

TAX MEASURES – CORONAVIRUS / NO. 2

Dear business partners,

Our last information concerning the tax measures relating to the spread of the SARS-CoV-2 virus was focused on a so-called Liberation package 1, issued by the Ministry of Finance of the Czech Republic. Today, we would like to add information on other particular themes introduced as part of the Liberation Package 2, bringing the news from the area of social security and health insurance contributions, and finally, we will refer about a possible loss carry back.

1. SELF-EMPLOYED – HEALTH INSURANCE AND SOCIAL SECURITY CONTRIBUTIONS

a) Health Insurance Contributions

On 27 March 2020, an amendment to the Czech General Health Insurance Act entered into force. This amendment specifies conditions for self-employed persons who are not obliged to pay the so-called minimum contributions to health insurance for calendar months March – August 2020. The minimum monthly contribution is CZK 2,352. All obligatory payments above this minimum amount can be paid, but such payments are voluntary. Nevertheless, the payments above the minimum amount shall be paid after filing of the Health insurance contributions and tax return overview for 2020 next year. The total savings on health insurance contributions for 2020 thus amount to CZK 14,112.

b) Social Security Contributions

At the same time, on 27 March 2020, a brand-new Act on specific adjustments in the area of social security insurance premiums and the contribution to the State employment policy and pension insurance relating to the emergency measures applied during the epidemic in 2020 entered into force. On the basis of this Act, the self-employed persons are not obliged to pay the so-called minimum social security contributions for the months March - August 2020. The minimum monthly contribution is CZK 2,544 (in case when the self-employed persons perform their business as the main activity). All obligatory payments above this minimum amount can be paid, but such payments are voluntary. Nevertheless, the payments above the minimum amount shall be paid after filing of the Social security insurance contributions and tax return overview for 2020 next year. The total savings on social security contributions for self-employed, where business is their main activity, for 2020 thus amount CZK 15,264; savings for self-employed where business is their ancillary activity, the savings will amount CZK 6,108. The above stated does not apply to the voluntary sickness insurance, which the self-employed shall continue to pay on usual basis.

2. LIBERATION PACKAGE NO. 2

a) **Real Estate Transfer Tax**

As part of the new Liberation Package, The Ministry of Finance of the Czech Republic, following the decision taken by the Minister of Finance, applies a waiver of a penalty for the late filing of a real estate transfer tax return and of default interest for the late payment of this tax on condition that the tax return will be filed and the tax paid by 31 August 2020 the latest (if the filing deadline for this tax return applies for the period from 31 March to 31 July 2020).

Beyond the waiver of the fine, the Ministry of Finance will present the Government with a proposal for a complete abolition of the real estate transfer tax. Such abolition, if the bill passes, may also have a retrospective effect applicable as of 30 March 2020.

b) **Income Tax Advance due 15 June 2020**

All taxpayers to whom the period of taxation is a calendar year, are entitled to a waiver of the payment of the tax advance due 15 June 2020 (no other conditions apply).

c) **Waiver of Penalties for the Late Filing of VAT Returns**

On the basis of the request of the VAT taxpayers, the penalties for late filing of the control statement (in an amount of CZK 10,000, CZK 30,000 or CZK 50,000) will be waived, subsequently the fine for late filing of the VAT return for the same period will automatically be waived, on condition that the taxpayer files the VAT return no later than on the date a late VAT control statement is submitted.

3. AMENDMENT TO THE ACT ON INCOME TAXES – CARRY LOSS BACK

The amendment to the Income Taxes Act enabling to deduct tax loss as a deductible item from the income tax base retrospectively (for natural and legal persons), in particular in taxable periods (or periods for which the taxpayers file the tax return), which began 2 years prior the commencement of the period for which the tax loss is stated, is now going through the legislative process of comment procedure.

The tax loss stated for the calendar year 2020 will lower the income tax base, e.g. for 2019 and 2018, if the taxpayer files additional tax return for these periods. The Chamber of Tax Advisors of the Czech Republic in association with the Ministry of Finance of the Czech Republic is currently discussing the fact whether to prolong the precursory due date for assessing the tax due to this new possibility for the above stated cases by calendar years 2018 and 2019. We will keep you informed about the final version of this benefit.

4. OTHER MEASURES

a) Electronic Report of Sales (ERS)

The implementation of electronic report of sales for all entities under all ERS sales categories is suspended over the period of emergency measures and over the following three months.

b) Road Tax Advances

The road tax advances due in April and July applicable to all taxpayers can be paid later. The new deadline for these advances is 15 October 2020. All of these delayed payments will automatically (no request needed) not be subject to incidental charges, i.e. no default interest or interest on the deferred amount will apply.

c) Remission of VAT for Supply of Personal Protective Equipment (PPE)

Remission of VAT for free supply of the essential PPE used for the purposes of mitigating the impacts of the spread of coronavirus applies. This remission concerns the face masks, respirators and other PPE. It further applies to disinfectants and supplies needed for their production. The remission of VAT applies for the period from 12 March 2020 for the whole duration of the state of emergency.

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

Sincerely Yours

HLB PROXY-Team

31 March 2020