

Proposed rules on aid for taxpayers in Covid-19 crisis 1/35/22



PwC manager, tax reporting, accounting
and strategy
Juris Boiko

To adopt aid measures early and ensure business continuity, the government is proposing new rules on wage subsidy aid to help taxpayers stay in business in a Covid-19 crisis. This article explores the content of the proposals so taxpayers know what industries are eligible for this aid and how they can apply.

Given the ever-changing situation locally and globally, and considering the Health Ministry's forecasts about a possible wave of Covid-19 infection spreading this autumn, taxpayers may not have any savings to cope with business restrictions. The government is required under article 107(2)(b) of the Treaty on the Functioning of the European Union to prepare rules on aid measures and notify taxpayers early. To meet this requirement, the Ministry of Economics submitted draft rules to the State Chancellery for approval on 26 July 2022.

The purpose of the new rules

These rules are being proposed to secure the early launch of an aid solution in the form of partial pay compensation (wage subsidy) for traders (workers and self-employed persons) should it be decided to impose epidemiological restrictions.

We also need to mention that following Russia's invasion of Ukraine on 24 February 2022, the economic situation has changed dramatically, so energy, oil and gas prices are rising rapidly, supply chains are being disrupted, and inflation continues to rise. With inflation rising, the autumn season looming and everyone facing considerably higher heating and energy costs, Covid-19 restrictions could expose taxpayers to a number of significant business continuity risks.

Aid implementation deadlines

The time limit for claiming and awarding the aid will match the period set by the Cabinet of Ministers' decision imposing epidemiological restrictions, which provides for business restrictions on working hours, sets the distance per person indoors and outdoors, prevents a particular industry from doing business, or imposes other equivalent restrictions (other than face mask mandates).

Who is eligible for wage subsidies?

The proposed rules make the aid available to:

- Employers, self-employed persons and royalty recipients that do not carry out their core business activity in any of the industries listed in appendix 1 to the draft rule
- An employer or a self-employed person meeting one of these conditions:
 1. Their revenue in the aid month has dropped by >20% compared to average revenues in

- three full calendar months before restrictions, and this reduction is directly linked to the business restrictions; or
2. Their revenue from business in the aid month has dropped by >30% compared to revenues for the corresponding month of 2019, and this reduction is directly linked to the business restrictions.

A list of industries that are ineligible for this aid can be found on the [State Chancellery's draft legislation website](#).

Procedures for awarding the aid

The procedure for claiming wage subsidies remains unchanged. An application has to be filed with the State Revenue Service (SRS) for the current calendar month on or before the 15th day of the next month (e.g. applications for October 2022 must be in by 15 November).

The aid will be paid for a full calendar month.

On the date of application, the applicant's tax arrears must not exceed EUR 1000 unless they have received an extension or agreed on voluntary payment of taxes or reached a settlement. The person should also ensure they have filed all tax returns for the 12-month period before applying for the aid.

What information needs to be included in the application?

The employer or self-employed person should file an application through the SRS Electronic Declaration System, giving the following particulars:

1. Core business activity according to the classification code of NACE Rev. 2
2. The reason for the drop in revenue
3. Details of the worker for whom aid is being requested
4. A statement confirming that the worker for whom aid is being requested is not absent through incapacity for work
5. A statement confirming that the emergency situation has resulted in business being suspended or reduced and that failure to receive statutory compensation is likely to result in employment with the worker being terminated or in the self-employed person ceasing to trade or reducing their business
6. A statement confirming that employment with the worker for whom aid is awarded in a particular month will not be terminated by the employer for one month after the aid is received and that the self-employed person will not liquidate their business throughout the aid period
7. A statement confirming that the workers and self-employed persons for whom aid is being requested either hold a vaccination or recovery certificate or have started their vaccination (received at least one vaccine against Covid-19 infection) and, when claiming aid for subsequent months, have completed their vaccination. The exception for a missing vaccination is an opinion from a university clinical hospital specialist or a medical panel on the need to postpone their vaccination.

Along with the application for a particular month, the employer has to file the employer's statement for that month and a monthly VAT return if this has yet to be filed.

Aid levels

- For a worker – 50% of their declared monthly average gross employment pay but not to exceed EUR 700
- For a self-employed person – 50% of their declared monthly average income from business or royalties (other than royalties received by authors and performers and income received from organisations for the collective management of copyright and related rights) but not to exceed EUR 700

Average pay is assessed for the 3-month period, and for microbusiness taxpayers for the quarter, before the restrictions. To ensure the employee receives the pay due to them, the proposed rules make the employer liable to pay them the difference between the aid received and pay the relevant taxes.

We encourage taxpayers to read the aid conditions and the list of excluded industries early, and to monitor how the bill moves in the corridors of legislation in order to promptly apply for and obtain the aid if necessary.

[More details](#)