



Dear clients,

The summer is coming and the borders open again. After we overcame the turbulent March and April, we continue dealing with your standard tax matters. With respect to the corona crisis, we even got a few new clients. We also have the opportunity to work on some very interesting acquisition projects worth hundreds of million US dollars.

Further, we were again quoted the prestigious

directory Legal 500 (tier 2).

We are ready to help you with any issue.

Bohdana Pražská and the KempHoogstad Team

Contents

Anti-crisis tax package

Direct support of associates in small firms ("s.r.o.") – the compensation bonus

Abolition of real estate transfer tax

Remission of social security payments made by companies with under 50 employees

Penalties on social security

Penalties on health insurance

Electronic registration of sales (ERS)

Legal 500



Anti-crisis tax package

On 29 May 2020, the Chamber of Deputies approved the retroactive use of past tax losses accrued in the tax period ending 30 June 2020 or later and regarding personal and corporate income tax. This applies to tax losses accrued in up to two preceding tax periods where the tax loss was created. The maximum amount of such used tax loss can be CZK 30 million.

Together with the change in the deduction of a tax loss, the Chamber of Deputies also reduced the value added tax rate regarding accommodation services and admission fees to sport and cultural events from 15 per cent to 10 per cent.

The bill is currently being deliberated in the Senate.

Direct support of associates in small firms ("s.r.o.") – the compensation bonus

On Thursday 28 May 2020, the Chamber of Deputies approved the original governmental amendment to the Compensation Bonus Act, thus rejecting the amendment suggested by the Senate. The Senate had proposed that the financial aid would be paid as a contribution to a private individual from the state budget only. According to the approved bill, the bonus would be paid also from budgets of districts and municipalities.

The compensation bonus can be drawn by associates of small companies ("s.r.o.") under the condition that there are not more than two associates in the company (there can be more if they are members of one family). However, applicants cannot be employees participating in health insurance, they cannot draw contributions from the Antivirus programme (known as "kurzarbeit"), and they cannot draw the similar compensation bonus intended for self-employed persons. The compensation bonus is not for associates in companies that filed for bankruptcy, that are in liquidation, or that are unreliable VAT payers.

Another condition for drawing the bonus is that the turnover of the companies in 2019 must be at least CZK 180,000 (or there is a reasonable presumption that it would be in 2020 or 2021). The companies must be tax residents in the Czech Republic, the European Union, or the European Economic Area. In addition, applicants must be active associates of the company as at 12 March.

The form for applying for the compensation bonus should be filled out and send to the respective financial authority (more information [here](#)). The compensation bonus can be drawn for the period from 12 March to 8 June 2020, and the paid amount is CZK 500 per day, i.e. the total amount can be CZK 44,500.

The president signed the bill, and it was published in the Collection of Laws on 1 June 2020. The bill comes into effect on 2 June 2020.



Abolition of real estate transfer tax

On 27 May 2020, the Chamber of Deputies approved in the first reading the abolition of real estate transfer tax of 4 per cent with retroactive effect. According to the current wording of the bill, the real transfer tax would be abolished starting from December 2019 if the bill is approved.

Together with the abolition of the real transfer tax, the bill also includes an extension of the time test for exemption regarding the sale of real estate from personal income tax from five to ten years. This applies to real estate where the owner does not intend to live there. The test will be applied to real estate acquired after 1 January 2021. The bill also cancels the application of paid interest as an item deductible from the tax base. This will apply to mortgage agreements concluded after 1 January 2022.

Remission of social security payments made by companies with under 50 employees

On 29 May 2020, the Chamber of Deputies approved an amendment to the Social Security Act. It is actually an extension of the Antivirus Programme with regime C. It includes remission of social security payments paid by the employer for June, July, and August 2020, and it applies to companies with under 50 employees. The basic conditions for remission of social security are: the company 1) employs no more than 50 employees who participate in health insurance and 2) will not lay off more than 10 per cent of the employees and will keep 90 per cent of the payroll amount compared to March 2020.

The bill is currently being deliberated in the Senate.

Penalties on social security

Penalties on late payments of social security and the contribution to the government's employment policy paid by employers for the period May to July 2020 will be reduced by 80 per cent if the employers pay the payments by 20 October 2020 at the latest. An important condition is that the employer paid the social security which the employees are obligated to pay for the given period.

The above-mentioned measurement has been approved by the Senate, and the president should sign it.

Penalties on health insurance

Penalties on late payments of health insurance paid by employers for their employees in the period March to August 2020 will not be collected by insurance companies if the employers pay the insurance payments by 21 September 2020 at the latest.



Electronic registration of sales (ERS)

On 26 May 2020, the Chamber of Deputies approved postponing of all phases of ERS until the end of 2020. Originally, the ERS was postponed to 19 August 2020 with respect to the COVID-19 situation.

Legal 500

Our company has been quoted in the prestigious directory Legal 500, Tier 2 (you can find more information [here](#)). We have been included in the Legal 500 continuously since 2011. We would like to thank our clients for their confidence and the opportunity to work on their projects. Thanks to that we could have been included in the Legal 500 again.

Bohdana Pražská
Filip Dostál

bohdana.prazska@kemphoogstad.cz
filip.dostal@kemphoogstad.cz

Legal Disclaimer: The material contained in this alert is provided for general information purposes only and does not contain a comprehensive analysis of each item described. Before taking (or not taking) any action, readers should seek professional advice specific to their situation. No liability is accepted for acts or omissions taken in reliance upon the contents of this alert.

If you do not wish to receive the KempHoogstad Tax News, please let us know via e-mail: prague@kemphoogstad.cz or phone: +420 221 719 000.

All information on subscribers of the Tax News are treated as confidential with respect to the GDPR.



Tax Directors
Handbook
2018

