

EXTENSION OF SUPPORT FOR EMPLOYERS AND OTHER MEASURES APPROVED BY THE CZECH GOVERNMENT

The Czech government met on Monday, March 23, and approved further measures and steps in response to the COVID-19 pandemic. The new measures are primarily intended to support employers and sole practitioners (self-employed).

I. Measures not requiring amendments to legislation

“Antivirus” program

Upon a proposal by Minister of Labour and Social Affairs, the “Antivirus” program supporting employees and employers has been expanded. The state will now provide a contribution through the Czech Labour Office for full or partial compensation of wages for employers indirectly affected by the crisis measures.

The “Antivirus” program now consists of the following:

PREVIOUSLY APPROVED

Situation A - Employees ordered to remain in quarantine. Salary or public sector pay compensation will be paid to employees at 60% of the average earnings. The employer will receive a contribution for the full amount of salary compensation paid.

Situation B - Employees cannot be assigned work due to extraordinary crisis measures imposed by the government. Employers are ordered to shut down their operations based on the government resolution enacting crisis measures in connection with the COVID-19 outbreak. Employees receive 100% salary or public sector pay compensation. Employers will receive a contribution in the amount of 80% of the salary paid.

NEWLY APPROVED

Situation C - Inability to assign employees work due to quarantine or care for a child affecting a significant portion of employees. A significant portion means at least 30% of the employees of a company, establishment or other organizational unit based on the employer’s structure. Employees receive 100% average salary. Employers will receive a contribution in the amount of 80% of the salary compensation paid.

Situation D - Limited access to the materials (ingredients, products, services) necessary for the employer’s activities due to quarantine (or general shortage in production) on the part of the supplier, including foreign suppliers. This can be proven for instance by agreements proving the origin of materials, prohibited actions, or further measures enacted that have a demonstrable effect on deliveries to the employer. Employees receive 80% average salary. Employers will receive a contribution in the amount of 50% of the salary compensation paid.

Situation E - Limited demand for the employer’s services and products due to quarantine at the employer’s point of sale (Czech Republic and other countries). Employees receive at least 60% average salary. Employers will receive a contribution in the amount of 50% of the salary compensation paid.

EXTENSION OF SUPPORT FOR EMPLOYERS AND OTHER MEASURES APPROVED BY THE CZECH GOVERNMENT

We are currently impatiently awaiting instructions on how to file applications and collect the funds promised by the above-mentioned programs. It should be made public before the end of this week. This support should be available for salary compensation paid to employees for March 2020 (i.e. salary compensation paid in April 2020). Financial support will be provided to employers for salary compensation that has already been paid, i.e. the state will not be paying salary compensation to employees directly.

It was stressed at the press conference that these measures are intended as support measures to help mitigate the effects and prevent employee layoffs. Therefore it is possible that in order to collect the financial support, employers may have to agree not to lay employees off for a certain time frame pursuant to Section 52(a) - (c) of the Labour Code. We await more information on this point.

Cross-border workers

The temporary rules for cross-border workers who travel at least three times a week to Germany or Austria for work, known in Czech as pendler, will be tightened starting on Thursday, March 26, 2020, although the rules were relaxed for cross-border workers who travel less than 100 km over the border. Anyone who still wishes to work across the German or Austrian border will need to find accommodation near their place of work and ideally remain there for 21 days. Cross-border workers will then automatically be subject to a 14-day quarantine period after returning to the Czech Republic.

Cross-border workers will still be required to carry their “cross-border worker’s booklet” logging all border crossings. The Minister of the Interior announced at the press conference after the government session that strict checks will be performed to make sure people are complying with quarantine requirements. The situation continues to change constantly, so we recommend following the Czech Ministry of the Interior website directly, where information is available in English as well: <https://www.mvcr.cz/docDetail.aspx?docid=22240653&doctype=ART>.

II. Measures requiring amendments to legislation

Other crisis measures require the amendment of the relevant acts. The government will submit these amendments to the Chamber of Deputies and later the Senate for approval in state-of-emergency legislation (an expedited process of approving legislation in situations where there is a risk to fundamental rights and freedoms or state security or where the state is at risk of economic damage).

Besides the amendment to the State Budget Act proposing an increase in the state budget deficit to CZK 200 billion, the Chamber of Deputies also received amendments concerning pension and health insurance payments. The amendments apply mainly to sole practitioners (self-employed).

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The Ministry of Labour and Social Affairs proposes that sole practitioners be released from paying the mandatory pension payments for at least six months, as follows:

- Sole practitioners who pay the minimum amount are exempted from the pension payments in full. This applies to about 60% of sole practitioners;
- Sole practitioners who pay more than the minimum amount do not have to pay the full payments from March to August. In the annual statement next year they will pay the difference between the minimum payment and the amount they should have paid retroactively.

If the amendment passes through Parliament in its current form, pension insurance payments will be waived between March 2020 and August 2020. If a sole practitioner has already made the payment for March, if the amendment passes this payment will be treated as a prepayment for September. Sole practitioners should receive similar relief from health insurance payments.

The government also submitted an amendment to the Act on Electronic Registration of Sales (EET) proposing deferral of the final phase of EET until three months after the state of emergency ends and an exception from the obligation to use EET for businesses for the same period, which would not apply to the obligation to handle authentication data, a certificate for registration of sales, and a receipt block in a way that prevents abuse. The final phase of EET was scheduled to introduce the obligation to electronically register sales for businesses in other fields of business as well, such as liberal professions, transport, agriculture, trades and manufacture.

The government also passed the “tax relief package II” intended for businesses. It proposes waiving the June prepayments for personal and corporate income tax. That means that the June prepayment (i.e. the second prepayment for quarterly payers and the first for twice-yearly payers) will not be paid at all. The proposed measures also include introducing a loss carryback where business could apply any losses reported in 2020 retroactively to their tax base in 2019 and 2018, allowing them to receive a refund from the tax office. The tax relief package also includes a proposal to move the deadline for filing real estate acquisition tax returns to August 31, 2020.

For the sake of completeness we will also mention the already government-approved “Tax Relief Package I,” which does not involve amendments to legislation and thus does not need to go through the Czech Parliament. This package involves a time-limited blanket waiver of fines for late filing of income taxes and fines for tax arrears, fines for late tax claims, filing control statements and waiver of the administrative fee for filing a tax deferral or instalment request.

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III. Other selected measures

The restrictions on freedom of movement have been extended until April 1, 2020.

The window reserved for people over 65 and disability card holders (ZTP/P) over 50 to shop in supermarkets and pharmacies has also been changed to 8-10 a.m. This rule now applies only to shops larger than 500 m², while in smaller shops senior citizens should be given priority but younger customers are no longer barred from entering.

The government also decided to cancel fees for sending data box messages as of March 24, 2020.

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