

Anti-crisis shield package for entrepreneurs

On March 31, 2020, the President signed the so called "Anti-crisis shield" Act (Act dated March 31, 2020, on the amendment to the Act on specific solutions related to the prevention, counter-action and eradication of COVID-19, other infectious diseases and crisis situations caused by them, and certain other acts), which introduces a number of solutions aimed at supporting Polish citizens and entrepreneurs in the face of the coronavirus epidemic. Solutions were included in five aid pillars. We present the most important of them regarding job protection and facilities for entrepreneurs.

1. Protection of jobs

The Act provides for benefits for the protection of jobs and grants funds from the Guaranteed Employee Benefits Fund to co-finance the employees' remuneration and social security contributions due from employers, for entrepreneurs who have recorded a decline in economic turnover due to COVID-19.

These benefits and resources are paid during periods of economic downtime or reduced working time. They are granted for a total period of 3 months falling from the date of submission of the relevant application. The Council of Ministers may, by regulation, extend this period.

In the event of an economic downtime, the remuneration is co-financed from the Guaranteed Employee Benefits Fund, in the amount of 50% of the minimum remuneration, with consideration of the extent of working time.

In the event of a reduction in the working time, the entrepreneur may reduce the working time by 20%, not more than 0.5 full-time - with the proviso that the remuneration may not be lower than the minimum remuneration for work, considering the extent of working time. Remuneration for a reduced working time is co-financed from the Guaranteed Employee Benefits Fund up to half of the minimum remuneration for work, considering working time, but not more than 40% of the average monthly remuneration from the previous quarter, applicable on the day of submitting the application.

2. Support for entrepreneurs

Support for entrepreneurs is the preferential treatment of companies that have recorded a decrease in turnover or loss as a result of an epidemic, when it comes to fulfillment of their obligations resulting from tax law, and postponement of deadlines for fulfilling tax obligations.

In the event of payment of contributions on social security or health insurance being deferred, or the installments being paid, also in case of other taxes constituting the state budget income, for the period from 1 January 2020, no extension fee will be charged.

Taxpayers who have suffered negative consequences due to COVID-19 may one-off, respectively, reduce the income or income obtained in 2019 from non-agricultural economic activity by the amount of the tax loss arisen for the year 2020, but not more than by the amount of PLN 5,000,000.

There is a release from the obligation to apply the provisions on so-called bad debts to the taxpayer who is the debtor, for individual settlement periods falling in 2020 - in the event of the conditions specified in the Act. The creditor, however, can still benefit from this relief.

The exemption in PIT is applicable in the case of a downtime allowance and a provision of accommodation and meals, necessary for the employee to fulfill his employee duties.

The Act provides for the possibility of resigning from simplified income tax advances for "small taxpayers" for the period from March to December 2020.

It is possible to deduct the donation transferred to fight the coronavirus from income tax (PIT or CIT). The taxpayer may deduct from the income the donations made from January 1, 2020 to September 30, 2020, to:

- 1) entities performing medical activities;
- 2) Material Reserves Agency;
- 3) Central Sanitary and Anti-Epidemic Reserve Base.

The commune council may, by resolution:

- introduce exemptions from property tax: land, buildings and structures related to conducting business activity, to indicated groups of entrepreneurs - for part of 2020;
- extend the dates of payment of real estate tax installments payable in April, May and June 2020, but not longer than until 30 September 2020 to the indicated groups of entrepreneurs.

(Articles 15p and 15q)

The most important postponement of deadlines:

- Postponing the obligation to submit a new JPK_VAT file (declaration and records) from April 1 to July 1, 2020 for all taxpayers (taxpayers will be able to voluntarily submit a new JPK_VAT in May 2020);
- Postponement of the date of payment of advance payments to income tax on remuneration paid in March and April 2020 (until June 1, 2020);
- Postponing the deadline for submitting information to the Central Register of Real Beneficiaries by 3 months;
- Extension of the deadline for submitting information on transfer prices to 30 September 2020 - in the case of entities whose tax year began after December 31, 2018 and ended before December 31, 2019;
- The deadline for payment of tax on income from buildings is extended to 20 July 2020, for the months March-May 2020.

In some cases additional conditions, specified in the Act, must be met.

Extension of dates:

- Extension of the deadline to submit a notification of payment to an account not included in the list of VAT payers, the so-called "white list" - up to 14 days;
- Extension of the deadlines - from 30 to 180 days - for registering a vehicle which is not a new vehicle, imported from the territory of the EU, or notifying Governor's decision on the purchase or life of a registered vehicle until December 31, 2020.

Other solutions important from the business point of view:

1. Suspension of running procedural and judicial deadlines under tax inspections, tax proceedings and customs and tax proceedings for the duration of the epidemic status with exceptions. (Art. 15zszs)
2. In connection with the effects of COVID-19, National Domestic Bank may grant sureties and guarantees for the repayment of loans taken out by entrepreneurs, excluding micro-entrepreneurs and small entrepreneurs - for the purpose of ensuring financial liquidity. The surety or guarantee covers no more than 80% of the outstanding loan amount. (art. 15zzzd)

3. Support for micro-entrepreneurs

Proposals for self-employed, including self-employed and small businesses, as well as contractors:

- anyone who runs a sole proprietorship or employs a maximum of 9 people can count on an exemption from paying social security contributions for March, April and May. Condition: revenue was not higher than 300 percent of the projected average monthly gross salary in the national economy in 2020
- one-time benefit for self-employed workers and contractors (80% or 50% of the minimum wage, if conditions are met)
- micro loan from the Labor Fund, up to the amount of 5,000 zł.

Temporary exemption from the obligation to pay contributions, social security and other.

Contributors for social security, health insurance, Labor Fund, Solidarity Fund, Guaranteed Employee Benefits Fund or Bridging Pension Fund, employing up to 9 employees or self-employed and paying contributions only for themselves and clerics will be able to be released from their payment due for the period from March 1, 2020 to May 31, 2020.

In addition, the self-employed cannot exceed the income threshold in the first month for which the application is submitted, in the amount of 300% of the forecasted average monthly gross salary in the national economy in 2020 - i.e. PLN 15,681.00

This exemption requires the submission of an application to the Social Insurance Institution with specific content no later than by June 30, 2020. It should be remembered that the contribution must be unpaid, but settlement declarations or personal reports must be submitted - the more that the date is from them 30 days for ZUS to exempt the payer from paying contributions. Importantly, the provision immediately provides for the possibility of issuing a negative decision, without indicating the reasons for its issue. Contributions covered by the exemption will be considered to have been paid.

4. Expenses related to the virus may be included in the costs

In addition to solutions resulting from the anti-crisis shield just adopted, also current regulations provide for the possibility of accounting on the basis of the general cost principle. The Ministry of Finance confirms that *"according to this principle, there are no obstacles to include in tax deductible costs, e.g. expenses for the purchase of masks or disinfectants for employees. Such expenses have the characteristics of tax cost as rationally justified from the point of view of ensuring the smooth functioning of the enterprise."* Additionally, the employer's obligations arising from the provisions of labor law, according to which the employer is obliged to protect the health and life of employees by ensuring safe and hygienic working conditions should be mentioned. Therefore, the actual expenses incurred for the prevention of coronavirus may be included in the tax deductible costs. These are costs related to the functioning of the company. The Act on 2nd of March, 2020 on special solutions related to the prevention, counteraction and eradication of COVID-19, other infectious diseases and crisis situations resulting from them provides for the possibility to order an employee to work remotely, which may involve additional costs for the employer, e.g. modem purchase costs. Therefore, such expenses incurred by the employer may also be included in tax costs, and VAT can be deducted from invoices documenting such a purchase.

5. Filing deadlines for CIT and PIT

Since March 27, 2020, the Regulation of the Ministry of Finance has been in force on extension of the deadline for submitting an annual CIT return and payment of tax due by some taxpayers of corporate income tax. The statutory deadline for filing CIT-8 is 31st of March 31, 2020 for taxpayers whose tax year is the same as the calendar year. Taxpayers with tax year ended not later than within January 31, 2020, can file annual CIT return within the end of May 2020.

For taxpayers achieving only tax-free income (pursuant to Article 17 (1) of the CIT Act, i.e. e.g. hospitals, scientific institutions), as well as to taxpayers who are entities referred to in Article 3 clause 2 and 3 of the Act of 24 April 2003 on public benefit activities and volunteering, for which revenues from public benefit activities referred to in art. 4 of this Act represent at least 80% of all revenues, the deadline for filing CIT-8 has been moved to the end of July 2020.

In accordance with art. 15 of the Act, submitting to the tax authority a statement on the amount of income (incurred losses) for 2019 and payment of due personal income tax after the deadline for its submission (i.e. after April 30), but no later than by May 31, 2020 is considered as simultaneous submitting of notification referred to in art. 16 § 4 of the Tax Penal Code. In such a case, the authority does not institute proceedings in the case of tax offense or tax offense, and the initiated one discontinues. The provision does not explain the issue of interest due for the period from 30 April 2020 to the date of payment of the tax due, because it formally does not extend the payment deadline, but only removes the penal and fiscal consequences.

6. Coronavirus – tax preferences in the world

In connection with the prevailing epidemic, around the world there are proposed various tax solutions to support companies in this difficult financial situation. The following are some examples of tax solutions for companies.

- Deferred payment of some taxes – the Danish government wants to defer the tax VAT for a month, while Greece for four months, in Italy is planned to suspend the tax VAT payments, in Australia postpone by four months and suspend the calculation of interest for late payment as well as the sanctions of the tax, Vietnam plans to postpone the payment of VAT by 5 months and reduce VAT on restaurant, transport, tourist and hotel services, while in Nigeria is planned to suspend VAT.
- Reduction of working time, running loans to help entrepreneurs, easier suspension and suspension of economic activity, defer to two months the payment deadlines of ZUS contributions and advance payments to employees income tax - these are solutions in Sweden.
- Postponement of the deadline for submitting the declaration - Japan proposes postponing by a month.
- Suspension of advance payment on income tax for employees for six months – such a solution proposed in Indonesia together with accelerated VAT refunds, at the same time the tax collection on hotels and restaurants in popular tourist places was lifted.
- Reduction of employee payroll tax - in Taiwan, the United States also proposed reducing the CIT rate from 21 to 20%, extending certain tax periods and granting allowances that will be introduced periodically until 2025.
 - The Tax Offices were closed and employees work only remotely for two weeks – in Paraguay.
 - Reduction of the tax on services such as medical, accommodation, catering, laundry, hairdressing and public transport and reduction of VAT on masks and protective clothing (from 3% to 1%) - such solutions are in China, in Thailand is possible to exempt from import of masks and the VAT refund deadline has been accelerated to 15 days.

The European Commission plans to allocate EUR 37 billion from EU cohesion policy to fight coronavirus, of which EUR 8 billion is from the EU budget, while the remaining amount will be paid by other Member States. In addition, EUR 800 million may be allocated to the fight against coronavirus, if the scope of the EU Solidarity Fund's activity is expanded to include assistance in combating crisis, and EUR 179 million from the fund will be allocated to alleviate the effects of globalization and will go to employees and self-employed people who were affected during the epidemic. In addition, any fiscal aid for companies affected by the epidemic in the member countries will be considered as allowed public aid.

Please feel free to contact our specialists to receive more details on the above as well as to be advised on further possible actions in respect of the above mentioned regulation.

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