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# TAX FRESH



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TAX & AUDIT SERVICES

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Dear business partners,

In the next issue of this year's Tax Fresh, we would like to introduce you to the latest developments in the field of taxation and covid-19 measures.

Should you have any questions, don't hesitate to contact our office, we would be glad to assist you.

Best regards



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## INCREASE OF THE TAX BONUS FOR 2ND AND ANY OTHER DEPENDENT CHILD



On 23 April 2021, the Chamber of Deputies of the Czech Parliament approved a draft amendment to the Act on State Social Support, which, among other things, increases the tax bonus to the 2nd and any other dependent child. In the near future, the bill will be discussed in the Senate of the Czech Parliament. Intended effectiveness of the amendment is from 1 July 2021. The changes relating to the tax bonus can be applied retroactively from the beginning of 2021.

The current tax bonus amounting CZK 19,404 for a second dependent child is to be increased to CZK 22,315. The tax bonus for every other dependent child, which so far amounted to CZK 24,204, will be increased to CZK 27,835. Due to these changes, it will be necessary to adjust the payroll software so that the monthly amount of the tax bonus gets calculated appropriately.

The bill also abolishes the maximum monthly limit for the payment of the tax bonus, which currently amounts to CZK 5,025. For clarity, we add that the abolition of the limit for the payment of the annual tax bonus has already occurred and has been effective as of 1 January 2021, as we already reported in the earlier issue of Tax Fresh No. 1 of January 2021. (All previous editions of our Tax Fresh can be found on our website under the link <https://www.proxy.cz/tax-fresh>).

## THE TAX REGIME OF THE "FLAT-RATE MEAL ALLOWANCE PLAN"



In the earlier issue of the Tax Fresh, in issue No. 1 of January 2021, we reported on the fact that from 1 January 2021, employers can provide their employees with a cash allowance for meals as part of employee benefits, i.e., as a new supplemented option for tax-advantaged meals.

As a brief reminder, the amount of CZK 75.60 per shift as defined by Czech Labor Code is exempt from personal income tax on the employee's side. For the employer, the entire contribution is a tax deductible expense, provided that the employee's presence on the shift lasts at least 3 hours.

This new legislation has brought with it a number of questions. Therefore, on 29 April 2021, the General Financial Directorate published an information on the issue. Below, please see the summary of the information published:

On the part of the employee, only a contribution of CZK 75.60 per shift is exempt from income tax. The length of the shift here is not defined by the Income Taxes Act. If one shift lasts more than 11 hours, and the allowance thus would be granted in double amount, the tax-exempt amount on the part of the employee would be limited to CZK 75.60. However, on the part of the employer, a tax-deductible expense will correspond to the full amount.

In situations where an employee spends less than 3 hours on 1 shift, that is, for example, due to a visit of a physician, then the meal allowance on the part of the employer would not be tax-deductible. The employee would then be exempt from tax up to the specified limit.

The exemption of a financial meal allowance for staff working on an agreement on work activity or an agreement on work performance may be applied where employee's shift is fixed and recorded. The same principle applies to the exemption of a member of the statutory body of the company.

When working from home, the cash allowance for meals on the part of the employee is exempt from income tax, provided that the employee has a fixed shift. On the part of the employer, this contribution is then a tax deductible expense in the event that the place of residence was contractually agreed as the employee's place of work and it is possible to prove that the employee worked at least 3 hours in one shift.

In conclusion, the General Financial Directorate confirms that the employer can provide various forms of tax-advantaged meals to its employees, i.e. provide factory meals as well as provide meal vouchers and cash allowances for meals. However, each employee can only draw one of the forms of tax-advantaged meals.

## ANTIVIRUS PROGRAM EXTENDED TO 31 MAY 2021



The employment support program, Antivirus, which has been active since the end of March 2020, has been extended again. For now, the extension is effective until the end of May 2021.

In the last issue of the Tax Fresh, we informed you about the last extension of the Antivirus Program until 30 April 2021, when, at the same time, the conditions for providing the allowance were adjusted. (All previous editions of our Tax Fresh can be found on our website under the link <https://www.proxy.cz/tax-fresh>).

## BLANKET ANTIGEN TESTING OF THE EMPLOYEES



We would like to inform you that based on the government's decision, the blanket antigen testing of employees in companies will continue to be mandatory at least until the end of June 2021. The frequency of testing does not change. It remains to be once a week.

To perform the antigen tests, the companies may use one of the approved self-test kits stated on the list issued by the Ministry of Health of the Czech Republic pursuant to Section 4(8) of the Government Decree No. 56/2015 Coll., i.e., the tests to be placed on the market for use by lay persons as part of the blanket testing or as part of the testing performed by the occupational physician or mobile testing team.

## COVID SUBSIDY PROGRAMS



Let us briefly repeat the fact that as of 1 April 2021, it is possible to benefit from subsidy programs called "COVID 2021" and "COVID – Uncovered Costs". The key precondition for obtaining the subsidy is a decrease in sales for the reference period compared to the comparative period by at least 50%. When the period to be compared is the period from 1 January 2021 to 31 March 2021 and the reference period from 1 January 2019 to 31 March 2019 or between 1 January 2020 and 31. March 2020.

The reference period for the COVID 2021 program has been extended until 9 May 2021, i.e., up to 119 days. Applications may continue to be submitted until 2 June 2021. The maximum amount of the support is CZK 500 per day per 1 full time employee (i.e. the amount of CZK 59,500 for 119 days). For applicants with less than 3 employees, the aid amounts to CZK 1,500 per day (i.e. CZK 178,500 for 119 days).

Regarding the COVID – Uncovered Costs program, it is currently possible to submit applications for the reference period starting from 1 January to 31 March 2021, the deadline is 19 July 2021. To qualify for aid under the COVID - Uncovered Costs program, there must be a decrease in turnover amounting at least 50% for the reference period of 2021 compared to the same period of 2019 or 2020 and evidence of an accounting loss. From this loss, the subsidies already provided, e.g., the subsidies drawn from the Antivirus program, are then deducted. We would like to add an information that on 7 May 2021, the government announced that a second call for applications with a reference period from 1 April to 31 May will be launched. We will continue to inform you on further development.

## IN BRIEF



We briefly remind you of the effectiveness of Act No. 37/2021 Coll., on the Registration of Beneficial Owners effective as of 1 June 2021, which we already informed you about in the last issue of Tax Fresh. It is advisable to carefully check whether the entry in the register of beneficial owners is made in accordance with this law. There is a risk of significant penalties for non-compliance. In this context, too, there is a risk of a major tightening in dividend payments.

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