



Information for clients

Czech Republic

30th June 2020

COVID-19: Retroactive use of tax losses (loss-carryback)

As part of the tax package to mitigate the negative effects of the coronavirus situation, an amendment to the Income Tax Act was approved, enabling the retroactive application of a tax loss.

This change is permanent, it is not just a one-off measure. It can already be taken into account in the tax return for 2019.

Conditions for claiming a tax loss

For the first time, it is possible to claim a tax loss that arises for the **period ending after 30 June 2020**.

The loss can be claimed for the **two immediately preceding periods**, i.e. to reduce the tax liability for the period of 2018 and 2019.

The amount of claimable loss is limited to a **total amount of CZK 30 million**. How and whether the amount will be divided between the two previous periods is at the discretion of the company.

Immediate use already for the tax liability of 2019

Currently, the possibility of using the **tax loss of 2020 for the tax return of 2019** is interesting.

In this first period, it is not necessary to wait for the actual amount of the tax loss for 2020, but the **loss for 2020 can be estimated** at this time.

This estimate can then be used as an item reducing the tax base in the tax return for 2019.

The **estimated amount may not exceed 30 million CZK**.

If the actual tax loss for 2020 is lower than estimated, it will be necessary to pay the difference in tax, including interest on arrears.

The use of the tax loss incurred for the year 2020 for the tax period of 2018 will be possible only after the submission of the tax return for the year 2020.

How to claim the tax loss

The tax loss will be claimed retroactively by filing a **supplementary tax return**. If the tax for the previous period has already been paid, a tax overpayment will arise. The overpayment will be refunded upon request.

Extension of deadlines for additional tax assessment

The introduction of the possibility of retroactive application of tax losses extends the period during which the tax office can carry out an inspection of individual tax periods **from the current five years to eight years**.

Deadlines are governed by the possibility of application, not by the actual use of the loss.

It is possible for companies to influence the limitation period by waiving the right to claim losses.

If you expect a loss for 2020, we will already help you evaluate the possibility of applying it to the tax liability of 2019.

For the AUDITOR team

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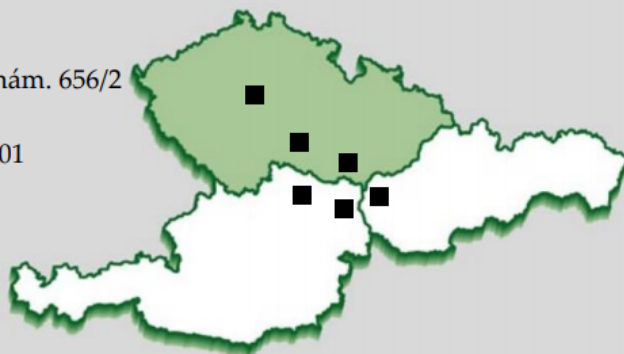
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