

## TAX MEASURES – CORONAVIRUS / NO 1

### Dear Business Friends

Allow us to inform you about the measures taken by the Ministry of Finance of the Czech Republic in relation to the coronavirus. Unfortunately, it has to be stated that instead of some sort of “general pardon“ (automatic remission of fines) the Ministry has published several documents that are, in our opinion, rather hard to understand for lay public and leave the tax administration relatively large scale of possibilities to fine the taxpayers for failing to comply with their legal duties.

The Chamber of Tax Advisors has been addressing the Ministry with their expert comments on the published measures and we hope that the financial administration will reflect them.

See below for our clarification and interpretation of the published measures.

### 1. PERSONAL AND CORPORATE INCOME TAX

#### a) Prolongation of Deadline for Filing of Income Tax Return (ITR)

There is no need to apply at the financial administration for prolongation of the filing of ITR till 1<sup>st</sup> July 2020. Generally, the deadline for filing of ITR is not prolonged, the tax administration has only announced remission of some fines associated with the delayed filing of ITR. Following the expiry of the standard deadline for filing of ITR (1<sup>st</sup> April 2020) the taxable entity will de facto breach tax laws and possible additional consequences of delayed filing will be subject to further negotiations with tax administration. Following the decision taken by the Minister of Finance, all taxable entities filing the income tax return or statement of the income tax withheld are subject to remission of fines for late filing of the tax return for the taxable period of 2019. The measure only applies if the filing of income tax return or statement of the income tax withheld for 2019 is not later than 1<sup>st</sup> July 2020.

On the basis of the above stated facts, we recommend to our business friends to reconsider complying with the standard deadlines for filing of ITR; particularly in cases when taxpayers are entitled to the refund of overpayment.

The stated provisions do not apply to the assessment of the payroll tax (payroll agenda). In cases when the taxpayer files the tax return late, all fines apply (the fine for late tax claim), including the default interest.

#### b) Default Interest (or Interest on the Deferred Amount)

The Minister of Finance made a decision on the remission of default interest (or interest on the deferred amount) for a taxable period of 2019 applying to all taxpayers filing the income tax return or statement of the income tax withheld. Such remission only applies on condition that the taxpayers pay the income tax for the taxable period of 2019 until 1<sup>st</sup> July 2020.

The deadline for income tax payment is not prolonged. The measure only states that some fines relating to delayed payment will not be imposed.

The above stated does not apply to tax arrears relating to payroll tax paid by the payer (payroll agenda).

**c) Tax Advances**

The tax advances are not addressed in the published measures of the General Financial Directorate, which means that all standard rules apply. Shall the taxpayers face cashflow difficulties associated with the coronavirus situation, they can generally apply for determination of advance income tax payments in some other way (this only applies to advances due in March or later).

**d) Tax Deferment Request (Set-Up of the Payment Schedule)**

In relation to the coronavirus situation, taxpayers can consider filing the tax deferment request or ask for a set-up of the payment schedule. Tax administrator can allow the tax deferment in cases when the taxpayer is suffering a serious harm or when the taxpayer or his/her dependent persons may get into the food crisis (such measure only applies to natural persons). In case of the filing of such application, the taxpayers shall follow the Methodological Directive issued by the General Financial Directorate.

**e) Business Year taken as an Accounting Period**

So far, the above stated rules do not reflect the existence of the business year as an accounting period.

## **2. VALUE ADDED TAX**

**a) Prolongation of the deadline for filing of the tax return (TR)**

The prolongation of the deadline in case of filing the VAT tax return is not possible. VAT tax return deadlines are not subject to any changes.

The remission of fines for delayed payment can only apply in case when the VAT payer applies for such remission; in such case the VAT payer must comply with all the necessary conditions stated in the General Financial Directorate Directives. A so called “justifiable reason” for delayed payment (the delay in the payment of tax is a consequence of the effects of the emergency measures) requires filing of relevant evidence which has to be attached to the application.

The VAT payers who will be entitled to the remission of fines for delayed tax payment due to the coronavirus (based on their filing of application for such remission), will be subject to the remission of fine for delayed payment issued by the Minister of Finance (the remission does not apply to VAT payers whose tax declaration for a given tax period records an excess).

**b) Control Statement**

VAT payers are entitled to remission of fine for not filing of the control statement amounting CZK1,000 on condition that the obligation to file the statement did arise within the period 1<sup>st</sup> March 2020-31<sup>st</sup> July 2020.

Remission of fines relating to control statement amounting CZK10,000, CZK30,000 and CZK50,000 can only be exercised on the basis of VAT payer's application. Similar to VAT return, the existence of justifiable reason for delayed filing of control statement will constitute one of the required conditions for such deed.

**3. ADMINISTRATIVE FEES**

For certain time, a blanket remission of administrative fees for the request for remission of default interest or fine for not filing of the VAT control statement would apply. The same applies to the administrative fee for receipt of the application for deferment of tax or setting-up of payment schedule.

Should you have any queries, please feel free to contact us.

Best regards

**Yours HLB PROXY-Team**

18<sup>th</sup> March 2020