Agreement on Exchange of Information between the Czech Republic and the Principality of Monaco

The Ministry of Foreign Affairs entered into an Agreement on Exchange of Information on Tax Matters between the Czech Republic and the Principality of Monaco. The Agreement provides Czech tax authorities with the opportunity to obtain information (upon request) which is necessary for ascertaining, calculating and collecting tax. The Agreement is yet another tool which the tax authorities can use to obtain information for tax administration purposes.

The Agreement will take effect on 2 March 2016 for tax crimes and on 1 January 2017 for all other matters.

Amendment to the Social Security Agreement between the Czech Republic and the United States of America

On 1 May 2016, the Supplementary Agreement amending the Social Security Agreement between the Czech Republic and the United States of America took effect. The Social Security Agreement now includes provisions which extend its application to Czech public health insurance laws. The Supplementary Agreement should help avoid double public health insurance payments by US citizens who are seconded to the Czech Republic for less than 5 years and who were required to pay health care insurance premiums both in the Czech Republic and in the USA. As long as US citizens are seconded to the Czech Republic for less than 5 years, they will not be subject to Czech social security or health and sickness insurance law, and they will not be required to pay mandatory insurance in the Czech Republic.

Ineffective VAT E-Filing

As readers of our previous newsletters already know, the Electronic Sales Register Act was adopted together with a supplementary act which amends certain other acts associated with the ESR. One such act is Act No. 235/2004 Coll., the Value Added Tax Act – Section 101a on electronic filings – which took effect on 1 May 2016. Now, if a filing is made via a data message in an incorrect format or structure published by the tax authority, it is ineffective – i.e. it will be as if it was never filed. The same applies if the taxpayer makes a “hardcopy” filing in a situation in which he is required to make an e-filing.

For payers with a one-month taxation period, whether the filing is effective or ineffective is to be reviewed for the first time for May 2016. A similar procedure will apply to status reports and summary reports.

For payers with a one-quarter taxation period, whether the filing is effective or ineffective is to be reviewed for the first time for the 2nd quarter of 2016. For status reports filed on a monthly basis by legal entities with a one-quarter taxation period, whether the filing is effective or ineffective is to be reviewed for the first time for May 2016.

Exempted Income Report – Problematic Issues

The Czech Chamber of Tax Advisors and the General Tax Directorate have addressed certain problematic issues regarding the duty of individuals to report exempted income which exceeded CZK 5 million as of 1 January 2015. The CZK 5 million threshold is reviewed in terms of individual income generated (established on the same grounds or received from the same payer) – such income is not aggregated within one accounting period, unless it is deliberately divided in order to avoid the reporting duty.

The General Tax Directorate agreed with the conclusion that if tax exempted income is paid in instalments and deliberate division has not occurred, each instalment is to be reviewed individually in terms of the reporting limit. Moreover, if several things are sold to one party at one time for one payment, it will be one income to be reviewed.
Individuals should be careful in situations in which the sale (exempted income) was carried out before 1 January 2015 but the payments will be made after 31 December 2014. In such an event, the individuals will have to report exempted income if it exceeds CZK 5 million.

**Amendment to the Senate’s Statutory Measure on Real Property Acquisition Tax**

The draft Act which amends Senate Statutory Measure No. 340/2013 Coll., on real property tax, newly regulates, among other things, the party who pays tax upon the acquisition of real property – the acquirer is always the party who pays the tax and there will no longer be guarantors of the tax. Moreover, the tax base should be easier to calculate in the case of property swaps, and the exemption of the first acquisition of new buildings and apartment units will only apply to buildings and units which have been completed or used – i.e. not to those still under construction (uncompleted housing). The Lower House has already approved the draft, which will now go to the Senate for discussion. Although the amendment’s original effective date was 1 April 2016, it has been postponed until the 1st day of the third month after it is announced, i.e. no sooner than 1 September 2016.

---

**Tax News** includes general information only and cannot substitute for the full wording of the relevant legislation. The information contained in **Tax News** should not be construed as legal advice or legal opinion. Kocián Šolc Baláštík expressly denies all liability for any activities or conduct taken as a result of the information contained in **Tax News**.

If you need more details or would like to know more about specific issues, please contact a KŠB tax advisor. We would be pleased to provide you with more information on any of the issues above.