



Obligatory face masks have become a symbol of the COVID-19 pandemic, including the Czech Republic. However, as of 1 July 2020, the extraordinary measure requiring the respiratory protection the Czech Republic ceased to be effective (except for local outbreaks). As the restrictive measures loosen and everyday life is slowly getting back to normal, we have prepared a second (and hopefully the last) special edition of our Business Bulletin dedicated to the pandemic and management of its consequences. We have summarised new important measures which aim to help businesses to overcome these difficult times – most importantly the ‘COVID-Ubytování’ scheme, which is meant to help businesses providing accommodation services, furthermore the compensatory bonus for employees performing work under other than employment contract, or postponement and pardon of social security payments. New subsidy system called ‘COVID – Nájemné’ has also been launched – its aim is to help businesses which had to temporarily close down their establishments due to the restrictions. Final part of this edition contains summarised information on effective and planned aid for entrepreneurs in the field of taxes, guarantees and subsidies.

We continue to monitor the situation, gather most relevant information and add the newest measures concerning the coronavirus on our website. You can access information in both Czech and English as well as translations of some of the effective legislation through the following links:

<https://www.randls.com/en/coronavirus/>

<https://www.randls.com/koronavirus/>

Should you need to consult these matters in more detail, please do not hesitate to contact us.

FREE MOVEMENT – TRAVEL RESTRICTIONS, PUBLIC EVENTS

Becoming effective on 15 June 2020, the Government of the Czech Republic has issued a so-called traffic light system for travelling to EU countries – a regularly updated list of EU member states and candidate states that are safe for travelling. As of 14 July 2020, all member states are considered safe, except for Sweden, Serbia and Montenegro where the risk of infection is currently high.

EU has also recommended the member states to gradually abolish restrictions on entry for third-country residents, starting from 30 June 2020. The Czech Republic considers opening the borders with countries of the western Balkan (Croatia, Slovenia) to be a priority, since they are a popular summer holiday destination. The key factors of country selection are reciprocity as well as mutual tourism relevance and ability of Czech diplomacy to provide consular assistance in the country in question. Recent events (such as reintroducing certain measures upon entering Slovenia, Estonia or Cyprus) show that various deals and quid pro quo regarding travelling and entering EU countries cannot be relied on and it is still necessary to be ready for the situation to change, based on the (un)successful fight with the disease in each country.

The list of countries (traffic light) can be found [here](#).

As of 22 June 2020, it is also possible to organise public events up to 5,000 participants, which marks the temporary end of continuous lifting of the restrictions on free movement and assembly in the Czech Republic.

COVID-UBYTOVÁNÍ

The Ministry of Regional Development has announced another scheme to help businesses affected by the pandemic, called the COVID-Ubytování.

The aim of the subsidy is to compensate expected amount of losses from non-provided accommodation services from 14 March 2020 to 24 May 2020 due to resolutions of the Government of the Czech Republic related to the crisis caused by the COVID-19 pandemic. Amount of the proposed subsidy should vary based on the quality of the accommodation facility, ranging between CZK 100-400/room/day. The state also aims to eliminate possible damages disputes with accommodation services providers.

The proposal will be discussed within the Government and will need to be ratified by the EU Commission, therefore it is expected to come into force in August or September 2020.

COVID – NÁJEMNÉ

The application period of the subsidy COVID – Nájemné started on 26 June 2020. It is designed to help businesses which were prohibited to sell goods and provide services in their establishments due to the extraordinary measures. The subsidy may be awarded to both natural and legal persons running a business in rented premises.

The principle of this subsidy system is that the state will reimburse 50% of the rent costs from 1 April 2020 to 30 June 2020. The maximum amount for one person is CZK 10 million, whereas the allocated budget of the whole program is CZK 5 billion. The period for which the subsidy is requested may be shorter, but it must start on 1 April 2020.

The main condition is that the lessor must provide at least 30% rent reduction for the respective period. The lessee must prove that he paid the rent for January and February 2020 in full (so that the subsidy is not awarded to businesses that had financial difficulties regardless of the pandemic).

The call, including all conditions of the subsidy system, was published by the Ministry of Industry and Trade (available [here](#), but only in Czech). The application can be filed electronically from 26 June 2020 to 30 September 2020.

Summary of requirements of the subsidy system can be found on the website of the Ministry of Industry and Trade [here](#) (only in Czech).

COMPENSATORY BONUS FOR EMPLOYEES OUTSIDE OF EMPLOYMENT CONTRACT

On 29 June 2020 the Government adopted an amendment to the Compensatory Bonus Act, which aims to help employees performing work under other than employment contract, who contribute to the health insurance system (any agreement on working activity with remuneration above CZK 3,000 and agreement on performance of work with remuneration above CZK 10,000 per month). It is a long-discussed aid for individuals who have not been eligible for any of the existing government subsidy systems. The amendment is now in the legislation process in the Parliament, but we expect it to be approved quite smoothly.

The subsidy should amount to CZK 350 per day and it should be available for the period from 12 March 2020 to 8 June 2020. It is required for the applicant to have worked for at least 4 out of 6 months prior to the crisis (from 1 October 2019 to 31 March 2020). Another condition is that the performance of work was restrained or impossible due to the coronavirus crisis.

People with more sources of income than agreement on working activity or performance of work will (similarly as in the case of compensatory bonus for entrepreneurs) not be eligible for this subsidy.

The subsidy will be distributed by tax offices on the basis of an application (a simple form will have to be filled in). Together with the application, it will be necessary to submit a copy of the agreement and salary sheets or other relevant confirmation of the employer.

DEFERRAL AND PARDON OF SOCIAL SECURITY PAYMENTS

Another awaited aid for entrepreneurs is the deferral of social security payments as well as pardon of social security payments and contributions to the state employment policy paid by employers.

The deferral allows employers to defer the payment of social security contributions for the period from May to July 2020 until 20 October 2020. In case the employer decides to defer the payment, penalties for outstanding payments are reduced by 80% (the penalty is thus 4% p.a., i.e. 1% per quarter). Employers can therefore keep the resources that would otherwise have to be paid to the state for several months longer, which will help them overcome the critical cash flow period. This postponement does not affect the obligation of the employer to deduct and pay the contributions from the employee's assessment base (i.e. 6.5% of gross salary); on the contrary, the reduction of the penalty is conditional upon the timely payment of the contributions for the sake of the employee.

The second measure is the pardon of social security payments and state employment policy contributions paid by the employer (called by the media as the "Antivirus C" regime). As of 1 June 2020, a new Act No. 300/2020 Coll. came into force, which stipulates the conditions of this aid. In general, an employer with less than 50 employees may, if the legal conditions are met, reduce the employer's assessment base for calculating social security contributions (24.8%) for each of its employees in June, July and August 2020, provided that the employer did not dismiss their employees, paid the social security contributions that these employees have to pay for themselves (6.5%) and does not get subsidy from any other Antivirus regime (regimes A and B).

Meeting the criteria is assessed for each of the above-mentioned months separately, with the conditions as of the last day of the month being decisive. The employer does not need to file any additional application for this aid – he will just use an amended form for submitting the usual monthly overview.

FLAT TAX FOR SMALL ENTREPRENEURS

The Government also approved an amendment to the Income Tax Act, introducing a flat tax for self-employed persons whose annual business income is less than CZK 800,000 and who are not registered for VAT. If such self-employed persons are interested, as of 1 January 2021 they can choose that instead of three separate payments – income tax, social and health insurance – they will pay only one lump sum of CZK 5,740 per month for the following year.

The flat tax will work on a voluntary basis, but by registering for it, the self-employed person will no longer be able to apply any other tax rebates and reliefs. This amendment is currently being discussed in the Chamber of Deputies – further discussion is planned for the beginning of September at the earliest. The planned effective date of the amendment is set to 1 January 2021.

TAX CHANGES

Effective as of 1 July 2020, an amendment to certain tax laws was published, being one of the so-called tax packages. Accommodation services and tickets to sports and culture events were moved to the lowest VAT rate, i.e. the rate was reduced from 15% to 10%. The road tax on vehicles over 3.5 tonnes was reduced by 25% retroactively since the beginning of 2020, as a result of which the advances to be paid for this tax this year are also reduced. Furthermore, the powers of municipalities to exempt from real estate tax in case of extraordinary events were also extended.

It is now also possible for businesses to claim a tax loss (loss carryback) on income taxes for the two tax periods preceding the tax period in which the loss arose. Therefore, if they report a tax loss for the tax period of 2020, they can retroactively reduce their tax base for the tax period of 2019 and 2018. The tax loss can be claimed retrospectively, the soonest for the tax period ending on 30 June 2020, up to a maximum of CZK 30 million.

As of 10 June 2020, value added tax for VAT payers was pardoned by a decision of the Minister of Finance for selected types of protective equipment, disinfectant solutions and other goods. Certain administrative fees were also pardoned. For more information, please see the [Financial Bulletin](#) of the Ministry of Finance (in Czech).

The tax package also allows municipal authorities to determine the local real estate tax coefficient differently for individual parts of the municipality. The whole amount of real estate tax is the municipality's income, therefore this measure enables them to increase their income without burdening all residents. This change can noticeably affect companies that have their establishments in industrial parts of towns.

The Government has also approved a bill on tax changes which shall become effective as of 2021. It regulates the expected meal voucher flat rate, thanks to which employers will be able to provide this benefit directly in cash. The flat rate will work as a simpler and cheaper alternative to today's system, which will nevertheless remain fully maintained. The employer's payment will continue to be exempt from taxes and insurance contributions, only the meal voucher provider will no longer be a part of the transaction.

Furthermore, entrepreneurs will be allowed to reduce their tax base on income taxes by expenses spent on gratuitous non-monetary benefits intended to fight the coronavirus pandemic, in the period from 1 March 2020 to 31 May 2020. Taxpayers will be able to claim these expenses as if they were spent on business.

Last but not least, the proposal to abolish the real estate acquisition tax is also proceeding through the legislative process – it has already been approved by the Chamber of Deputies. The proposed amendment to the Act abolishes the tax on the acquisition of real estate, with retroactive effect. A tax of 4% of the total purchase price will not be paid by anyone who acquired property since December 2019. Currently, the payment of tax due in 2020 has been deferred to 31 August 2020; if the tax has already been paid, it will be refunded. The proposal also includes extension of the time test of income from the sale of non-residential real estate from 5 to 10 years for real estate acquired after 1 January 2021. Finally, (to the displeasure of the Minister of Finance) the possibility of applying mortgage interest deductions as a non-taxable part of the tax base should continue to be maintained.



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