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**Sending Real Estate Tax
Information Via E-mail**

**Amendment to the
Accounting Act Takes Effect**

**Vetoed VAT Act Amendment
Passes the Lower House**

**Some VAT Status Report
Provisions Deleted from the
VAT Act**

**Selected VAT changes for
2017**

**More Restrictions of Flat-
Rate Expenses**

Sending Real Estate Tax Information Via E-mail

By 15 March of the relevant taxation period, taxpayers can apply to the tax authority to have information about their real estate tax payments sent to them via e-mail. The application form is available on the Central Tax Authority's website.

This service is only available for taxpayers who do not use the SIPO direct debit service and legal entities which do not have a data box.

The e-mail will contain the information necessary for paying the real estate tax, such as the amount of the tax, the amount of any over- or underpayment, and payment information. The e-mail will be sent annually before the first tax instalment falls due and, should there be any underpayment, the taxpayer will receive an email notice regarding the underpayment.

The Tax Authority will not send money orders to taxpayers who will apply for the e-mail service.

We would like to point out that the deadline for filing the 2017 real estate tax return is 31 January 2017.

Amendment to the Accounting Act Takes Effect

On 1 January 2017, an amendment to the Accounting Act took effect and was published in the Collection of Acts under No 462/2016. As we provided details about the amendment in an earlier edition of Tax News, we now only reiterate the most important issues the amendment brings.

Among other things, the amendment imposes a non-finance reporting duty on large and consolidated accounting units which are simultaneously public-interest parties and have, on average, more than 500 employees. Non-finance information is deemed to mean all information about the accounting unit's development, performance, position and the impact of its operations on the environment, as well as employment issues, human rights issues and combating corruption and bribery. All such information will be reported on a

mandatory basis in the accounting unit's annual reports.

Vetoed VAT Act Amendment Passes the Lower House

An amendment to the VAT Act was recently adopted and, as a result, the VAT rate for newspapers and magazines was reduced from 15% to 10%. Although the President vetoed the amendment in December 2016, the Lower House insisted on its original draft and readopted it.

The reduced VAT rate will apply to newspapers and magazines as of the date the amendment is published in the Collection of Acts. Before that date, the 15% VAT rate will apply.

Some VAT Status Report Provisions Deleted from the VAT Act

The Czech Constitutional Court has abolished two provisions in the VAT Act which apply to VAT status reports.

Section 101g(5) of the VAT Act, which read as follows: "*notices delivered via public data networks to an email address are deemed to have been delivered as soon as the tax authority sends them*" was deleted due to there being a fiction that the email was delivered as soon as it was sent to the taxpayer. The provision was deleted with no suspensory effect.

Moreover, Section 101d(1), which imposes the duty to include "*prescribed data necessary for tax administration*" was deleted. The Czech Constitutional Court believes such data should be precisely specified in the legislation rather than by the Ministry of Finance via a VAT status report form. This provision was abolished with effect as of 31 December 2017 in order for there to be enough time to adjust the VAT Act accordingly.

Selected VAT changes for 2017

The tax benefit amount for the 2nd and every other dependent child is to be increased from the 2016 benefit amount. The tax benefit for the second child is to be increased from CZK 17,004 to CZK 19,404, and for the third and every additional child



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the tax benefit will increase from CZK 20,604 to CZK 24,404.

As a result of the monthly minimum salary having increased from CZK 9,900 to CZK 11,000 as of 1 January 2017, there will also be some associated tax changes, such as taxpayers who claim a tax benefit for dependent children in the form of a tax bonus will have to generate income in the amount of at least CZK 66,000 (six times the minimum monthly salary) in a taxable period. Together with the minimum salary increase, the amount for exempting pensions is to be increased from CZK 356,400 in 2016 to CZK 396,000. Moreover, it will be possible to apply a discount for a child's attendance at a pre-school facility up to the amount of CZK 11,000.

In 2017, the yearly limit for exempting employer's payments for the employee's supplementary pension insurance, supplementary pension savings plans and life insurance is increased from CZK 30,000 to CZK 50,000 per year. At the same time, employees will have a chance to deduct paid life and supplementary pension insurance from their tax base in double the amount as compared to 2016, i.e. up to CZK 24,000.

Moreover, as of 1 January 2017, the amount crucial for calculating the solidarity tax increase was raised from CZK 1,296,288 to CZK 1,355,136 per year.

More Restrictions of Flat-Rate Expenses

The Lower House approved a further reduction of the flat-rate expenses for sole proprietors who generate income by their independent operations or by leasing property. If this policy takes effect, the percentage will be the same for individual types of income as before, but the absolute amounts will be reduced by one half.

Along with this change comes the extension of sole proprietors' possibility to claim a tax benefit for dependent children even if the taxpayer claims flat-rate expenses.

The changes referred to above should not apply until 2018. Moreover, taxpayers who

claim flat-rate expenses have the chance to claim a tax benefit for dependent children even for 2017 provided that they will proceed in line with the new policy in claiming the flat-rate expenses.

The tax package together with the complete changes to the Income Taxes Act, the VAT Act or the Tax Procedure Code was adopted by the Lower House in the third reading in mid-January 2017. The amendments are set to take effect on 1 April 2017 and will be valid for the entire taxation period.

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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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