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TAX FRESH



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Dear business partners,

In the next issue of this year's Newsletter, we would like to present you with current changes in covid measures and in the area of claiming an input value added tax from an unidentified supplier.

Otherwise, we would like to thank all of you for the favour you are giving us, and we look forward to further cooperation in the new year.

Best regards



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REINTRODUCTION OF THE CRISIS ATTENDANCE ALLOWANCE



On 1 December 2021, in an abbreviated session, the Czech Chamber of Deputies approved a proposal for a crisis attendance allowance to which parents or other relatives who remain at home with their children will be entitled in the event of the closure of schools or classrooms due to the COVID-19 pandemic or due to the ordering of an individual quarantine of a child.

The child must be under the age of 10, as in the case of the traditional attendance allowance, or a dependent child up to the age of 26 who is attending school and has been dependent on the care of another person since Level I dependency or attending a care facility for dependent persons.

The crisis attendance allowance will then amount to 80% of the daily assessment base, at least CZK 400 per day, and will also apply to employees working under an agreement on work activity or an agreement on work performance who participate in sickness insurance scheme.

The proposed changes are to apply retroactively from 1 November 2021 to 28 February 2022.

The proposal will now be debated by the Senate of the Czech Republic and then forwarded to the President of the Czech Republic for signature.

COMPULSORY QUARANTINE ALLOWANCE OR SO CALLED "ISOLATION ALLOWANCE" (IN CZECH "IZOLAČKA")



On 1 December 2021, the deputies also approved in an abbreviated session a bill to reintroduce an extraordinary allowance to an employee when a quarantine is ordered.

The employer will pay the employee a bonus in the amount of up to CZK 370 for each calendar day in addition to the usual "sick leave" compensation, but not more than for the duration of the prescribed quarantine period of 14 days. If the sum of the allowance granted and the sick leave compensation would exceed 90% of the average earnings, the allowance shall be reduced.

Employees working on an agreement on work activity basis or agreement on work performance basis will also be entitled to the allowance on condition that they contribute to the sickness insurance scheme.

The employer will then be able to deduct the allowance provided from the compulsory social security contribution, within 3 months of the end of the employee's quarantine. The allowance should be paid until 30 June 2022 at the latest.

Currently, the proposal is still awaiting consideration by the Senate and the subsequent signature of the President of the Czech Republic.

RENEWAL OF COVID-2021 AND COVID-UNCOVERED COSTS



In the light of the worsening epidemiological situation, the Government of the Czech Republic has approved the reintroduction of the support for entrepreneurs in the form of the COVID-2021 and COVID-Uncovered Costs subsidy programmes. The basic condition for receiving the subsidy is a decrease in turnover of at least 30% compared to the same period in 2019, and the aid will be paid for the reference period, which is expected to be from 1 November 2021 to 31 December 2021. The definition of a so-called eligible applicant will also be clarified. The two programmes cannot be combined, so it will again be up to the applicants which programme they apply for.

The maximum daily amount of COVID-2021 support is to be **CZK 300 per full-time employee**. Employees will also be considered cooperating persons under the income tax act or managers with a contract for the performance of their duties. In all cases, the condition will apply that these employees were employees of the applicant and were also registered for insurance in the Czech Republic.

In the COVID-Uncovered Costs programme, the support will amount to 40% of the uncovered costs, with a maximum limit of CZK 20 million per applicant.

The European Commission must give its approval for both programmes. All details will be published on the website of the Ministry of Industry and Trade.

COMPENSATION BONUS



On 1 December 2021, the Chamber of Deputies approved the Compensation Bonus Bill in an abbreviated session. It will first be possible to apply for the first bonus period, which is to be the period from 22 November 2021 to 31 December 2021. The second subsequent bonus period is to be the period between 1 January 2022 and 31 January 2022. Depending on the further development of the epidemiological situation, the government will be able to announce further bonus periods for 1 calendar month at a time, until the end of 2022 at the latest.

Self-employed persons and partners in "s.r.o." companies will be able to apply for a contribution of CZK 1,000 per day. Workers on an agreement on work activity outside the employment relationship and entrepreneurs in quarantine will be entitled to CZK 500 per day.

Entitlement is subject to a drop of at least 30% in income corresponding to sales during the bonus period compared to the average monthly income of any 3 consecutive months from June to October 2021. The entrepreneurship must represent the applicant's main source of income, which will be verified, as before, by the majority income test in the chosen comparison period. Another essential condition for the compensation bonus is that the claimant is covered by sickness insurance.

Please note that the simultaneous use of the compensation bonus with other subsidy programmes is only possible when combined with the Antivirus programme.

The earliest you can apply is after the end of the bonus period in order to indicate the amount of sales that have fallen. As before, it will be possible to submit the application by e-mail, by data box, by post or in person at the financial authority. A simple online application will also be available on the website of the Financial Administration: www.mfcr.cz/bonus.

ANTIVIRUS PROGRAM EXTENDED AGAIN



We would also like to inform you that the Antivirus Program, Scheme A, has again been extended until the end of February 2022. In the last issue of Tax Fresh No. 5 of November 2021, we informed you about the latest extension of the program until the end of 2021. (All previous editions of our Tax Fresh can be found on our website under the link <https://www.proxy.cz/tax-fresh>).

Scheme A covers cases where employees are ordered to be quarantined due to COVID-19, where the amount of the allowance is set at 80% of wages and social and health insurance contributions. The maximum monthly contribution per employee is CZK 39,000.

The Antivirus Program, Scheme B was also reintroduced, for the period from 1 November 2021 until the end of February 2022. This program is intended to provide relief to companies that have a significant number of employees on attendance allowance or in quarantine or have limited inputs necessary to operate their business due to a pandemic.

The amount of the Scheme B contribution is 60% of the wage compensation paid, including insurance premiums, up to a maximum of CZK 29,000 per month per employee.

Applications can be submitted until 28 February 2022. More information can be found on the website of the Ministry of Labour and Social Affairs: antivirus.the labour ministry.cz.

THE ISSUE OF AN UNPROVEN (UNIDENTIFIED) SUPPLIER WHEN CLAIMING A VALUE ADDED TAX DEDUCTION



Recently, VAT deduction claims have often been rejected by the tax administrator on the grounds that, in their opinion, the actual supplier of the goods or services has not been proven, even though the taxable supply has demonstrably taken place.

During the tax proceedings, the tax administrator raises doubts about the possibility of subcontracting the service or purchase of goods from the declared supplier based, for example, on the fact that the supplier has a virtual seat and is not contactable, does not have employees who could perform the service or deliver the goods, does not have adequate technical facilities, etc.

Subsequently, during the actual tax proceedings, it is very difficult to prove that the taxpayer claiming the input VAT deduction was sufficiently cautious when concluding the contract and did everything possible to prove the identity of the declared supplier. Unfortunately, tax administrators in these cases have been mostly supported by the Supreme Administrative Court, and it is based on some of the Supreme Administrative Court's rulings that we would like to make recommendations below that weaken the tax administrator's efforts to declare the supplier as unproven.

Before entering into a contract or during the course of a contract, it is advisable to find out, for example:

- 1) Whether the supplier is registered in the Commercial Register, publishes financial statements and whether these statements show that it is impossible to carry out a taxable supply,
- 2) Whether the supplier is formally registered for value added tax and whether the supplier is not listed as an unreliable taxpayer,
- 3) Whether the supplier has published bank accounts for reimbursements and to make reimbursements only to these accounts,
- 4) Whether the supplier has web pages declaring its seat and activity,
- 5) Whether the supplier does not have a virtual headquarters only.

Compliance with these points prior to the conclusion of the contract does not, of course, guarantee a problem-free implementation of the VAT deduction, however, it testifies to a high level of prudence of the taxpayer when concluding the contract and improves its prospects for possible court proceedings (see e.g., the judgment of the Supreme Administrative Court 5 Afs 181/2020 - 42 of 24 September 2021).

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