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## Social Security Treaty with Albania

On 20 January 2017, a notice that the Czech Republic and Albania entered into a social security treaty was published in the Collection of International Treaties. The treaty took effect on 1 February 2017.

The treaty is designed to unify social security regulations since previously each country applied its own national regulation to social security issues. The treaty prevents parties from being excluded from social security systems or applies the “pay-where-you-work” rule. Moreover, it outlines rules for seconded employees who are subject to the laws of the seconding country unless their secondment exceeds 24 months (or 12 months for sole proprietors).

## Double Tax Treaty with Chile

The Czech Republic entered into a treaty for the avoidance of double taxation and tax evasion with the Republic of Chile. The treaty took force on 21 December 2016 and effect on 1 January 2017.

## Value Added Tax Act Amendment in the Collection of Acts

On 14 February 2017, an amendment to the Value Added Tax Act was published in the Czech Republic’s Collection of Acts under No. 33/2017. The amendment moves “newspapers and magazines” from Schedule No. 3 to Schedule No. 3a to the VAT Act and, as a result, the VAT on newspapers and magazines is reduced from 15% to 10%.

Although 1 January 2017 was set to be the effective date, the amendment cannot take effect before the 15<sup>th</sup> day after the amendment is disclosed (see Act No. 309/1999 Coll., on the Collection of Acts and the Collection of International Treaties). The amendment therefore took effect on 1 March 2017.



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## Options for Waiving VAT Status Report Penalties Extended

The General Financial Directorate issued an amendment to Instruction D-29 on 6 March 2017 which imposes rules for waiving penalties for a failure to file a VAT Status Report. The amendment, which has been effective since 6 March 2017, is designed to extend scenarios where the penalty can be waived.

Previously, the penalties could be waived if there were so-called “justifiable grounds”, such as poor health of the tax party or its representative or a natural disaster. Now, the penalties can be waived if there was a failure to file the report but the failing party duly remedied its failure upon the tax authority’s request. These justifiable grounds can be applied to penalties in the amount of CZK 10, 30 or 50 thousand.

Taxpayers may apply to the tax authority to waive two penalties for 2016 and one for 2017.

## Amendment to the Act on International Cooperation in Tax Administration Adopted

On 8 March 2017, the Senate adopted an amendment to Act No. 164/2013 Coll., on international cooperation in tax administration.

The amendment primarily purports to achieve automated exchange of information on preliminary decisions and preliminary assessment regarding transfer pricing in EU countries. This is one method of combating tax evasion.

The amendment was delivered to the President for signature. If the President signs it, the amendment will take effect on the first day of the calendar month following the date it is disclosed.

## EET Second Stage Launched

As of 1 March 2017, retailers and wholesalers (such as supermarkets, tobacco stands, mobile shops, stall vendors, e-shops or any other distance selling ventures) are obliged by law to record their sales.

The mandatory sales recording does not apply to sales generated by small-scale operations, so-called “minority operations”, which are operations that should not be subject to the recording duty before sales from the business’s major operations (such as the sale of hair products as a part of a hairdresser’s business, etc.). Businesses are not required to record sales produced by their minority operations if the products are sold in the same establishment as the major operations and, at the same time, do not constitute more than 49% of the establishment’s overall payments and, at the same time, do not exceed the amount of CZK 175,000 for the previous calendar year.

The third EET stage, which is to apply to other operations, including some taxi services, railway and road freight transportation and some professions such as physicians, lawyers, etc., will start on a mandatory basis on 1 March 2018.

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