

RANDA HAVEL ■ LEGAL

Employers will be Able to Defer Contributions to their Social Insurance at Reduced Penalties

On May 20, 2020, the Czech Senate passed a law allowing employers to defer payments for their social security insurance premiums for the months of May - July 2020 at reduced penalties. The law can be expected to become effective in the coming days.

The purpose of this law is to strengthen the liquidity of employers in the current difficult situation and to provide them with relief regarding their mandatory payments for the social security insurance premiums (hereinafter referred to as the “**insurance premiums**”). **In order for employers to be able to defer payments for their insurance premiums for the above-mentioned months, they must continue to pay insurance premiums on behalf of their employees for the said months.**

Please note that deferring payments of insurance premiums does not release employers from the obligation to pay a penalty for not paying the insurance premiums on time. **The adopted law only allows for deferral of insurance premiums payments for employers paid for the months of May - July 2020 until October 20, 2020 with a reduction of the late payment penalty by 80%. The amount of the penalty is now 0.01% of the amount owed for each day, instead of the usual 0.05%. Deferment of payments will be assumed automatically, i.e. it will suffice if the employer does not pay its insurance premiums for the month of May 2020 by June 20, 2020 (the procedure will be analogous for the months of June and July 2020). However, if the employer fails to pay the amount due by October 20, 2020, the Social Security Administration will impose regular penalty instead of the more favorable penalty of 0.01%, i.e. a penalty of 0.05% of the amount owed for each day.**

Another benefit of this law is undoubtedly the fact that in the case of using the option to defer payments for insurance premiums in accordance with the above, the “**debt**” **incurred will not be considered to equal unpaid insurance premiums for the purpose of confirming the employer's lack of indebtedness.**

Please note that the deferral of insurance premiums payments cannot be used at the same time as the state contribution from the Antivirus program for the wages compensations. A prerequisite for obtaining the contribution from the Antivirus program is the due payment of insurance premiums, both for the employer and on behalf of its employees. Currently, the Antivirus program is valid until the end of May, but its further extension can be expected. **Employers will therefore have to choose whether they want to draw contributions from the Antivirus program or use the deferral option for their insurance premiums.**

In case of any questions related to the state compensation measures taken in the field of employment which an employer can use in the current difficult situation, please contact Mgr. Lenka Droscová, our labor law specialist.

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