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Union Customs Code Takes Effect**Exchange of Information on Tax Matters****Modern Tax System or "MOJE daně"****Scheduled Social security Amendments****Czech Chamber of Tax Advisors Introduces New Standard QR Invoice****Union Customs Code Takes Effect**

On 1 June 2016, the Union Customs Code ("UCC") took full effect after having been partially in effect since the end of October 2013. The new Customs Code is aimed at upgrading the European customs system and endeavours to reduce administrative burdens and time constraints. The Customs Code provides authorized economic operators ("AEOs") with the opportunity to take certain steps in the customs proceedings themselves instead of the customs authorities. For example, the AEOs may assess import and export customs duty themselves or make certain inspections under the supervision of the customs authorities, etc. Moreover, the UCC has introduced centralized customs proceedings, which make it possible for parties to present goods to the customs authorities for inspection at the destination even though the customs declaration is filed at the place where the business has its registered office. This is accompanied by a conversion to electronic communication and the introduction of customs IT infrastructure, which are to reduce administrative costs, facilitate communications and expedite shipments to recipients. Nevertheless, the requirements will be stricter for some transactions. There will be collateral for a customs debt or, in other words, security over the customs debt, which will be mandatory for any special situation such as transit or warehousing. Parties which hold an AEO-C permit will be subject to lower, or be exempt entirely from, the security. Other laws will be linked to the UCC such as, without limitation, the national customs code, which is to replace Act No. 13/1993 Coll., the Customs Act.

Exchange of Information on Tax Matters

On 3 June 2016, the European Commission disclosed Council Directive (EU) 2016/881 of 25 May 2016 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation. The amendment is designed to help prevent aggressive tax planning and dirty tax competition. Global corporate groups should disclose on an annual basis their revenue, profit before tax,

and paid and overdue income tax broken down to every country or jurisdiction in which they operate. The report should include the number of employees, registered capital, retained profit and tangible assets in each country or jurisdiction. Moreover, every entity within the group which operates business in a particular country will have to be identified. The duty to file reports per country will only apply to global businesses with consolidated turnover of EUR 750 million and more. Member Countries are required to implement the new directive by 4 June 2017 with effect as of 5 June 2017.

Modern Tax System or "MOJE daně"

A Modern Tax System or "MOJE daně" (MyTax) is a new project from the Ministry of Finance which is to simplify the Czech tax system and replace the current ineffective way of collecting tax. MyTax will bring a new Income Taxes Act that focuses on simplifying the rules and creating conditions for an integrated tax and insurance administration system (ISS) with an emphasis on stability and tax neutrality. The main reason for introducing the new act is to replace the current legislation, which is obsolete and includes exemptions under decrees which are no longer valid. A simple concept should be created which each government will adjust to match its political orientation using a catalogue from which programme priorities will be chosen. The Income Taxes Act itself will not impose any specific parameter such as tax rates. The draft bill is expected to be presented in September 2017 and to take effect as of January 2020. In addition to the Income Taxes Act, the MyTax project includes the financial administration's new IT system, which is a crucial element of any modern tax system. Moreover, there are also VAT-related changes aimed at, for example, retaining only a disputable portion of an excessive deduction as compared to the entire excessive deduction until the proceedings are completed.

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Scheduled Social Security Amendments

The Ministry of Labour and Social Affairs has prepared a draft bill to amend the Social Security and State Employment Policy Contributions Act. The draft is to introduce, without limitation, differentiated social security rates depending on the number of dependent children who are supported by the social security contributions payer. The amendment will apply to employees and sole proprietors. The planned rates should be one percent higher for payers who do not care for a dependent child while payers who support two or more dependent children should have a one-percent advantage. The Ministry wishes to motivate a higher birth rate and enhance the principle of merit for working parents who raise children. The suggested scenario would reduce the state budget by approximately CZK 4.2 billion per year.

Czech Chamber of Tax Advisors Introduces New Standard QR Invoice

In connection with the QR Invoice project we looked at in a previous edition of Tax News, the Czech Chamber of Tax Advisors has now introduced a new standard QR invoice which should simplify and speed up transferring data from the invoices to the accounting system. The major benefit of QR invoices is that the transfer is fully automated. This should reduce errors and the costs of correcting them. All the user needs is a QR code reading device which supports QR invoices. When the QR code is scanned, all relevant boxes of the accounting entry are filled in the accounting system. QR invoices should reduce errors in status reports which result from imprecise transcription of accounting data.

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.

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