

GMS Flash Alert



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Czech Republic - COVID-19: Penalty Relief for Late Employer Social Security Contributions

The Czech government approved a legislative proposal¹ to reduce penalties for late payment of social security contributions due for the months May to July 2020 by employers under certain conditions. The proposal also introduces certain changes to the submission procedures for social security overviews and contributions.

WHY THIS MATTERS

The proposed measure is intended to improve the cash flow of employers affected by the COVID-19 pandemic by postponing their liabilities to the state. Once the measure is approved and signed into law, employers should check to make sure they meet the criteria for receiving the partial late payment penalty relief.

The proposal also includes mandatory electronic submission procedures that employers need to prepare for.

Details of the Proposal

The draft legislation would reduce the penalty for late payment of social security contributions payable by employers in the amount of 24.8 percent of their employees' wages (employer's contributions) for the calendar months of May to July 2020. If the contributions due for these months are paid by 20 October 2020, the employer will be required to pay only 20 percent of the standard penalty for late payment stipulated by the Insurance Premiums Act.² The reduced penalty will thus correspond to approximately 4 percent interest rate per annum.

To obtain the reduction, the employer must submit monthly social security overviews and remit employees' social security contributions by the regular deadlines.

The government's proposal does not require employers to prove a negative impact of the COVID-19 extraordinary measures, and the reduced penalty for late payment of the employers' social security contributions is thus available to all employers.

Further Details: Electronic Submissions, Penalties

The amendment further introduces mandatory electronic submission of monthly social security overviews (with certain exceptions, e.g., technical difficulties in submitting an electronic overview) and cashless payments of social security contributions. The proposed amendment must be approved by the Parliament and signed by the President.

Penalties for late payment of health insurance contributions for the period from March to August 2020 have already been waived by an amendment to the Public Health Insurance Contributions Act,³ on condition that the health insurance contributions are paid not later than by 21 September 2020. The waiver of penalties for health insurance contributions should apply to late payment of both employers' and employees' contributions.

FOOTNOTES:

1 See (in Czech) Sněmovní tisk 860/0, část č. 1/4, Vl.n.z. o snížení penále z pojist. na soc. zabezpečení: <https://www.psp.cz/sqw/text/tiskt.sqw?O=8&CT=860&CT1=0>.

2 Act No. 589/1992 Coll. on Social Security Premium and Contribution to the State employment policy (*Zákon č. 589/1992 Sb. – Zákon České národní rady o pojistném na sociální zabezpečení a příspěvku na státní politiku zaměstnanosti*).

3 Act No. 134/2020 Coll. – amendment to the Public Health Insurance Contributions Act No. 592/1992 Coll. (*Zákon č. 134/2020 Sb. – Zákon, kterým se mění zákon č. 592/1992 Sb., o pojistném na veřejné zdravotní pojištění, ve znění pozdějších předpisů*).

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Contact us

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