State of the European Union or a State constituting the European Economic Area other than the Czech Republic or the Swiss Confederation and who is not able to prove when entering employment for objective reasons.
- ▶ It is apparent from publicly available sources that there is a certain time lag between the processing of the application and the issuing of the proving document, i.e. in particular the A1 form.
- ▶ Until the taxpayer proves membership of the foreign system of compulsory insurance, the taxpayer is obliged to increase the income from dependent activity by domestic compulsory insurance to the so-called super-gross wage. Only after the taxpayer proves that it falls within the system of foreign compulsory insurance, the taxpayer is obliged to increase the income from dependent activity by compulsory insurance, which the employer is obliged to pay from this income according to foreign insurance legislation.
- ▶ If the decisive fact that the taxpayer falls under foreign insurance is proven retroactively, the taxpayer should recalculate the tax bases for the previous period and, in case of arrears, immediately pay the tax debt or advance to the tax administrator.
- ▶ Interest on arrears that the taxpayer would incur in the above circumstances is automatically waived by this measure.

Additional information can be found on the websites of the [Ministry of Finance](#) and the [Financial Administration](#).

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