

GMS Flash Alert

2021-114 | April 19, 2021



Czech Republic – COVID-19 Relief for 2020 Income Tax Returns

To mitigate ongoing effects of the COVID-19 pandemic, the Czech Ministry of Finance has issued new relief measures that under certain conditions waive the penalties assessed for the late filing of 2020 income tax returns and related late payment interest, and interest on the deferred tax amount. The relief measures are in a decision of the Minister of Finance that was published in *Financial Bulletin* No. 16/2021.¹

Other measures provide relief for certain supplementary personal income tax returns for 2019, late notification of exempt income, and late payment of social security contributions of self-employed persons, and also postpone the deadline for health insurance contributions for the self-employed.

WHY THIS MATTERS

These measures give taxpayers room to manage their cash-flow and more time to organise their tax matters in this difficult time.

Details on Filings, Payments, Notifications of Exempt Income, Sanctions and Penalties

The decision waives sanctions for the late submission of personal income tax returns for the 2020 taxable period if returns are filed no later than 3 May 2021, or 1 June 2021 in the case of electronic filing. The tax due amount must also be paid to the tax authority's account before this date. If tax due payments are paid or returns submitted later, penalties will be assessed retrospectively from the statutory deadline for filing tax returns (i.e., 1 April 2021, or 3 May 2021 for electronic filings).

The decision does not apply to taxpayers who file their income tax returns by the extended deadline of 1 July 2021, i.e., those who are required by law to have their financial statements examined by auditors or submit their income returns after 1 April 2021 through a tax advisor. Moreover, the decision does not apply to taxpayers who file their returns for taxable periods other than the 2020 calendar year.

The decision also waives sanctions for the late filing of supplementary personal income tax returns for 2019 for the payers of personal income tax who in 2020 changed the method of application of expenses (i.e., instead of actual expenses, they are applying lump-sum expenses or vice versa). Penalties for the late filing of supplementary personal income returns for 2019 and late payment interest relating to the part of tax additionally assessed as a result of the change in the method of application of expenses will be waived for taxpayers who file their supplementary income tax returns and pay tax no later than 3 May 2021, or 1 June 2021 for electronic filing.

In addition, the decision waives penalties for the late notification of exempt income under Section 38w of the Income Tax Act if taxpayers who are natural persons submit the notification no later than 3 May 2021, or 1 June 2021. However, this only concerns taxpayers who have the obligation to file Czech personal income tax returns for the 2020 taxable period. The waiver does not apply to individuals who do not have a filing obligation but must submit the notification regarding exempt income for the 2020 taxable period.

Health Insurance and Social Security Contributions Deadlines

An amendment to the Act on Public Health Insurance² postpones until 2 August 2021, the deadline for self-employed persons filing annual health insurance contributions statements to the Czech health insurance companies and the deadline for settling health insurance contributions due determined based on the 2020 annual statements. The 2020 annual statements for social security contributions of self-employed persons can be filed without any sanctions by 30 June 2021.³ Any social security contributions due for 2020 must also be settled by this date to be able to claim a waiver of penalties for late payment.

FOOTNOTES:

1 *Financial Bulletin* No. 16/2021 Coll.: <https://www.mfcr.cz/cs/legislativa/financni-zpravodaj/2021/financni-zpravodaj-cislo-16-2021-41213> (in Czech).

2 See Amendment No. 161/2021 of the Act No. 592/1992 Coll. on the public health insurance contributions: <https://www.psp.cz/sqw/sbirka.sqw?O=8&T=1180> (in Czech).

3 See a 29 March 2021 announcement on the Czech Social Security Administration's website (in Czech): <https://www.cssz.cz/-/osvc-mohou-podat-prehled-o-prijmech-a-vydajich-za-rok-2020-v-delsim-termínu-bez-sankci-a-to-nejpozdeji-do-30-6-2021>.

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