

Changes in Time Limits in Tax and Accounting Laws due to the State
of Emergency

The Measures and Actions during the State of Emergency Declared with a Decision of the National Assembly from 13 March 2020 Act changes the time limits laid down in several tax and accounting laws. The National Revenue Agency has also published clarifications on its web page as to how these altered time limits will be applied.

In the **Corporate Income Taxation Act** the following time limits concerning taxes for 2019 are being extended until 30 June 2020:

- for filing the declarations for taxation with corporation taxes and for paying the corporation tax due for 2019;
- for declaring and paying the tax on expenses;
- for declaring and paying the tax on the income of publicly-funded enterprises;
- for declaring and paying the tax on the income from ancillary and auxiliary activities under the Gambling Act;
- for declaring and paying the tax on vessels operation activity.

The advance payments under the Corporate Income Taxation Act for 2020 are to be made on the basis of the estimated tax profit for 2020 and the time limit for their payment remains – until 15 April 2020. Whether the taxable persons have filed a declaration for taxation with corporate taxes before the entry into force of the Measures and Actions during the State of Emergency Act shall be taken into account. If the persons have filed an annual tax return for 2019 before the entry into force of the law, the advance payments shall be made in accordance with what has been declared, and a revision declaration may be filed if necessary, with the reduction of the advance payments being applied after the declaration has been filed. Insofar as a potential set-off of excess advance tax may occur no sooner than 2021, filing revision declarations should be done as soon as possible, since the Measures and Actions during the State of Emergency Act does not include the possibility to take advantage of the reduction in the amount of tax for the period before the filing of the declaration.

If the declaration for 2019 is filed by 15 April 2020, the advance payments are made in accordance with what has been declared.

If the annual tax return is not filed by 15 April 2020, the advance payments for the first quarter of 2020 are declared with the an annual tax returns form, and only that part of the

Changes in Time Limits in Tax and Accounting Laws due to the State
of Emergency

form which concerns declaring advance payments for the current year is filled out.

In 2020 the 5-per-cent tax rebate may be used by persons who have paid in advance the taxes on immovable property and transport vehicles by 30 June 2020. The law does not expressly stipulate that the extension also covers the time limits under Art. 28, para. 2 and Art. 60, para. 1 of the **Local Taxes and Fees Act**, which regulate local taxes on immovable properties and transport vehicles.

Changes have also been made to the time limits for filing annual tax returns under the **Personal Income Tax Act**, which should be carefully considered.

The time limit for paying a tax on expenses is extended until 30 June 2020, and so is the time limit for filing an annual tax return and for paying the due tax, but only for natural persons operating as traders, including sole traders and farmers who have opted to be taxed as sole traders. Within this new time limit, an activity report is also filed. These persons can use the 5-per-cent rebate, if they pay the due tax by 31 May 2020. Insofar as these persons conform to the rules for declaring and paying advance tax, which are set down in the Corporate Income Taxation Act, they may avail themselves from the extension of the time limits. In these cases they must declare advance tax for the first quarter of 2020 by 30 April 2020, by filing an annual tax return filled out only in the part concerning advance tax.

No change has been made, however, to the time limit for filing an annual tax return for natural persons who are not sole traders. The end date remains 30 April 2020, and the 5-per-cent tax rebate applies if the tax is paid by 31 March 2020. This part of the Measures and Actions during the State of Emergency Act treats unequally all persons who conduct activities on their own expense and who must file an annual tax return and pay tax, but who are not among the groups listed above. Such persons include, for example, those employed under employment contracts – those for whom the tax is paid by the payer of the remuneration are not affected – as well as self-insured persons. As concerns those persons, neither an extension of the time limit for filing tax declarations has been considered, nor extension of

Changes in Time Limits in Tax and Accounting Laws due to the State of Emergency

the time limits for payment of the tax for 2019 and for using the rebate for earlier payment.

During the state of emergency there will also be changes regarding limitation periods and enforcement under the **Tax and Social Insurance Procedure Code**.

Under Art. 171, para. 2 from the Tax and Social Insurance Code, with the expiration of a 10-year prescription term, as of 1 January of the year which follows the year during which the public obligation should have been paid, all public takings shall redeemed, regardless of the suspension or the termination of the prescription, except for the cases when the obligation has been rescheduled or postponed, or the performance was stayed at the request of the debtor, or a complaint has been filed for settlement of a dispute. The Measures and Actions during the State of Emergency Act prescribes that this provision shall not apply until the state of emergency is lifted. This means that the obligations will not be redeemed automatically, but that this will happen after the state of emergency ends.

The law also prescribes that during the state of emergency the 5-year limitation period under the Tax and Social Insurance Procedure Code is suspended. Accordingly, the period shall be extended with the length of the state of emergency.

The Tax and Social Insurance Code states that if within 6 months from initiation of insolvency proceedings of the debtor the public executor has not finished the realization of the property over which measures for securing have been placed or against which enforcement for collection of public takings has been instituted, it shall be transferred to the assignee and shall be realized in the insolvency proceedings. The Measures and Actions during the State of Emergency Act prescribes that this 6-month period shall be suspended until the state of emergency is lifted.

According to the Measures and Actions during the State of Emergency Act, no enforcement proceedings under the Tax and Social Insurance Code may be instituted, unless this is required in order to protect particularly important state or public interests, or the execution of the act may be obstructed or severely impeded, or if the delay in execution may result in a significant or difficult to repair damage.

Changes in Time Limits in Tax and Accounting Laws due to the State of Emergency

The law also suspends enforcement under the Tax and Social Insurance Code, but actions performed before the suspension remain in force. Following the suspension, the bailiff may not perform new enforcement actions, but may undertake actions for securing the claim and may conduct distribution of the sums received in the enforcement case. The enforcement proceedings shall be renewed when the state of emergency is lifted. Prior to the state of emergency being lifted, the proceedings may be renewed, if the bailiff issues an order on the request of the debtor for execution on receivables and monetary sums from banks; receivables from third parties; valuables stored in vaults, including the content of safes. After the listed actions are performed, the enforcement proceedings under the Tax and Social Insurance Code is suspended.

The Measures and Actions during the State of Emergency Act also suspends the 7-day time limit for entry into possession of an immovable property for a buyer by the bailiff.

The time limit set down in the **Accountancy Act** for publishing annual financial statements has been extended until 30 September 2020, and the time limit for filing a declaration for lack of activities has been extended until 30 June 2020.

The time limit set down in the **Independent Financial Audit Act** for publishing the transparency reports for audits of public-interest undertakings has been extended until 31 July 2020. The time limit for sending reports by the audit committees of those undertakings to the Commission for Public Oversight of Statutory Auditors has been extended until 30 September.