JULY - AUGUST 2012 (No. 7)

New filing deadlines for income tax returns in specific

FROM THE CHAMBER OF DEPUTIES: NEW **LEGAL REGULATIONS**

Changes to tax, insurance and other acts in connection with reducing public budget deficits

> The MoF CR's draft amendment to the Real Estate Transfer Tax Act

FROM THE COURTS

Estimated items of unused vacation



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

Na Vyhlidce 53, 360 21 Karlovy Vary, Czech Republic tel.: +420 / 353 225 996, facsimile: +420 / 353 227 781 e-mail: ksbkv@ksb.cz

Ostrava Office

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

NEW FILING DEADLINES FOR INCOME TAX RETURNS

The General Financial Directorate ("GFR") recently announced new filing deadlines for corporate income tax returns in specific cases (such as transformations, change to fiscal year, etc.). The current deadline will be extended by two months in connection with the amendment to the Investment Incentives Act, which took effect as of 12 July 2012. As a result, tax returns must be filed by the end of the third month following the month in which the decisive act occurred.

FROM THE CHAMBER OF DEPUTIES; **NEW LEGAL REGULATIONS**

Act on Changes to Tax, Insurance, and Other Acts in Connection with Reducing **State Budget Deficits**

On 13 July 2012, the Chamber of Deputies of the Czech Republic approved the government's draft Act on Changes to Tax, Insurance, and Other Acts in Connection with Reducing State Budget Deficits. The bill was then sent to the Senate, which began discussing the bill in mid-August.

It is proposed that the changes, some of which have been proposed as temporary for a period of three years, become effective as of 1 January 2013. The government's draft includes, among others, the following changes.

- Determination of the maximum amount of expenses incurred by individuals (gainfully self-employed individuals with selected types of income and lessors) who deduct expenses as a percentage of their income.
- Introduction of the so-called 7% solidarity surcharge to personal income tax payable from employment income or from income of gainfully self-employed individuals that exceeds the assessment base cap applicable to social security contributions.
- Income tax payers receiving oldage pension are not eligible for tax relief.

- Increased withholding income tax for tax residents from non-EU/EEA countries with which the Czech Republic has not concluded a double tax treaty; the cited tax should be increased from 15% to
- Increased VAT rates from 14% to 15% and from 20% to 21%. Starting in 2016, the VAT rates should be unified and set at 17.5%; the unified rate was originally planned to take effect in 2013.
- Increased real estate transfer tax rate from 3% to 4%.

New Real Estate Transfer Tax Act

The Ministry of Finance of the Czech Republic ("MoF CR") has published information on the amendment to the Act on Real Estate Transfer Tax, which is currently being prepared. The planned amendment, the full contents of which have not yet been disclosed, is expected to become effective on 1 January 2014.

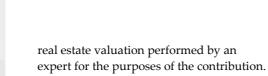
One fundamental change that is planned is a change concerning who is considered the taxpayer. According to the information provided by the MoF CR, principally the acquirer of real estate will become the taxpayer. In connection with this change, the institute of guarantor will be abolished.

Based on the amendment, spouses would become taxpayers jointly and severally in cases where real estate acquired by the spouses as common property is subject to taxation.

In addition, in efforts to increase tax revenue, a proposal to tax transfers of shares in commercial companies possessing real estate has been made.

In most cases, the amendment removes the obligation to submit an expert opinion to the tax administrator as documentation of the standard price pursuant to valuation regulations. To ascertain the tax base, primarily the price agreed or achieved, for example, in a public auction will be used. Where real estate is contributed, the tax base should be determined on the basis of a

TAX NEWS KSB Tax Services



Moreover, according to the amendment the tax base would be reduced by the fee and compensation for cash expenses incurred in connection with the expert opinion.

The rules determining local competence are also expected to change. For example, if interest is acquired or participants in a commercial company possessing real estate are changed, the registered office of the company in question will be decisive.

The draft amendment has not yet been sent to the Chamber of Deputies for consideration and it can be assumed that not all changes proposed by the MoF CR will be approved during the legislative process.

FROM THE COURTS

Estimated liabilities

On 7 June 2012, the Supreme Administrative Court of the Czech Republic (the "SAC") issued judgment Ref. No. 7 Afs 16/2012-52 on whether it is lawful to record in a company's accounting estimated items of employees' unused vacation time, remuneration, and bonuses.

According to the SAC's judgment, only such compensation for unused vacation time that will actually be reimbursed in the subsequent year in compliance with the Labour Code can be recorded as an estimated liability. Concerning the recording of employee bonuses as an estimated liability, according to the SAC it is necessary to assess all criteria that must be complied with in connection with such bonuses and to start from whether the employer's decision to pay bonuses is constitutive or only declaratory.

Tax News includes only basic information that in no way can substitute for the full wording of the relevant legal regulations. The information contained in Tax News should not be construed as legal advice or legal opinion. The law firm Kocián Šolc Balaštík explicitly disclaims all liability for any activities or conduct arising as a result of the information contained in Tax News.

If you need more details or would like to solve specific problems, please contact a tax advisor at Kocián Šolc Balaštík. We would be very pleased to provide you with more information on the above-mentioned issues

We are sending you the Tax News as a business partner of Kocián Šolc Balaštík. If you wish that the Tax News is no longer delivered to you, you can unsubscribe here: http://www.ksb.cz/newsletter/unsubscribe/tn.

KŠB's tax team contacts:

tel.: +420 224 103 316

e-mail:

Pavla Blažková pblazkova@ksb.cz Jan Černohouz jcernohouz@ksb.cz Alena Jurič ajuric@ksb.cz

Helena Navrátilová 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

Na Vyhlidce 53, 360 21 Karlovy Vary, Czech Repub tel.: +420 / 353 225 996, facsimile: +420 / 353 227 781 e-mail: ksbkv@ksb.cz

Ostrava Office

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