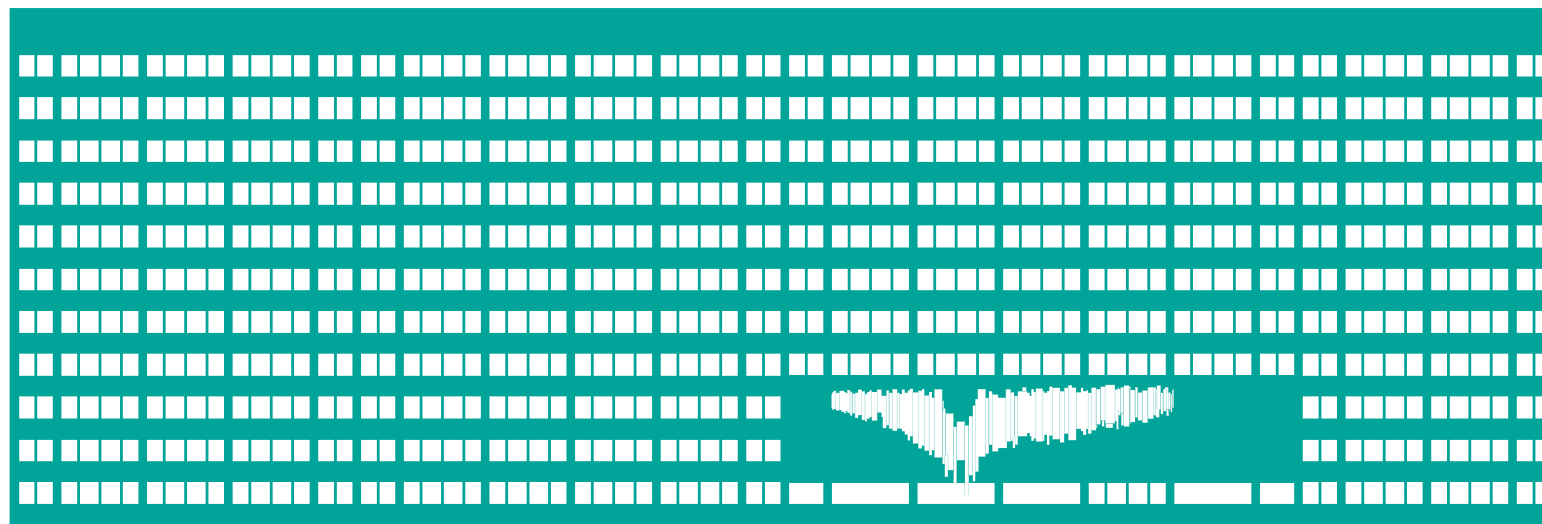


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Reducing the Impact of the Global COVID-19 Pandemic on Business Entities in the Czech Republic from an Accounting and Tax Perspective

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Reducing the Impact of the Global COVID-19 Pandemic on Business Entities in the Czech Republic

- The government of the Czech Republic issued a wide range of measures and packages from March to June 2020 to reduce the effects of the pandemic on the business of small and large business entities.
- Other measures were taken by the Government of the Czech Republic to support business entities in the selected sector.
- This included for example:
 - the Package of Measures to Support Transport Sector
 - Culture Renewal Package
 - Aid for Farmers Affected by the Coronavirus Epidemic
 - COVID-Sport Program
 - ZOO Contribution Program
 - Cultural and Creative Industry Program
 - COVID-Lázně Program

Overview of support for entrepreneurs and sole traders in the Czech Republic

Name	Description	Intended for
Antivirus	Employment support program	employers
Nursing benefits	In the event of school or kindergarten closure	employees and SE
Bonus of	Compensation bonus	SE and small s.r.o.
Payment of social and health insurance premiums	Waiver of advance payments for 6 months (March - August 2020)	SE
Liberation package I, II and III	A set of measures for tax relief	everyone
COVID I, II and III loan program	Provision of an operating loan with a guarantee from the Czech-Moravian Guarantee and Development Bank	entrepreneurs

Overview of support for entrepreneurs and sole traders in the Czech Republic

Name	Description	Intended for
COVID - Rent	A contribution to cover the rent of an establishment	everyone
COVID plus	Providing guarantees for repayment of operating loans, working capital, innovation	exporters, manufacturing and trading companies, companies operating in transportation and tourism
Program Czech Rise Up	Support for innovative companies, including start-ups that develop new technologies and solutions to help fight coronavirus	entrepreneurs
Technology COVID-19	Support for projects directly related to the fight against the further spread of coronavirus through the acquisition of new technological devices and equipment.	entrepreneurs

Funds spent in connection with the measure of the Government of the Czech Republic

Aid for partners of small s.r.o. as of 19 June 2020	
1st bonus period	2nd bonus period
Applications received 27,138	Applications received 26,054
Applications processed 98,36 %	Applications processed 98,36 %
Average application 24,205 CZK	Average application 18,702 CZK
Total amount of payment order by CNB 646,136,500 CZK	Total amount of payment order by CNB 479,283,500 CZK

Funds spent in connection with the measure of the Government of the Czech Republic

Twenty-five - rescue program for SE	
1st bonus period	2nd bonus period
Applications received 529,414	Applications received 350,569
Applications processed 99,95%	Applications processed 99,95%
Average application 24,453 CZK	Average application 18,442 CZK
Total amount of payment order by CNB 12,938,535,500 CZK	Total amount of payment order by CNB 6,449,372,000 CZK

Wage policy and measures concerning employees

Program Antivirus

- an important tool for maintaining employment,
- It is similar to the German Kurzarbeit which allows employers to temporarily reduce their employees' working hours, while the lost wage is to a certain amount reimbursed by the state
- the aim is to preserve jobs, and by drawing a contribution the employer undertakes not to dismiss the employees

Program Antivirus A – Forced limitation of business operation and quarantine

Program Antivirus B – Connected economical difficulties

Program Antivirus C – Waiver of social security contributions for employers with up to 50 employees

Antivirus program regimes

Regime	Specification of an obstacle to work	Compensation to employees by law	State contribution	Maximum contribution
A	Forced restriction of operation	100% of the employee's average earnings	80% of the paid wage compensation, including levies	39,000 CZK
	Quarantine order	60% of the reduced average earnings of the employee		
B	Absence of a significant part of employees at work	100% of the employee's average earnings	60% of the paid wage compensation, including levies	29,000 CZK
	Restrictions on the availability of inputs	80 % of the employee's average earnings		
	Sales restrictions	at least 60% of the employee's average earnings		
C	Waiver of social security premiums	24.8% of the total income of their employees for the months of June, July and August 2020		

The Act No. 159/2020 Sb., on a Compensation Bonus

- The Ministry of Finance of the Czech Republic and the Financial Administration presented a program of direct support for SE economically affected by the spread of coronavirus.
- The compensation bonus, as a support measure, was to compensate entrepreneurs for losses from business and thus mitigate the effects of negative state interventions in doing business when the activities of SE were completely or partially suppressed.
- The compensation bonus was 500 CZK for each calendar day of the bonus period.
- The total amount for the full number of days of the first bonus period (12 March – 30 April 2020) amounted to 25,000 CZK.
- The total amount for the second bonus period (1 May – 8 June 2020) amounted to 19,500 CZK.
- A third bonus period was also enacted (9 June – 31 August 2020), however, the government did not use this option in the end.

The Act No. 159/2020 Sb., on a Compensation Bonus

- The second amendment to the Act of 27 May 2020 introduced a compensation bonus also for partners of s.r.o. in one or two-member s.r.o., or multi-member, if it is a family business.
- The third amendment to the Act of 16 June 2020 addressed the effects of the bonus on local municipal budgets.
- The compensation bonus is considered a tax according to the Tax Code.
- In terms of personal income tax it is not a taxable income of SE.

Impacts of COVID-19 on accounting according to Czech and international regulations

The unexpected situation caused by the COVID-19 pandemic, which surprised everyone around the world, is negatively reflected not only in the economy and business environment, but also affects the choice of correct procedures to be applied in business accounting not only in terms of national regulation but also from the international point of view (IFRS).

The financial statements of business entities must faithfully and honestly present all the facts even in this unusual situation. Negative facts affect the reporting of events after the balance sheet date. Events after the balance sheet date are those events that occur between the balance sheet date and the date when the financial statements are authorized for disclosure.

Types of events after the balance sheet date in relation to the COVID-19 situation:

Help for partners of small s.r.o.	
Types of events after the balance sheet date	Facts caused by the COVID-19 pandemic
Events providing proof of facts that already existed at the balance sheet date (events that result in an adjustment to the financial statements).	Decline in orders. Slowdown in production. Impairment of a specific asset. Declaration of a state of emergency and other things.
Events indicating facts that arose after the balance sheet date (events for which financial statements are not adjusted but are disclosed in the notes to the financial statements).	Notification of the intention to terminate manufacturing or business activities Loss of a major supplier or customer. Closing the production process. Changes in legislation (such as tax or legal ones – e.g. tax changes may affect current and deferred tax assets or debts). Solvency problems and other things.

Thank you for your attention.