

COVID – 19: LATEST LEGISLATIVE MEASURES (As of 9 April 2020)

Dear Clients and Business Friends,

We wish to inform you about the latest developments in the areas of law and taxes in connection with the current epidemiological situation.

1. APPROVED MEASURES

A. COVID II GUARANTEE SCHEME

On the basis of the Government's decision, a guarantee scheme of Českomoravská záruční banka a.s. ("ČMZRB") was launched on 30 March 2020. Under this scheme, businesspersons will be provided with guarantees for loans of up to CZK 15 million with partner commercial banks in connection with the SARS-CoV-2-related crisis. Acceptance of guarantee applications has been suspended as of 3 April 2020, but the Government and the Ministry of Industry and Trade plan to open another round as soon as on 20 April 2020.

- The scheme is intended for self-employed persons and small and medium-sized enterprises (i.e. those with less than 250 employees and a turnover of or below EUR 50 million or the balance sum of or below EUR 43 million). The scheme was not intended for entities registered in Prague in the first round.
- The loans can be drawn to cover costs of wages and energies, rent, supplier invoices, pre-funding of receivables and acquisition of material, inventories and other low-value assets. The loans cannot be used to finance investments.
- The loans bear interest, but the ČMZBR provides contributions to pay interest for a period of three years at the same time.

B. VAT

- **VAT remission with respect to donations involving protective equipment and medicinal products and raw materials for the production thereof.** If a tax entity provides for free (donates) specified protective equipment and medicinal products and raw materials for the production thereof, and had applied for refund in connection therewith in advance, its VAT, which should have been paid on the donation, will be waived.

The donations primarily include COVID-19 testing kits, masks and face masks, gas masks, protective glasses and shields, plastic, rubber, textile and similar gloves, hairnets, protective clothing, thermometers (medical), medical devices (such as CT and breathing machines),

materials for dressing, syringes, intubation, paper bed sheets and similar material. VAT will also be waived on alcoholic solutions used in preparing disinfection, other disinfection solutions, hydrogen peroxide and sterilisers. A detailed description of goods, on which VAT is waived, is provided in the decision on the VAT waiver published in Financial Bulletin No. 6/2020.

- **Exemption from custom duties and VAT upon import of goods from third countries in connection with COVID-19:** The Czech Republic has been considered one of the EU member states suffering from the COVID-19 crisis. As a consequence, certain imports can be exempted from import custom duties and VAT. These primarily include imports of goods by a state entity, a charity or a voluntary organisation, the condition being that the goods will be distributed or made available for free to victims of the pandemics, or to those in need in connection with the pandemics caused by SARS-CoV-2 (e.g. face masks provided for free to citizens), or that the goods have been received as a gift within international relationships. The exemptions also include imports of goods by rescue teams, if the goods are to satisfy the teams' needs during rescue work (e.g. healthcare facilities). The exemptions are valid for the period from 30 January 2020 through 31 July 2020 and can also be applied retrospectively.
- **Deferral of VAT or payments of VAT in instalments:** If the payment of VAT needs to be deferred, the Tax Administrator can be asked for the payment's deferral or for distribution of the VAT's amount into instalments. Where the need for the payment's deferral resulted from the COVID-19 crisis, these facts have to be documented. The administrative charge for the filing of an application will be waived for applications submitted by 31 July 2020. Deferral interest has been charged in connection with the VAT deferral; the current amount of this interest is approximately 7.5% p.a. Waiver of this interest can also be applied for.

C. ROAD TAX

Remission of default interest and deferral interest on advances for road tax: The Finance Ministry waived, on a general basis, default interest and deferral interest with respect to advances due on 15 April 2020 and 15 July 2020, if the advances are paid no later than by 15 October 2020. This in fact means that the obligation to pay the advances has been extended to 15 October 2020.

2. PLANNED MEASURES

A. LEX COVID

The Parliament of the Czech Republic is discussing a government bill whereby substantial changes related to insolvency proceedings and corporate law should be temporarily implemented:

- **Cancellation of the duty to file insolvency motion against oneself:** The measure is to be valid from the effective date of the Act for the period of six months from the end of extraordinary measures against the epidemics, but no longer than to 31 December 2020.
- **Insolvency motions filed by creditors will not be taken into consideration** from the Act's effective date to 31 August 2020.
- **Introduction of an extraordinary moratorium until 31 August 2020**, which means, among other things, that the debtor has the possibility to first settle payables arising after the announcement of the moratorium, which immediately relate to the continuity of the enterprise's operation.
- **Extension of the deadline for the discussion of financial statements**, which will not expire earlier than three months after the end of the extraordinary epidemic measures, but no later than on 31 December 2020.

B. MORATORIUM ON LEASES OF BUSINESS PREMISES

The Parliament of the Czech Republic is discussing a government bill, whereby a **period of protection** is to be introduced with respect to leasehold relationships of businesspersons; the period of protection is to run from the effective date of the Act through 31 May 2021. During the period of protection, the lessor cannot unilaterally terminate the lease only due to the fact that the tenant is in default with the payment of rent. The period of protection will be applied, if the default occurred in the period concerned and relates to restrictions resulting from SARS-CoV-2. The tenant is obliged to pay the lessor any and all receivables of the lessor originating for the period from 12 March 2020 through 30 June 2020 by the end of the period of protection. If the tenant fails to do so, the lessor has the right to terminate the lease with a five day notice.

C. FREEZING OF LOANS' REPAYMENT

The Parliament of the Czech Republic is discussing a government bill, which is to regulate the **period of protection**, over which:

- The deadline for the payment of monetary debts of a loan receiver to a loan provider under a loan agreement is moved and the term of the loan collateral's existence is extended on the basis of a loan receiver's notice delivered to the loan provider, i.e. repayments of the loan's principal will not have to be made during the period of protection; and
- If applied to interest, the loan provider has the right to interest only at the repo rate promulgated by the Czech National Bank increased by 8 percentage points, unless a lower interest had been agreed, in case of a loan provided to a consumer, or only at the level effectively agreed in case of a businessperson.



D. COMPENSATION BONUS FOR SELF-EMPLOYED PERSONS

The Parliament of the Czech Republic is discussing a government bill, whereby it plans to introduce a compensation bonus in the amount of CZK 500 for each calendar day for self-employed persons whose income has substantially declined due to the extraordinary measures. The bonuses will be paid for the period from 12 March through 30 April 2020 based on an application, which can be filed no later than within 60 days from the end of the bonus period. The bonus can be paid at the maximum amount of CZK 25,000 for the whole bonus period.

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Please be aware that the conditions of the discussed bills as described above can change during the legislative process. We will keep you informed about any amendments and introduced measures. Please feel free to contact us, if you need more detailed information.

Your LTA team