

IMPORTANT INFORMATION-COVID SUBSIDY PROGRAMS FROM 1 APRIL 2021

Dear all

Let us hereby inform you about the completely newly approved COVID programs in the Czech Republic, which will be available from 1 April 2021. At the same time, by March 31, all existing COVID programs should be terminated and replaced by the below mentioned programs.

The programs concerned are "**COVID 2021**" and "**COVID - Uncovered expenses**". Both programmes will be funded in accordance with the so-called "Temporary Framework of the European Commission", where a maximum of EUR 1.8 million can be granted per beneficiary. Unlike previous programmes, the state aid will be financially limited. When the amount of the aid for these two programmes has been used (so far, an amount of CZK 6 billion is being debated), there will be no further aid provided. Therefore, in order to receive the aid, it is necessary to submit applications, including all the required documents, properly filled in and in a timely manner.

Both programmes aim to mitigate the negative impacts of the COVID-19 pandemic on all businesses. Entrepreneurs must choose only one of these programmes, i.e. they cannot draw on both programmes at the same time. The use of the Antivirus program can run in accordance with the conditions effective from March 2021, i.e., that the Antivirus can be used by entrepreneurs in addition to one of the above programs.

An absolutely crucial prerequisite for the use of COVID programs is the so-called demonstration of a decrease in sales (turnover) for the decisive period compared to the reference period by at least 50 %. The decisive period shall be the period from 1 January 2021 to 28 February 2021.

The reference period shall be the period from 1 January 2019 to 28 February 2019 or from 1 January 2020 to 28 February 2020 respectively, i.e., that business entities can choose which period will be more suitable for them.

If in your case there was a **decrease in sales by at least 50% or more**, then your company has a high chance of receiving one of these subsidies.

Therefore, it is recommended to check the fulfillment of this criterion as soon as possible, since the programs will be launched promptly.

COVID 2021

This program is one of the simpler ones. The companies can receive a financial subsidy for the costs of running and maintaining business activities in the amount of 500 CZK per 1 employee, employed on a full-time contract, per 1 day. In the case of applicants who had less than three employees, the support is set at CZK 1,500 per day. Support should be provided for the period from 11 January 2021 to 31 March 2021, i.e. for 70 calendar days, which would amount to CZK 35,000 per one employee. However, it is not yet clear whether it will be provided for calendar days or working days. Therefore, we give this figure as an indicative figure only.

COVID - Uncovered Costs

In this program, the so-called interim financial statements will have to be compiled¹, from which it will be clear that the company made a loss in the period from 1 January 2021 to 28 February 2021. The economic results will be demonstrated by the profit and loss statement. In addition, it will be necessary to adjust some costs, according to the rules of this program – for example, it is not possible to use extraordinary depreciation according to the Income Taxes Act; labor costs can be used, but reduced by a subsidy from the Antivirus program, etc. The amount of aid in the form of a financial subsidy will then be 60% of the so-called uncovered fixed costs and, at the same time, the maximum limit per applicant is CZK 40 million.

Uncovered fixed costs for the purposes of this programme shall mean the loss from the modified interim accounts less subsidies already received by the aid applicant.

Please bear in mind that there is still a lot of unclear information in this program at the moment, which is constantly being refined and developed.

Due to the fact that eligible applicants can be all natural persons or legal entities that carry out business activities in the Czech Republic and meet the decrease in sales by at least 50 % – i.e. the first basic condition, we recommend that you check eligibility within your companies as soon as possible in view of the planned launch of the program by the Ministry of industry and trade as of 1 April 2021.

In case of your interest, we are ready to provide you with further cooperation.

Best regards

PROXY, a. s.

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¹ In the concept of this program, these are modified interim financial statements, and therefore their preparation does not follow the provisions of accounting regulations and the recommended interpretations of the National Accounting Council No. I-31.