



The President signed the law reducing penalty on late social security contributions

27th May 2020

The Czech President signed the act reducing penalty on late payment of mandatory social security contributions paid by employers that we informed you about in our tax alert of 13 May 2020, available [HERE](#).

■ THE ACT INTRODUCES THE FOLLOWING IMPORTANT CHANGES:

- ▶ Employers' part of social security contributions for May, June and July 2020 can be paid within an extra period until 20 October 2020. In such case, the penalty will be reduced by 80%; reduced penalty not exceeding CZK 1,000 in total will not be assessed.
- ▶ Benefit of reduced penalty rate is conditional on timely payment of the social security contributions withheld from employees' wages within the statutory deadline.
- ▶ Employers do not have to inform the respective Social Security Authority about the intention to defer contribution payments.
- ▶ Employers will be obliged to file the monthly social security overviews with the respective Social Security Authority exclusively in an electronic form, except for cases of demonstrable objective technical reasons (effective from 1 September 2020).
- ▶ The deadline for notifying the Social Security Authority of an employee's commencement or termination of employment is significantly shorter than before: compared to the current eight calendar days, the new deadline will be the working day following the day of commencement/termination of employment. This change is effective from 1 September 2020 and is not time-limited; it was included in the bill by way of a parliamentary amendment. Given its very negative impact on employers, we firmly believe that the provision will soon be amended again.

The provisions governing the deferral of social security contributions in relation to the entitlement to receive support under the Antivirus program are, unfortunately, rather vague.

While the explanatory memorandum explicitly states that employers who utilize the social security contributions deferral (and who otherwise duly fulfil their social security obligations) will be regarded as employers with no insurance contribution debt, particularly in order to remain eligible for public aid (the Antivirus program, subsidies to social service entities, etc.), the Antivirus program rules (no longer) contain the no debt requirement. On the contrary, the use of support is conditional on actual payment of all insurance contributions.

From a practical point of view, employers participating in the Antivirus program may, for example, consider paying all insurance contributions from remuneration of employees for whom they receive benefits under the Antivirus program, and postponing the payment of insurance contributions for other employees only.

We will continue to monitor practical implications for you.

If you have any questions, please do not hesitate to contact the authors of the article or your regular EY tax advisory team.



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