

# GMS Flash Alert

2020-166 | April 10, 2020



## Czech Republic – COVID-19: Tax and Social Security Measures Introduced

The Czech government has introduced several personal income tax and social security measures to cushion the effects of the coronavirus / COVID-19 pandemic on the country's economy and society. These measures should provide support to employers, employees, self-employed persons, households, and businesses affected by the pandemic.

### WHY THIS MATTERS

The series of measures ushered in by the Czech government are intended to help mitigate the economic and financial effects of the spread of the coronavirus and COVID-19 in the country and to bring relief to individuals and employers as they come to grips with the changed situation in their daily lives, financial security, and business operations arising from the restrictions implemented to address the pandemic.

The government's measures related to an extension of tax prepayment deadlines or tax penalty waivers for certain social insurance payments and relaxed parental allowance rules and social security compliance obligations should offer taxpayers and businesses opportunities to preserve their cash-flow and jobs, reduce anxiety about social security coverage and benefits as their country of work activity changes unexpectedly, and additional time to organise their tax affairs and meet their compliance obligations in this difficult period.

### Extension of Deadline for Filing Personal Income Tax Returns for 2019

The tax administration has decided to waive, on a general basis, (i) any penalties for the late submission of personal income tax returns and (ii) default interest for the late payment of tax, until 1 July 2020.<sup>1</sup>

This measure means that a 2019 tax return can be filed, and tax liabilities for 2019 paid, up through the extended deadline of 1 July 2020, without any sanction. The waiver only applies to tax returns for the 2019 taxable period in cases where the original filing deadline was 1 April 2020.

## General Waiver of Income Tax Prepayments Due on 15 June 2020

The Ministry of Finance has extended a general waiver of income tax prepayments<sup>2</sup> payable on 15 June 2020, without an obligation to file an application. This only applies to taxpayers (individuals) using the calendar year as their taxable period. Please note that individual applications for the waiver of income tax prepayments payable on 15 September and 15 December may also be filed, but only where justified due to being affected by COVID-19.

## Penalties Waiver for Late Payment of Health Insurance Premium for Employers

No penalties should be assessed to employers for the late payment of their obligatory health insurance premiums relating to the period from March 2020 until August 2020.<sup>3</sup> To benefit from this penalty-free regime, employers must pay health insurance premiums in respect of this period by 21 September 2020 at the latest.

## Parental Allowance Payment Broadly Extended for Employees

The payment of the parental allowance in respect of those parents caring for children younger than 13 years will be extended<sup>4</sup> over the overall period of school closures due to the state of emergency. No age limit for the payment of parental allowance applies to those caring for dependent persons with disabilities (at least "Stage I dependence") over the period of closure of certain social service facilities due to the state of emergency. Parental allowances will be paid monthly and will be equal to 60 percent of the reduced assessment base, derived from average daily earnings for the last 12 months. Employees who qualify may apply for parental allowance through their employers, provided they are based on confirmations issued by their children's schools or other children's facilities.

## Validity of Issued Social Security A1 Certificates

With the temporary restriction of free movement of persons due to the COVID-19 pandemic, some employees have been temporarily forced to carry out their activities in the territory of the EU member state where they reside (home office), which may differ from the state where they had been carrying out their gainful activity before the COVID-19 pandemic. The Czech Social Security Administration (CSSZ) has now confirmed<sup>5</sup> that this does not constitute a change in circumstances relevant in terms of a change in the state where the person is insured for social security purposes.

Migrating employees and their employers thus do not have to report such temporary changes in circumstances (home office in the Czech Republic or abroad) to the local CSSZ; also, they do not have to return the previously-issued certificates of coverage under Czech social security regulations (Certificate of Coverage, the A1), as long as they resume their activity in the territory of EU member states once the emergency measures are lifted.

According to information published<sup>6</sup> by CSSZ a similar approach is anticipated with respect to the institutions/authorities of the Czech Republic's neighboring states, i.e., Slovakia, Poland, Germany, and Austria, as well as by France, Belgium, Luxembourg, and Switzerland.

The above applies to social security and health insurance areas that are harmonised within the EU.

## FOOTNOTES:

- 1 See (in Czech): [https://www.mfcr.cz/cs/legislativa/financni-zpravodaj/2020/financni-zpravodaj-cislo-4-2020-37851?\\_layout=box](https://www.mfcr.cz/cs/legislativa/financni-zpravodaj/2020/financni-zpravodaj-cislo-4-2020-37851?_layout=box) .
- 2 See (in Czech): <https://www.mfcr.cz/cs/legislativa/financni-zpravodaj/2020/financni-zpravodaj-cislo-5-2020-37962> .
- 3 Act No. 134/2020 Coll. On amendment of Act No. 592/1992 Coll. on health insurance contributions.
- 4 See (in Czech): <https://www.mpsv.cz/web/cz/osetrovne> .
- 5 See (in English): <https://www.cssz.cz/web/en/coronavirus-disease-covid-19-and-certificate-a1-cz> .
- 6 See (in Czech): <https://www.cssz.cz/web/cz/-/coronavir-nemoc-covid-19-a-formular-a1-cz> .

\* \* \* \*

### **Please Take Our COVID-19 Spot Survey – Implications on Total Rewards Programs**

As the challenges of COVID-19 continue, multinational organisations must evaluate their total rewards programs and identify both temporary and longer-term responses for their employees. KPMG has developed a 5-minute survey on the impact of COVID-19 on total rewards programs. Please take the [COVID-19 Spot Survey – Implications on Total Rewards Programs](#)

## Contact us

For additional information or assistance, please contact your local GMS or People Services professional or one of the following professionals with the KPMG International member firm in the Czech Republic:



**Iva Krakorova**

Tel. +420 222 123 837

[ikrakorova@kpmg.cz](mailto:ikrakorova@kpmg.cz)



**Lenka Novakova**

Tel. + 420 222 123 364

[lnovakova@kpmg.cz](mailto:lnovakova@kpmg.cz)

**The information contained in this newsletter was submitted by the KPMG International member firm in the Czech Republic.**

© 2020 KPMG Ceska republika, s.r.o., a Czech limited liability company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.

[www.kpmg.com](http://www.kpmg.com)

[kpmg.com/socialmedia](http://kpmg.com/socialmedia)



© 2020 KPMG LLP, a Delaware limited liability partnership and the U.S. member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. Printed in the U.S.A. NDPPS 530159

The KPMG name and logo are registered trademarks or trademarks of KPMG International.

The KPMG logo and name are trademarks of KPMG International. KPMG International is a Swiss cooperative that serves as a coordinating entity for a network of independent member firms. KPMG International provides no audit or other client services. Such services are provided solely by member firms in their respective geographic areas. KPMG International and its member firms are legally distinct and separate entities. They are not and nothing contained herein shall be construed to place these entities in the relationship of parents, subsidiaries, agents, partners, or joint venturers. No member firm has any authority (actual, apparent, implied or otherwise) to obligate or bind KPMG International or any member firm in any manner whatsoever. The information contained in herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

*Flash Alert* is a GMS publication of KPMG LLP's Washington National Tax practice. To view this publication or recent prior issues online, please click [here](#). To learn more about our GMS practice, please visit us on the Internet: click [here](#) or go to <http://www.kpmg.com>.