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Taxes

Tax Alert COVID-19: Stabilization package for taxpayers

In connection with the mitigation of the impacts of the COVID-19 pandemic, the Czech government approved a stabilization and liberation package, as well as the possibility of interest-free loans under the ČMZRB program - the COVID loan. The State may also apply for damages resulting from the measures taken. We have summarized the currently available information.

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According to the approved version, these are the following concessions:

- across-the-board waiver of late payment of personal and corporate income tax return and late payment interest until 1 July 2020
- waiver of late payment of the penalty in all cases where the taxpayer individually requests the waiver of interest for late payment or the delay or repayment of the tax and proves the reasons in any way related to coronavirus
- across-the-board waiver of fines for the late submission of a CZK 1,000 inspection report incurred between 1 March and 31 July 2020.
- individual waiver of the fine for failure to submit a control report for the period from 1 March to 31 July if coronavirus is proven to be associated
- across-the-board waiver of an administrative fee (for waiver and postponement requests)
- fines for the introduction of the third and fourth wave of electronic sales records from 1 May 2020

- forgiveness of interest on late payments and interest on the amount retained in accordance with the new GFD D-44 instruction.

The Ministry of Finance has already published documents in Financial Bulletin No. 4/2020.

The tax authorities should apply maximum friendliness and tolerance in a situation where the decision depends on administrative discretion.

For a successful waiver, it is often necessary to fulfill a number of conditions set out in the conditions of forgiveness (eg absence of arrears, good tax morality in the past), which may not always be fulfilled in practice. However, there are other solutions how to effectively solve the situation (eg using existing institutes according to the Tax Code).

Possibilities that the current Tax Code offers:

- institute of reduction of paid tax advances, including complete cancellation
- extension of the deadline for filing income tax returns, which in fact also extends the tax due date (up to 3 months, or up to 10 months from the end of the tax period, if foreign income is also subject to tax)
- application for tax retention or postponement of payment or setting a repayment schedule (with a positive impact on interest reduction from 14% plus repo to 7% plus repo, which can also be waived)
- Social security and health insurance also offer some options
- Possibility of excusing according to the current guideline, where extraordinary reasons can usually lead to a reduction of possible sanctions (including excuse beyond the guideline)

The Government approved the possibility of interest-free loans under the ČMZRB program - COVID loan

Simultaneously with the above, the Government of the Czech Republic approved the possibility of drawing interest-free loans under the new program of the Czech-Moravian Guarantee and Development Bank (CMZRB) - COVID loan. Interest-free loans are intended primarily for sole traders and small and medium-sized enterprises whose economic activities are limited due to the occurrence of coronavirus infection and related preventive measures. The loan is primarily intended for the acquisition of small tangible and intangible assets, the acquisition and financing of inventories and other operating expenses.

The basic parameters of loans are as follows:

- receipt of applications from 16 March 2020
- without interest and no fees
- loan amount up to CZK 15 million
- up to 90% of eligible project expenditure
- maturity up to 2 years
- deferral of installments up to 12 months

At the same time, it is possible to use other ČMZRB instruments such as the Expansion program, where it is possible to obtain an interest-free loan of up to CZK 45 million or to obtain guarantees from the ČMZRB for operations and investments from the Guarantee program. At the same time, the Czech Government is

considering moving additional funds from operational programs to help businesses affected by current coronavirus infection.

For the sake of completeness, we also state that it is possible to apply to the State for damages resulting from the measures taken. Any application must be made within 6 months of the occurrence of the damage. In this case, it is necessary to prove the damage and the connection and it is a question of how such a request will be, or courts, approached.

In view of the current situation, we recommend that you search for the best possible solution individually for each situation. Please do not hesitate to contact us if you have any questions regarding this area.

CORONAVIOR TIME ON DELOITTE

How to face the effects of the COVID-19 pandemic?

On the [special Deloitte website](#), we have summarized the key steps you need to learn to mitigate the impact of a pandemic on your organization. From the rapid introduction of the home office, through the tax implications, contractual obligations to the creation of crisis scenarios to ensure business continuity. You will also find contact with our specialists who will help you to respond to specific measures according to your business needs.

You can find up-to-date information on this blog in the [coronavirus pandemic](#) section .

COVID-19

Coronavirus

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The Digital Tax Law will still change: there is a 7% rate cut

The legislative process of adopting the Digital Tax Act does not end. It is currently being discussed by the House Budget Committee, which is collecting its amendments. What is the development of digital taxation? What changes have the relevant bill passed? And what changes are likely to take place in the coming months?

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Taxes

The calculated expenditure cannot be used as part of the construction of the calculation of the deductible item for research and development

The Regional Court in Hradec Králové ruled on the justification of calculating the amount of the deductible item for research and development ("R&D") by means of so-called calculated expenses. According to the Court, the Income Tax Act ("ITA") requires the use of expenses actually incurred and does not allow, for the purpose of calculating the deductible R&D item, to assess the R&D project's own costs on the basis of the production calculation that is

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