

COVID 19: Government support (as of 15 October 2020)

Dear Clients and Partners,

As a reaction to the second wave of COVID-19 epidemic, the Czech government has prepared various support schemes for affected businesses. We would like to provide you with information about those which we consider essential at the moment.

1. TAX SUSPENSION

The Minister of Finance has issued decision no. 27709/2020/3901-2 (hereinafter the „**Decision**“) which, in compliance with the Code of Tax Administrative Procedure, suspended certain tax obligations applicable to certain tax payers.

Tax suspension for affected business

Businesses which in the period between 1 June 2020 and 30 September 2020 generated most of their income from an activity (or several activities) listed below, will be released from the obligation to pay mandatory advance payments on the following taxes: income tax payable between 15 October 2020 and 15 December 2020, motor vehicle tax for the entire taxation period of 2020 payable on 15 April 2020, 15 July 2020, 15 October 2020 and 15 December 2020 and late payment interest accrued on unpaid value added tax in September, October and November 2020 or in the 3rd quarter of 2020.

This tax suspension applies to the following business activities:

- running restaurants and bars,
- running music, dancing, gaming and other similar social clubs and discos,
- promotion of concerts and other musical, theatrical or cinematographic performances,
- organization of wedding celebrations, civil partnership celebrations and funeral receptions,
- running circuses and variety theatres,
- organization of fairs and similar traditional events,
- organization of congresses and other educational events,
- organization of trade fairs,
- running indoor sports centres, gyms and fitness centres, swimming pools and wellness facilities,
- running zoos and botanical gardens,
- running museums, galleries, exhibition halls, castles, chateaus and similar historical or cultural sites, observatories and planetariums.

Suspension of mandatory advance payments on motor vehicle tax and income tax does not encompass release from the taxes themselves. Taxpayers will also continue to pay penalties imposed on them for late filing of tax declarations, which means that both VAT declarations and VAT control statements must still be filed in time. The late payment interest on unpaid VAT will only be suspended if the outstanding tax is paid before 31 December 2020.

The suspension only applies to businesses which inform the respective financial office that a major part of their income in the reference period stemmed from business activities banned or restricted by the government's anti-crisis decree no. 1021 issued on 12 October 2020. This information may be sent by email.

Suspension of VAT

The Decision also suspends value added tax on free-of-charge supplies of goods and provision of services listed in the Decision, and supplies of goods used for production of goods listed in the Decision, for which tax was supposed to be declared between 1 October 2020 and 31 December 2020. In case of supply of goods which is to be used to produce disinfectants, VAT is suspended only if the goods are supplied to a producer licensed to produce disinfectants in compliance with applicable laws.

The government thereby tries to facilitate the provision of basic supplies needed to tackle the epidemic, such as testing kits or other devices used for COVID-19 diagnostic, face masks, respirators etc.

2. COVID: RENT II

In order to support businesses, the government had enabled them to file applications for subsidies to pay rent in commercial premises until the end of September 2020. The government now comes with a second part of the COVID-Rent scheme, which is however in many aspects different from the original one.

Even though the exact conditions are not known yet (and will only be announced at the end of October, when the Ministry of Industry and Trade publishes its call to file applications for participation in the programme), it is already clear that only the following businesses will be able to apply:

- establishments serving food (restaurants, cafes, bars, pubs, tea rooms etc.)
- music, dancing, gaming and other similar social clubs and discos,
- cinemas,
- promoters of congresses and other educational events, exhibitions and trade fairs,
- commercially run indoor sports venues (such as gyms, pitches, ice rinks, courts, rings, bowling allies, snooker places, training facilities) and fitness centres,
- commercially run swimming facilities (swimming pools, wellness pools, baby pools, paddling pools), wellness facilities including saunas, solariums and salt chambers, unless they provide medical services and are as such run by licensed medical services providers,
- zoos,
- commercially run museums, galleries, exhibition halls, castles, chateaus, observatories, planetariums and similar historical or cultural sites (with the exception of theatres), and
- facilities providing services to individuals aged 6 to 18 which focus on activities similar to voluntary education as defined in Section 2 of Decree No. 74/2005 Sb., such as facilities providing extracurricular recreational or educational services, including catch-up classes.



The government plans to release a total CZK 1,2 billion for these purposes. Participation in the COVID-Rent II scheme will no longer be conditioned by a discount on rent granted by the lessor. The amount available to each applicant in the programme is expected to be 50 % of the total rent in the 3rd quarter of 2020. We will keep you informed about the scheme's final conditions.

We hope that our newsletter provided you with useful information and we are ready to assist you to find the right solution for any situation you may encounter.

Your LTA team