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News in brief, 12. 6. 2020

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Liberation package III postpones filing of tax returns and payment of tax

In Financial Bulletin No. 9, the Ministry of Finance has published a third liberation package, generally and under certain conditions waiving tax, interest, and penalties. Among other things, sanctions for the late filing of personal and corporate income tax returns for 2019 and for late tax payments shall be waived as long as the return is filed and the tax paid by 18 August 2020. This does not apply to taxpayers administered by the Specialised Tax Authority.



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Waiver of sanctions for late filing of income tax return and tax payment

The first liberation package waived interest and penalties for the late filing of personal and corporate income tax returns for 2019, and for late payment of tax by taxpayers who were to file their tax returns by 1 April 2020, on the condition that they file their tax returns and pay tax by 1 July 2020 at the latest. The third liberation package has now extended this deadline to 18 August 2020.

Similarly, sanctions concerning personal and corporate income tax returns of taxpayers who are obliged to have their financial statements audited or have their tax returns prepared and filed by a tax advisor, i.e. taxpayers who have to file their tax returns and pay tax by 1 July 2020, have been waived as long as they file their tax returns and pay the tax by 18 August at the latest. This general waiver, however, excludes entities whose tax administrator is the Specialised Tax Authority; these taxpayers may still apply to the tax administrator for an extension of the deadline for filing tax returns, as long as they meet the statutory conditions for extensions as per Section 36(4) of the Tax Procedure Code.

Waiver of penalty for late filing of a notice of tax-exempt income

The third liberation package also waives the penalty for the failure to notify the tax authority of tax-exempt income received by individuals in 2019, as long as such a notice is given by 18 August 2020 at the latest.

Waiver of sanctions for late filing of immovable property acquisition tax return and tax payment

The second liberation package waived interest and penalties for late filing of immovable property acquisition tax returns, and for late payment of tax, until 31 August 2020. The third liberation package has now extended this deadline to 31 December 2020 – by this date, the return has to be filed and the tax paid, as a precondition for waiving any sanctions. The waiver applies to tax returns with a filing deadline between 31 March 2020 and 30 November 2020, and to tax due and payable in the same period. It should be noted that if parliament approves the cancellation of the immovable property acquisition tax with retrospective effect (as proposed), tax liabilities due in this period will cease to exist.

Waiver of interest on deferred tax amount, where the deferment of tax payment was granted upon an individual application

Taxpayers who based on their individual applications pursuant to Section 156 of the Tax Procedure Code have been

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granted a deferment/postponement of tax payments or the payment of tax in instalments for reasons connected with the outbreak of SARS-CoV-2, will have the default interest and the interest on deferred tax amount waived, if originated from 12 March 2020 (the beginning of the state of emergency) to 31 December 2020.

Other measures of the third liberation package

- Waiver of VAT on gratuitous supplies of basic protective tools, namely face masks, respirators, disinfectants and other listed items (or gratuitous supplies of goods intended for the production of such) where the duty to report tax originated between 18 May 2020 and 31 July 2020.
- Waiver of administrative fees for filing certain applications with tax or customs authorities if filed by the end of 2020 (application for deferment of tax payment or for payment of tax in instalments, application for waiver of default interest, application for waiver of penalty for failure to file a VAT ledger statement, etc.).
- Waiver of penalty for late filing by employers of withholding tax statements for 2019 where the statement should have been filed with the tax administrator by 31 May 2020.
- Waiver of sanctions connected with late filing of an additional personal income tax return for 2018 and late payment of additionally assessed tax for 2018 where the reason for filing the additional tax return for 2018 was a change in the manner of deducting expenses in the course of 2019 or the start of keeping accounts or tax records. The above sanctions will be waived as long as the additional tax return for 2018 is filed and the tax paid by 18 August 2020 at the latest.

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Legal

"Semafor" – new rules for travelling across the Czech border

On 1 June 2020, the government approved the Ministry of Health's new protective measure entering into effect on Monday 15 June. The measure is called "Semafor", owing to its visual similarity to traffic lights. It regulates the conditions for travelling abroad and reentering the Czech Republic for both Czech citizens and foreign nationals.



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"Semafor" divides the EU and Schengen Area countries into three groups – green, orange, and red – according to the level of infection risk, which is regularly disclosed by the European Centre for Disease Prevention and Control. The Ministry of Health should assess this data once a week and change the group allocation of individual countries when and where appropriate.

In recent weeks, arrivals to the Czech Republic were associated with the duty to undergo a PCR COVID swab test or an obligatory fourteen-day quarantine. Semafor cancels this condition for some travels as follows:

Low-risk countries (green) – Persons who may travel to the CR without a need to undergo the PCR test or quarantine are:

- Czech citizens, foreign nationals with permanent or temporary residence in the CR longer than 90 days
- EU/Schengen Area citizens with permanent or temporary residence in these countries and their family members (especially spouses and children)
- third country nationals enjoying the status of long-term resident of an EU/Schengen Area country and their family members (especially spouses and children).

For other persons, the existing rules remain in application, i.e. they may only arrive under some of the exceptions permitted by the protective measure.

Medium-risk countries (orange) – Only Czech citizens and foreign nationals with permanent or temporary residence in the CR longer than 90 days may arrive in the CR from these countries without undergoing a PCR test or quarantine. For other persons, the existing rules remain in application, i.e. they may only arrive under some of the exceptions permitted by the protective measure.

High-risk countries (red) – Only Czech citizens and foreign nationals with permanent or temporary residence in the CR longer than 90 days may arrive in the CR from these countries while being obligated to undergo the PCR test

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or a fourteen-day quarantine. For other persons, the existing rules remain in application, i.e. they may only arrive under some of the exceptions permitted by the protective measure.

As any further developments of the coronavirus outbreak cannot be reliably predicted, it may happen that the list of countries in individual groups will be amended in both directions.

"The Semafor" measure will become effective on Monday 15 June 2020. Until then, arrival in the CR is only possible under some of the exceptions permitted by the protective measures. A general duty to submit a negative PCR test or to report one's entry to the public health office with local jurisdiction that will decide about a quarantine remain in application. Exceptions from this duty currently in effect include citizens of Hungary, Austria, Germany and Slovakia, as well as other EU citizens holding permanent or temporary residence permits in these countries for more than 90 days if they enter the CR via the border of one of these states. Czech citizens returning to the CR from their stay in these countries only are also relieved of the duty to undergo a test or quarantine.

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Subsidies

How and when to apply for COVID Rent support

Last week the European Commission approved the COVID Rent programme, and the related call to apply for support should be announced by the Ministry of Industry and Trade (MIT) any day now. Applications can be filed through the MIT's new information system. It is now crucial to complete the application correctly and submit it as soon as possible.



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Support parameters

The basic parameters of the support have already been covered here. What's new is that entrepreneurs whose landlords are governmental institutions will receive the 80% discount from rent automatically and will not have to negotiate the 30% discount with their landlords.

When calculating rent, the following has to be considered: where rent is charged including VAT, VAT is not an eligible expense; where rent is not set as a fixed amount, only basic rent is eligible for support.

Conditions for drawing support

The support is aimed at entrepreneurs in the retail and services sectors. Tenants receiving support cannot be related to their landlords. Furthermore, applicants must not be in default in the payment of their liabilities to any institutions (the tax authority, health insurance companies, customs office, or the Ministry of Finance). Finally, the applicant must not exceed the maximum amount of support as stipulated by the European Commission's Temporary Framework for state aid, which sets the limit at EUR 800 000 for direct aid.

The condition of observing the limit set by the European Commission's Temporary Framework raises questions as regards combining the COVID Rent programme with the Antivirus programme. In principle, it is possible to combine the two; however, the question remains whether the support drawn under the Antivirus programme should also be included in the limit set by the Temporary Framework, and if so, whether this applies to all its forms (individual forms of support under the Antivirus programme are described in this article).

What do you need to claim support?

For each shop/outlet, only one application for support shall be submitted. According to information currently available, the following documents have to be attached:

- GDPR attachment
- affidavit by the support recipient
- affidavit by the landlord of commercial premises
- affidavit by the landlord of state-owned premises

To put it simply, the support recipient's affidavit must confirm the fulfilment of the above stipulated conditions for drawing the support. The landlord's affidavit must also contain the basic parameters of the lease: information

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about the shop/outlet, rent amount, and lease termination date. In the GDPR attachment, the applicant gives consent to personal data processing.

The application form must be completed in the information system, and documents supporting rent payments for January and February 2020 or for October to November 2019 (to document the 'usual' rent) must be attached, as well as documents supporting the payment of a part of rent for the shop/outlet at least in the amount of the claimed support for the relevant period, i.e. April to June 2020.

The correct completion of the application is crucial: if inaccurate or false information is provided, the application shall not be granted.

If you are considering applying for this support, please do not hesitate to contact us.

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Tax and legal news in a few sentences.



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- On 8 June 2020, the government approved the **extension of the eligibility of expenses for Regime A** of the Targeted Employment Support Programme until 31 August 2020. The support involves the partial compensation of expenses to employers whose employees have been quarantined and who have had to close or curtail their operations. According to the Ministry of Labour and Social Affairs, the reason is the current epidemiological situation, and the fact that some extraordinary governmental measures are yet to be lifted, with some sectors still stagnating.
- After 10 June 2020, the legislative process continued in the senate as well, when the senate returned the bill regarding **Regime C of the Antivirus programme** to the chamber of deputies with its amending proposals. The senators have proposed extending the waiver of social security payments to employers with up to 150 employees, and mitigating the conditions regarding the maintenance of staff numbers and wage amounts compared to March 2020. The senate has also returned to the deputies the **anti-crisis tax package** containing, among other things, **the tax loss carry-back**. The chamber of deputies will now vote again on these amending proposals and on the bills.
- On the other hand, the senate has passed the long-discussed **'large' amendment to the Labour Code** and the **amendment to the Tax Procedure Code**. These bills are now to be signed by the president.

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