

## FEBRUARY 2018 No. 3

### Application of flat-rate expenses versus tax deduction for spouse and child tax benefit in 2017

### Starting in February, Fathers Can Take Paternity Leave

### Interest Rates Raised Again

### 2018 Changes to the Electronic Sales Records

### 2018 Travel Allowances Increased

### 2019 Scheduled Tax Changes

## Application of flat-rate expenses versus tax deduction for spouse and child tax benefit in 2017

Individuals with income from self-employment or from rent who claim expenses as a percentage of their income (so-called flat-rate expenses) for whom the sum of their self-employment tax base (as per Section 7 of the Income Tax Act) and/or the rent-related tax base (as per Section 9) exceeds one half of their total tax base, have the option of applying, subject to certain requirements, for a tax discount for their spouse and a tax benefit for their dependent children when they file their 2017 tax returns. They can apply one of two options, depending on which is more beneficial for them.

The first option is that they will use higher flat-rate expenses, which were also valid in 2016, i.e. capped by taxable income of CZK 2 million, from which the flat-rate expenses are calculated. In such a case, however, taxpayers cannot simultaneously apply for a tax discount for their spouse who has their own income that does not exceed the amount of CZK 68,000 per year, or a tax benefit for their children.

In order for taxpayers to claim the tax discount for their spouse and the tax benefit for their children, they have to apply the lower flat-rate expenses, which are capped by taxable income of CZK 1 million.

This transitory arrangement works best for taxpayers whose taxable income from self-employment or rent does not exceed CZK 1 million in 2017.

For the sake of completeness, we add that taxpayers must choose between the two scenarios only in the 2017 tax year. Starting in 2018, the lower-limit flat-rate expenses will apply to all entrepreneurs and landlords, whose only option will be to apply the tax discount for their spouse and the tax benefit for their children without any of the current limitations.

## Starting in February, Fathers Can Take Paternity Leave

Act No. 148/2017 Coll., the Sickness Insurance Act, was amended on 1 February 2018 and established paternity leave for fathers.

Paternity leave can be taken by employees who look after children of whom they are the father, or who take a child into foster care. This right is also vested in self-employed individuals, provided that they have been enrolled in the health insurance system for at least three months prior to the commencement of the paternity leave.

Paternity leave lasts up to 1 week and the father can start it anytime within 6 weeks following his child's birth. Paternity leave is granted for one time only even if the father has twins or multiples.

The paternity allowance amounts to 70% of the reduced daily calculation base for one calendar day.

## Interest Rates Raised Again

At the beginning of February, the Czech National Bank's Board decided to raise interest rates as of 2 February 2018.

The interest rate for two-week repo transactions increases from 0.50% to 0.75% and the Lombard rate from 1.00% to 1.50%. The discount rate will remain at 0.05%.

At the moment, however, the increased repo rate has no effect on late-payment interest, which is expected to increase in the second half of this year.

## 2018 Changes to the Electronic Sales Records

The Czech Constitutional Court's ruling regarding the Electronic Sales Records Act was published in the Collection of Acts. We would like to summarize the changes below.



### Prague Main Office

Jungmannova 24, 110 00 Prague, Czech Republic  
tel.: +420 / 224 103 316, facsimile: +420 / 224 103 234  
e-mail: ksbpraha@ksb.cz

### Karlovy Vary Office

Závodní 391/96C, 360 06 Karlovy Vary, Czech Republic  
tel.: +420 / 353 225 996, facsimile: +420 / 353 227 781  
e-mail: ksbkv@ksb.cz

### Ostrava Office

Československá 7, 702 00 Ostrava, Czech Republic  
tel.: +420 / 553 030 511, fax: +420 / 553 030 512  
e-mail: ksbostrava@ksb.cz

The obligation to record sales for operations in stages 3 and 4 was postponed (not repealed) indefinitely. Operations in stages 1 and 2 are still subject to the recording duty. Additionally, with effect from 1 March 2018, sales records will not apply to card payments. As of the same date, taxpayers will not be required to show tax IDs (DIČs) on their bills.

The Constitutional Court also cancelled the provisions authorizing the government to provide for an exemption from the duty to keep records. At the end of 2018, exceptions from the EET should cease (such as for Christmas carp dealers and visually impaired people).

The Ministry of Finance has said that it is working hard to amend the Electronic Sales Records Act. We will keep you updated.

## 2018 Travel Allowances Increased

At the end of 2017, the Czech Ministry of Labour and Social Affairs issued decrees concerning 2018 domestic and foreign travel allowances provided for in the Labour Code.

Meal allowances for employees are to increase year-on-year by up to CZK 17, depending on the length of the business trip. Government employees' meal allowances are subject to both the lower and upper thresholds. Non-governmental employees' meal allowances are subject to the lower threshold only, so employers can provide higher meal allowances. However, if the maximum allowance for non-governmental employees exceeds the maximum amount of the state employee's meal allowance, the excess is the employee's taxable income.

Meal allowance rates per calendar day for non-governmental employees amount to at least:

- CZK 78 if the trip takes from 5 to 12 hours;
- CZK 119 if the trip takes from 12 to 18 hours; and
- CZK 186 if the trip takes more than 18 hours.

The lower limits of the government employee meal allowance are identical to

those listed above, but the upper threshold is CZK 93, CZK 143 and CZK 223, respectively.

Vehicle compensation rates are as follows: for two- and three-wheeled vehicles it remains at least CZK 1.10/1 km; for passenger vehicles, the minimum rate increases to CZK 4.00/1 km.

In the context of the new decrees, a new average fuel price was set as well, which is one possible method of quantifying the reimbursement of the cost of fuel consumed in connection with a business trip.

The new meal allowance rates, vehicle allowances and average fuel prices also apply to taxpayers who generate their income from self-employment and rent.

## 2019 Scheduled Tax Changes

The Czech Ministry of Finance has prepared a draft act on changes to most taxes as of 2019. This 2019 tax package is currently under an external review.

As of January 2019, we can expect extensive and fundamental changes to the Income Tax Act, Value Added Tax, Tax Code, and other laws. In order to further explain what the amendments will bring, we will prepare a special edition of legislative news for each area. The first section on VAT was included in Tax News No. 2, which you received a few days ago. The next edition of Tax News will deal with income tax.

---

*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 Balaščík 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.



### Prague Main Office

Jungmannova 24, 110 00 Prague, Czech Republic  
tel.: +420 / 224 103 316, facsimile: +420 / 224 103 234  
e-mail: ksbpraha@ksb.cz

### Karlovy Vary Office

Závodní 391/96C, 360 06 Karlovy Vary, Czech Republic  
tel.: +420 / 353 225 996, facsimile: +420 / 353 227 781  
e-mail: ksbkv@ksb.cz

### Ostrava Office

Československá 7, 702 00 Ostrava, Czech Republic  
tel.: +420 / 553 030 511, fax: +420 / 553 030 512  
e-mail: ksbostrava@ksb.cz

You're receiving *Tax News* as a valued business partner of Kocián Šolc Balaščík. If you no longer wish to receive *Tax News*, please unsubscribe here:

<http://www.ksb.cz/newsletter/unsubscribe/tn>.

KŠB's tax team contact info:

Tel: 224 103 316

Pavla Blažková [pblazkova@ksb.cz](mailto:pblazkova@ksb.cz)

Ema Conevová [econevova@ksb.cz](mailto:econevova@ksb.cz)

Jan Černohouz [jcernohouz@ksb.cz](mailto:jcernohouz@ksb.cz)

Alena Jurič [ajuric@ksb.cz](mailto:ajuric@ksb.cz)

Lenka Miltáková [lmiltakova@ksb.cz](mailto:lmiltakova@ksb.cz)

Helena Navrátilová [hnavratilova@ksb.cz](mailto:hnavratilova@ksb.cz)



**Prague Main Office**

Jungmannova 24, 110 00 Prague, Czech Republic  
tel.: +420 / 224 103 316, facsimile: +420 / 224 103 234  
e-mail: ksbpraha@ksb.cz

**Karlovy Vary Office**

Závodní 391/96C, 360 06 Karlovy Vary, Czech Republic  
tel.: +420 / 353 225 996, facsimile: +420 / 353 227 781  
e-mail: ksbkv@ksb.cz

**Ostrava Office**

Československá 7, 702 00 Ostrava, Czech Republic  
tel.: +420 / 553 030 511, fax: +420 / 553 030 512  
e-mail: ksbostrava@ksb.cz