

# Government economic recovery measures

## COVID-19

April 30

### *current plan to relax current restrictions of emergency measures, starting Monday April 20*

#### ***Measures Restricting Economic Activities***

On April 15, the Government introduced a five-stage **plan to relax current restrictions starting Monday April 20**. The plan eases restrictions in waves according to the size of the shops or nature of activities. For all waves, businesses will have to observe hygienic and safety measures strictly. The staged ease of restrictions will continue unless the number of newly infected Covid19 patients reaches 400 per day. If this occur, the government did not announce an exact response, but may freeze, reverse, or modify the plan.

1. On April 20, crafts trade, farmers' markets, car dealers and car showrooms will be allowed to operate. Outdoor training activities of professional athletes that exclude the public can resume. Weddings of up to 10 people will be allowed.

On April 23, the Government decided to further accelerate (by 14 days) the softening of some restrictions on retail and services, cultural, leisure, hospitality facilities

2. On April 27 (originally planned for May 11), retail premises up to 2,500 m<sup>2</sup> in size can open (unless situated in the shopping centers over 5,000 m<sup>2</sup>), driving schools, libraries, gyms and fitness centers (excluding changing rooms and showers), outdoor parts of zoos, botanical gardens can reopen.
3. On May 11, restaurants, pubs, cafes, wine and beer shops, selling over a take-away windows or at the outside gardens, barbers and hairdressers, pedicures, manicures, solariums, cosmetic, massage and reconditioning services, museums, galleries and outdoor parts of castles can open. Possibly, shopping centers over 5,000 m<sup>2</sup> could be open.
4. On May 25, all other shops (including those in the shopping centers of over 5,000 m<sup>2</sup>), indoor parts of restaurants, pubs, hotels and other accommodation facilities, camps, taxi service, theatres, castles, zoos, botanical gardens, larger-scale activities (to be determined by the government, under strictly defined conditions, not mass events), larger weddings, tourism facilities can open.

#### ***Measures Restricting Educational Activities***

The Government also approved a plan proposed by the Ministry of Education, to re-open educational facilities. Adapted from April 27, students of universities and academic institutions, not just final years, will be permitted to participate in educational process, under given conditions. On May 11, secondary school students preparing for their final exams will return to

school. The secondary graduation exams are to be held on June 1. On May 25, elementary schools re-open for classes of up to 15 students.

On April 24, the Government updated [\*the plan proposed by the Ministry of Education\*](#) to re-open educational facilities. Universities will open on Monday April 27 for all students (not just final year students, as previously planned).

## *latest government economic recovery measures proposed by the government, to be addressed by the parliament*

***On April 23, the Government loosened restrictions and terminated ban on free movement. Small weddings, funerals, stays in nature, outdoor trainings for professional sportsmen. Up to 10 persons are allowed to meet/stay in public places, effective from April 24.***

### ***Proposals on Business Loans and Guarantees***

The Ministry of Trade announced plans for a **COVID III Program** to provide portfolio guarantees through commercial banks. The total amount of loans should exceed the COVID I and COVID II programs. The Program should start at the end of April. Prague business will be able to submit application for both guarantees programmes, COVID Praha and COVID III.

### ***Proposals on Employment Support***

The Minister of Trade and Industry confirmed the Ministry of Labor, Ministry of Finance, and his ministry has discussed a **Regime C** for the Program Antivirus. Regime C should apply to businesses that continue to operate, but have suffered losses in their production or revenues (definitions still to be determined). This regime aims to motivate companies affected by the pandemic and paying their employees 100% of wages to continue doing so. The Program will be presented to the Government with the intention to start **on May 1**.

### ***Proposals by the Ministry of Labor and Social Affairs***

The Government indicated it plans to support individuals on a contract for work. The proposal is being prepared by the Ministry of Labor and Social Affairs. The Ministry of Labor and Social Affairs also indicated the intention to soften restrictive measures on social care services and facilities gradually, starting from April 27.

### ***Deferral of Social Contributions paid by Employers***

The Cabinet discussed the legislative intent for deferring social contributions paid by employers (24.8%) for 3 months, starting in May. The Labor Ministry proposes to decrease the interest rate for late payments from the current 18% p.a. to 4% p.a. (1% per quarter) for the

period of May 1 until September 20. The measure will be applied automatically once companies do not pay social contributions by the 20th of the relevant month.

The Government will address this legislative proposal next Monday (May 4). Companies will have to pay deferred payments by September 20. The social contributions paid by the employees will not be affected. The proposal requires Parliamentary approval.

### ***Measures of Tax Relief***

The Ministry of Finance submitted a **loss carryback measure** (tax return retroactivity) that allows entrepreneurs and companies to recover any loss posted in 2020 from their 2019 and 2018 tax base. This could allow companies to claim a refund from the General Financial Directorate.

### ***Extending "Petadvacitka" for Self-employed***

The Government approved a Ministry of Finance proposal to [extend the Petadvacitka program](#) for the self-employed persons impacted by the COVID-19 emergency measures. The amendment is now to be addressed by the Parliament. The compensation bonus will be CZK 500 per day for the period of May 1 until June 8. The total amount per affected person will now be CZK 19,500. The government also proposes that this period could be extended by government decree. The Chamber of Deputies approved the measure on April 22. The Senate proposed to increase the amount of bonus up to CZK 700 in May and to CZK 900 in June. The amendment will now be addressed by the Chamber of Deputies again.

### ***VAT refund payments***

The Government approved an amendment to the Tax Code which would allow taxpayers to communicate with the tax office online. The previous version of the amendment was rejected by Parliament last week. The Ministry of Finance thus decided to keep the deadlines for refunding excess VAT payments at 30 days. The Government will ask the Chamber of Deputies to address the amendment in the state of legislative emergency.

### ***One-off Operating Allowance for State Hospitals***

The Government also approved the one-off operating allowance in the amount of CZK 6.5 bn for six large state hospitals in Prague and Brno that were under greatest pressure during coronavirus outbreak, including Všeobecná fakultní nemocnice, Fakultní nemocnice Královské Vinohrady, Nemocnice na Bulovce, Thomayerova nemocnice, Fakultní nemocnice u sv. Anny in Brno and Fakultní nemocnice Brno. The hospitals will use the money to pay overdue liabilities.

### ***Financial Support for SMEs s.r.o.***

The Cabinet also discussed financial support for 1 to 3-person SMEs s.r.o. The Ministry of Finance will specify the conditions of the program and present it to the Government at its next meeting.

## *summary of earlier economic measures approved by czech authorities*

### ***The Municipal Court decision on measures under Public Health Protection Act.***

On April 23, the Municipal Court in Prague [annulled four measures approved by the Ministry of Health](#) to restrict movement (measures from March 15 and March 23) and retail sales and services (measures from March 26 and April 17). The Court ruled the measures would cease to have effect from April 27. The Court considers the implementation of measures unlawful due to the fact that the government used the Act on Protection of Public Health instead Constitutional Act No. 110/1998 Coll., on the Security of the Czech Republic. The Government decided to file the cessation complaint to contest the ruling.

Based on the court's decision, the Cabinet decided re-implement three of the annulled measures under the Constitutional Act. Since the change requires the existence of a state of emergency, the Government proposed to the Chamber of Deputies to extend the state of emergency, probably until May 25.

The emergency measure not renewed under the Constitutional Act - restrictions on the movement of citizens across borders- was altered on April 24 under strict conditions. Czech citizens will be allowed to travel abroad provided that upon their return they will need to prove to be COVID-19 negative or will have to undergo the required 14-day quarantine.

### ***state of emergency.***

Based on the approval from the Chamber of Deputies, the Government extended the [state of emergency until May 17.](#)

### ***guarantee COVID2 program through Czech Moravian Guarantee Bank, Prague companies excluded.***

[COVID2 program](#), providing interest-free credits by commercial banks, accepted 5,900 applications worth CZK 19 billion, average loan requested reached CZK 3 million. The program was suspended on April 3. Its predecessor, COVID1 program was suspended on March 20.

COVID2 relies on EU money, and one of the conditions set out in the terms is that the recipient must operate outside of the NUTS2 region of Prague. The Trade Ministry and City of Prague are currently discussing also support for Prague companies.

### ***COVID Praha support for Prague SMEs.***

Prague City Council approved the Agreement on the Establishment and Administration of the COVID Guarantee Fund Praha 2020, concluded by the City of Prague, the Czech-Moravian

Guarantee and Development Bank (CMZRB) and the Ministry of Industry and Trade.

The new economic support instrument [COVID Praha](#) for SMEs business will transfer CZK 600 million from the EU Operational Program PPR (OP Praha - Pol rustu CR) to CMZRB. CMZRB will then provide guarantees for commercial bank loans together with a financial contribution for interest payments. The condition will be the same as the COVID II program. The program will be launched on April 20. Application should be submitted starting April 21.

***other support of businesses by the City of Prague.***

Prague Councillors decided to [waive all local fees and rents](#) paid for using public space as restaurant gardens or farmer markets until the end of the year. The amount of waived fees and rental charges will exceed CZK 200 million. Prague will simplify the application procedures.

Prague representatives also waived the local residence fee for entrepreneurs providing accommodation in lodging houses, spa facilities and school accommodation facilities during the state of emergency. Prague will waive the local hotel fee until the end of 2020.

***"Guarantee Covid Plus" program for 250+ employees' companies.***

The Parliament approved [an amendment to Act on Insurance and Export Financing](#) which turns EGAP into a guarantee institution. EGAP will now be able to provide "**Guarantee Covid Plus" program for companies with 250+ employees.** The bank will be able to guarantee loans not only for exporters, but also for manufacturers, sales-oriented businesses, and, in general, for businesses with 250+ employees. The maximum volume of insurance is CZK 330 billion. As a consequence, the Finance Ministry increased the State Budget Act for 2020.

***New State Guarantee for Business Loans***

The Parliament approved the Ministry of Finance [draft Act](#) on Provision of State Guarantee for Securing CMZRB Debts (návrh zákona o poskytnutí státní záruky ČR na zajištění dluhu ČMZRB vyplývající z ručení za dluhy). The proposal permits a flat guarantee by the state for debts. Companies with up to 250 employees would be entitled up to a 90% guarantee for operational debts. For companies with more than 250 employees, the guarantee would amount to an 80% guarantee for operational debts. Both guarantees would be capped at a maximum debt of CZK 50 million. A portfolio of guarantees totaling CZK 150 billion would be distributed among the commercial banks by the CMZRB. The state will thus guarantee 25% of the total amount of the loans provided by the commercial banks (CZK 600 billion). The bill was approved by the Chamber of Deputies on April 22.

***innovation vouchers form the ministry of trade.***

The Ministry of Industry and Trade launched a [Call V. COVID-19 Program of Support "Innovation Vouchers", within Operational Program Podnikání a inovace pro konkurenceschopnost 2014-2020](#), to support communication, sharing of best practices and know-how between private sector and research institutions, to mitigate impacts of COVID-19 outbreak and to develop the preventive measures applied on the market. The amount is CZK 50 billion which is to be increased. The application could be submitted from April 17 until December 31, 2020.

***The Country for the Future program: "innovation in practice".***

**Subsidies** for the companies which invest into production or develop technology of medical products and devices to fight coronavirus outbreak amounting to CZK 500 billion. Pro project proposal could be submitted until May 15.

***national economic council.***

The Government renewed the **Národní ekonomická rada vlády** (National Economic Council of Government) to identify economic issues or provide recommendations during the preparation procedure of strategic economic government documents. The Council should also assess anti-COVID measures and propose measures related to State Budget for 2021.

The members of the Council will be **Tomáš Salomon**, General Director of České spořitelna, **Jan Juchelka**, General Director of Komerční banka, **Miroslav Singer**, Former Governor of ČNB, **Vladimír Dlouhý**, President of Hospodářská komora ČR, **Jan Švejnar**, Director of Centrum pro globální hospodářskou politiku, **Štěpán Jurajda**, Professor at CERGE-EI, **Daniel Beneš**, General Director of ČEZ, **Bohdan Vojnar**, Škoda Auto Board Member, **Petr Jonák**, Coca-Cola Public Affairs, Communications & Sustainability Director CZ/SK, **Miroslav Zámečník**, independent Economist, **Lukáš Kovanda**, Czech Fund Chief Economist, **Tomáš Sedláček**, ČSOB Economist, **Daniel Prokop**, PAQ Research Sociologist, **Jakub Havrlant**, General Director of Rockaway Capital, **Ladislav Bartoníček**, O2 Supervisory Board Chair, **Ilona Švihlíková**, Economist and Vice-Rector VSO.

***budgetary responsibility rules.***

The Chamber of Deputies amended **the rules of budgetary responsibility** to increase the structural deficit to 4% of GDP in 2021, followed by a drop by 0.5 percentage points every year until 2028. That staged reduction would return the country to the EU's required structural deficit in eight years. The Deputies thereby vetoed proposed Senate changes to the rules.

***state budget act for 2020.***

The Government approved a new **amendment of the State Budget Act for 2020**, to increase the state deficit to CZK 300 billion. The increased deficit stems from increased expenditures from economic recovery measures (raised from the previously approved CZK 200 billion). Compared to the amendment approved by the Parliament at the beginning of April, the revenues are now expected to decrease by CZK 60.1 billion, while expenditures will rise by CZK 39.9 billion. After the Senate returned the bill, the amendment was approved by the Chamber of Deputies on April 22. According to the amendment to the **State Budget Act** for 2020, the total revenues will amount to CZK 1,488.3 billion and expenditures to CZK 1,688.3 billion.

***tax liberation packages.***

**Package 1:** The Ministry of Finance approved extension of the deadline for filing income tax return and tax payments for 3 months, until July 1, 2020; flat waiver of penalties for late filing of personal and corporate income tax returns and default interest until 1 July 2020; waiver of penalties for late VAT control reports and administrative fees, for the obligations arising between March 1 and July 31, 2020; deferred tax payment and waiver of fee for filing the re-

quest.

**Package 2:** Additionally to Package 1, the Ministry of Finance/ the Government approved a waiver of personal and corporate income tax advances paid in June (ie the second advance for quarterly payers and the first advance for half-yearly payers); flat waiver of penalty for late tax on acquisition of the immovable property return or late payment, for all late returns to be filed between March 31 and July 31, 2020; postponement of filing a immovable property tax return until August 31, 2020.

***suspension of electronic sales register.***

The Ministry suspended the **Electronic Sales Register (EET)** for the period of state of emergency and the following three months, through legislative procedure. The proposal was approved by the Parliament and signed by the President.

***VAT on critical goods and services.***

The Government decided to **waive VAT on delivery of goods or services to the Integrated Rescue System**, the military, health care providers and social service facilities, for the period of the state of emergency from March 12. The European Commission also waived customs duties and VAT on the import of medical material and devices from the non-EU countries to the member states this week.

***amendment to excise tax.***

The amendment to the **Excise Tax Act** was approved. By extending the storage period for unit packs of cigarettes, the proposal intends to maintain a smooth transition to the new tax rate, even under difficulties caused by the coronavirus pandemic.

***postponement of insolvency and bankruptcy.***

The approved "**Lex Covid Justice**" will allow businesses to postpone the obligation to file for insolvency, temporary moratorium on debt enforcements, a waiver of statutory deadlines for completing certain actions. A debtor who is an entrepreneur and was not insolvent before the state of emergency March 12, 2020 will be able to file a proposal for an extraordinary moratorium to the insolvency court until August 31, 2020.

***deferral of rental cost.***

The Parliament agreed to amend the ***Acts on Certain Measures to Mitigate the Impact of COVID-19 Epidemic on Tenants of Space for Housing and on Tenants of Business Premises***. The proposal of the Senate to protect landlords, by **the state guarantee 80% of rent cost**, has been vetoed by the Chamber of Deputies.

As for individuals, the Chamber of Deputies agreed with moratorium on rent payments to apartment owners by the end of July if the tenants owe the rent due to income fallout. However, the rent due is to be paid by the end of 2020. According to Government decision from April 23, apartment owners will not be able to increase rents until the end of the duration of emergency measures.

The Government also [decided](#) that apartment owners are not allowed to increase rents within the duration of emergency measures.

***opt-In deferral of loans and mortgages.***

The measure allows the [payment of loans and mortgages](#) signed before 26 March 2020 to be deferred for three or six months depending on the payor's choice. This deferral includes interests, with the exception of corporations. The measure will be binding on all banks and non-banking companies.

***consumer loans support.***

The Parliament approved [amendment to Consumer Credit Act](#) which will expand the range of loans for which penalties are capped for the period of the deferral. The Act also stipulates the maximum penalties for late repayments of loans of self-employed persons. In case of delay longer than 90 days, the penalty amount cannot exceed 0.1% of the amount due per day.

***proof of debtlessness.***

According to an [amendment to the Act on Employment](#) the companies now will not be obliged to prove debtlessness for the duration of the state of emergency.

***employment protection program "Antivirus".***

The Program which purpose is to compensate for all or part of wage costs, including social contributions, in the form of wage reimbursement for employees for period of work-related obstacles caused by the quarantine, emergency measures or their secondary impacts, all related to the spread of COVID-19, raises the cap on government compensation and reduces the previously proposed five categories to two (regimes A and B).

Regime A) Reduction of business operation and/or quarantine ordered: Closure or reduction of operation as a result of an emergency measures or quarantine ordered by the authority. Regimes A-B in the previous proposal.

- in the case of quarantine, the employee receives a compensatory wage / salary of 60% of average reduced earnings;
- in the case of closure of the operation by a government order, the employee receives a compensatory wage / salary of 100% of the average earnings;
- state reimbursement of 80% of the super-gross wage (amount paid by the employer, including social and health insurance contributions) up to a maximum government compensation of CZK 39,000 per employee.

Regime B) Related economic difficulties: For businesses experiencing an obstacle to work on the side of the employer due to related economic difficulties of the coronavirus outbreak. Regimes C-E in the previous proposal.

- depending on the type of obstacle, the employee receives a compensatory wage /salary of 60-100% of the average earnings;
- state reimbursement of 60% of the super-gross wage (amount paid by the employer, including social and health insurance contributions, with a maximum government compensation of CZK 29,000.



For both regimes there are conditions that have to be met by the employers applying for the contribution. Full Handbook for Employers how to fill the application in English to be downloaded [here](#). The applications can be submitted **from April 6, 12:00**.

The Government extended the Unemployment Support Program Antivirus until May 31. On April 30, the Cabinet will also address the Regime C ("kurzarbeit") which should apply to businesses that continue to operate or resume operation, and is aimed at motivating them to pay 100% of wages to their employees.

***care-giver's allowance for employees and self-employed persons.***

The Parliament and the Senate greenlighted the entitlement to [care-giver's allowance](#) for children under the age of 13 due to the closure of the school facility or for persons dependent on the assistance of another person classified at least at the level of light dependence, for the entire duration of the state of emergency. The Government later decided to increase the care-giver's allowance to 80% of daily wage for employees (from 60%) and include those working outside employment relationship (DPČ, DPP, who will receive 60% of average wage). This is applicable retroactively from April 1 until the end of schools closure. The Chamber of Deputies approved the increase.

The authorities also approved this measure for the self-employed of the amount of CZK13,144. Self-employed are [relieved](#) from social and health insurance payments until August 2020. The Ministry of Industry and Trade will decide whether increase in the amount will also include self-employed persons.

***increasing payments for insured persons by state***

The Parliament have approved a proposal of the Ministry of Health Care to amend the [Act on Public Health Insurance](#), which would increase health insurance payments by CZK 500 for insured persons paid by the state from June 1, 2020, followed by further CZK 200 increase from January 1, 2021. The expenditure in the health care budget would thereby increase by CZK 20 billion this year and by CZK 50 billion in 2021.

***"Petadvacitka" program for self-employed.***

The Deputies supported **"Petadvacitka" program for self-employed** ([version approved by the parliamentary Committee for Budget on April 6](#)) negatively affected by coronavirus outbreak which can apply for a bonus amounting to CZK 25,000 for the period of March 12 until April 30. The application could be submitted online via email.

This will be paid if the following conditions are met:

- a) it is a self-employed person according to the pension insurance law,
- b) the activity performed is the principal activity (under clearly defined conditions it may also be an ancillary activity),
- c) the decrease in gross sales during the period from January to March 2020 was at least 10% compared to the period from January to March 2019 (if a business was set up after January 2019, the comparison counts for the first 3 months period after setting up the business),

d) the entity achieved at least CZK 180,000 of gross income in 2019 or at least CZK 15,000/month in case the business was set up after January 2019.

***real estate brokerage act amendment.***

Within an amendment to [Real Estate Brokerage Act](#), the period for which the real estate brokers will be able to change their business activity from unqualified notifiable trade to regulated trade has been extended from six to ten months.

***support for tourism sector.***

The Lower House also approved an amendment to [Act on Certain Conditions of Business and on the Performance of Certain Activities in the area of Tourism](#) proposed by the Ministry of Regional Development which introduces a new obligation for digital platforms (e.g. Airbnb) to report the number of concluded contracts for tourism services, the total price of the services and the address of the accommodation to the trade licensing office, at its request. The foreign guests will be able to be traced in case of a threat of virus spreading. The change is supported by the City of Prague.

According to an amendment to [Act on regulating the activities of travel agencies](#), the companies will be able to defer refund payments for travel services paid between February 20 until August 31, 2020. The bill proposes an annual transitional period for reimbursement of already paid holidays, in which the travel agency will offer its clients a voucher for a package tour of the value of the package tour they have originally paid. The travel agency would only have to return the money in case the client will not use the voucher within 12 months.

***financial support for culture.***

The ministers approved the [financial support package for culture sector](#) amounting to CZK 1.07 billion, out of which independent art segment will receive CZK 440 million, CZK 300 million will go to the regional culture support and contributory organizations in the resort will receive CZK 300 million.

***rural development program for agriculture.***

The Government released CZK 3.3 billion for the 2020 Rural Development Program to help entrepreneurs in agriculture, food and forestry while fighting coronavirus crisis. The main reason for this support is ensuring the Czech food independence.

***czech national bank.***

The Parliament voted in favour of an amendment to the [Act on the Czech National Bank](#) which gives the central bank authority to trade instruments with maturity longer than one