

GMS Flash Alert

2020-233 | May 14, 2020



Czech Republic - COVID-19: Postponing Certain Advance Payments and Withholding Tax

The Czech General Financial Directorate (GFD) has published, as of 8 April 2020, a guideline¹ allowing payers of personal income tax on dependent activities to apply to postpone advance payments or to pay the tax in instalments. Postponement or payment in instalments is also possible for certain types of withholding tax.

WHY THIS MATTERS

This measure is intended to support employers and taxpayers who have insufficient funds for the payment of salaries, and taxes on salaries, due to the extraordinary effects of the COVID-19 pandemic. The original guideline issued in 2015 did not allow postponing advance payments on personal income tax on dependent activities or withholding tax.

Further Details

Taxpayers can now apply to postpone advance payments on personal income tax compensation for employment for the period from February to July 2020, and to postpone paying withholding tax otherwise due between 31 March and 31 August 2020. However, the postponement is only possible until 30 September 2020.

A postponement or payment in instalments may only be permitted on the basis of an individual application filed by the taxpayer.

The application must contain information on the relevant advance payment or withholding tax, the amount, the grounds for the application, and the date until which the postponement is requested or the proposed instalment payment schedule. The applicant must also provide grounds for postponement relating to the COVID-19 impact, e.g., document

the effect of a mandatory quarantine or disease on business; demonstrate a production outage caused by COVID-19 measures on the part of the suppliers; or show that retail sales or provision of services were prohibited.

Default interest will accrue on the outstanding amount of the advance on tax (or withholding tax) during the period of postponement. The tax administrator may waive the default interest based on an individual application under GFD Guidelines D-44 (COVID grounds).²

The new guideline states that an application would not necessarily be rejected if the taxpayer has some funds available but needs them to pay fixed costs. Each application will be assessed individually. Applications submitted by 31 July 2020 will not be subject to an administrative fee.

Please note that applications for postponing advance payments on employment income or withholding tax must be filed each month.

FOOTNOTES:

1 See the GDF website at: https://www.financnisprava.cz/assets/cs/prilohy/fs-pro-media/MP_cj__22309_20_poseckani_uhrad_zaloh.PDF (in Czech); and https://www.financnisprava.cz/cs/financni-sprava/media-a-verejnost/nouzovy-stav/danove-informace/Handbook_for_taxpayers (in English).

2 Published 16 March 2020 on the GDF website at: https://www.financnisprava.cz/assets/cs/prilohy/d-placeni-dani/Pokyn_gfr_d_44.pdf (in Czech).

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