

# New tax treatment due to Covid-19 1/13/21



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To mitigate the adverse effects of the Covid-19 pandemic, amendments to the Covid-19 Act were adopted by Parliament on 18 March and came into force on 20 March 2021. This article explores changes in how individuals file their annual income tax return and how taxes are calculated.

## Extended time limits for mandatory filing and tax payment

The amendments give individuals a longer time limit for filing their annual income tax return for 2020, with the same deadline regardless of their income level, so the annual income tax return for 2020 can be filed by 1 July 2021. This deadline applies to taxpayers who are liable to file.

The start date remains unchanged. Personal income tax (PIT) payers that are not eligible for filing relief under the PIT Act (i.e. those liable to file an income tax return) and whose income subject to the progressive rate does not exceed EUR 62,800 could file a return beginning 1 March, while the rest can start filing from 1 April.

The deadline for paying PIT into the single tax account has changed accordingly, i.e. 23 July 2021. If the PIT charge exceeds EUR 640 the taxpayer can pay it into the single tax account in three instalments: by 23 July, 23 August, and 23 September.

More filing details can be found in this article.

## Deductible expense restriction on traders cancelled

The amendments cancel the expense cap at 80% of business revenue for PIT purposes in 2020 and 2021, so business income in these years is measured by claiming full business expenses (and losses can be offset against business income in the next three tax periods). This stops the practice of charging PIT on an artificial estimate of income during a period that sees companies trading at a loss.

## Requirement to tax a board member's notional income cancelled

The amendments have cancelled the requirement that board members pay PIT and national social insurance ("NSI") contributions on the minimum wage (i.e. the board member's notional income) in 2021 if

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- the board member serves in a company with monthly turnover exceeding EUR 2,500 (five minimum monthly wages) and
- the company has not had any employee or board member receiving compensation equal to at least the minimum wage.

As for NSI contributions, board members can opt in and build their insurance period or opt out.

## Changes in gambling tax calculation

During an emergency situation that prohibits gaming organisers from running games at their gaming places (gaming halls and casinos) it has been determined that gambling tax is payable only for any days of the month on which the gaming organisers were permitted to organise their games.

Before the amendments were passed gaming organisers had to pay gambling tax also for any days on which they were prohibited from running games at their gaming places, even though they had no chance to earn revenue from running games at that time.

To apply these changes to the gambling tax calculation for 2020, the gaming organiser will have to file with the tax authority an adjusted statement of gambling tax charged in March, June and November 2020.

## Other amendments

In addition to changes in the tax treatment, the Covid-19 Act has been amended on corporate governance:

- A longer time limit for filing the annual report for 2020 (including social entities and public benefit organisations);
- A longer time limit for calling a general meeting of shareholders to approve the company's annual report and consolidated accounts;
- A longer time limit for filing a public person's report on the use of a gift (donation).

For example, companies that are subject to the Company and Consolidated Accounts Act can file their annual report for 2020 three months after the statutory filing date, which can be 31 July or 31 October 2021 depending on company criteria. This is also the final date for filing an adjusted corporate income tax return for December 2020 without incurring late payment interest.