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IFRS 15 Revenue from Contracts with Customers Disclosed in the Official Journal

On 29 October 2016, the Amendment to Commission Regulation (EC) 1126/2008 adopting certain international accounting standards as concerns the International Financial Reporting Standard 15 was published in the EU's Official Journal.

IFRS 15 *Revenue from Contracts with Customers* will be effective as of 1 January 2018 and replaces standards IAS 11 *Construction Contracts* and IAS 18 *Revenues*, and related interpretations IFRIC 13, IFRIC 15, IFRIC 18, and SIC 31.

IFRS 15 is designed to improve revenue reporting and comparability of revenue data in financial statements on a global level. The adopted Regulation is binding on all EU Member States, which are required to enforce the changes imposed by IFRS 15 as of the first day of the accounting period commencing 1 January 2018 or, as the case may be, on the first day of the accounting period commencing after that date.

Starting in November, Tax on Acquisition of Real Estate Always To Be Paid by Acquirer

In a previous issue of Tax News we provided details on the changes to be brought by Senate Statutory Measure No. 340/2013 Coll., on real property tax, in Tax News 5/2016. Thus, we would now only like to reiterate that the party liable for paying the tax on the acquisition of real property is always the acquirer. This rule applies to transfers effective as of 1 November 2016.

We would also like to remind you that there are also changes regarding acquisitions of utility grids, extension of the right to build, transformations of legal entities, real property swaps and tax exemptions which apply to the first acquisitions of new buildings and apartments.

Structure of VAT Status Report Due To Change

As of 1 January 2017, the XML structure of the VAT status report (option "Quick response to notice") will change. Completing lines in Sections A, B and C of the "quick response" will newly constitute a critical error and the filing will be deemed ineffective.

The "quick response" option is designated for certain VAT payers to inform the tax authority that they do not have the duty to file a VAT status report or to confirm the accuracy of the most recently filed status report. Completing the lines in Sections A, B and C has so far been considered an admissible error; however, the tax administration now wants to raise the quality of VAT status reports. It is therefore necessary that payers keep in mind all critical errors which may render the filing ineffective and can result in penalties for breaching the VAT status report requirements.

E-Mailing Real Estate Tax Payment Information

As of 1 January 2017, payers of real estate tax will have the opportunity to receive real estate tax payment information via e-mail. Parties who wish to take advantage of this opportunity must file an "Application for Real Estate Tax Payment Information Via E-Mail" by 15 March of the particular taxation period. In cases where the application is sent late, the e-mail service will be available to the taxpayer for the next taxation period.

The real estate tax payment information e-mail service is designed for taxpayers who do not pay tax via SIPO and for legal entities which do not have a data box.

The e-mail will include all details for paying the real estate tax, such as the amount of the tax, the amount of any overpayment, and payment information including the QR code. The e-mail will be sent on an annual basis before the first tax instalment falls due. If a tax underpayment is not paid, the taxpayer will receive a notice to that effect.



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However, the duty to duly pay real estate tax is entirely unaffected by whether the taxpayer receives the e-mail or not. The tax authority will no longer send money orders to such taxpayers.

Electronic Sales Register (EET) Trial Version and New Adjustment to the EET

A few days before the 1st EET stage was launched, a change proposal was filed to amend the Electronic Sales Register Act on 1 December 2016. The proposal suggests that some taxpayers be exempt from the mandatory sales register, namely individuals who pay income tax as a lump sum and whose income has not exceeded CZK 250,000 in the three most recent taxation periods. Moreover, the number of payment forms subject to the mandatory registration should be reduced. Because debit or credit card payments are also subject to registration, an exemption has been suggested if there is no personal contact between the payer and the payee. Given the legislative procedure, the changes should take effect as of 1 March 2017, which is the launch date for the 2nd stage. The proposed changes should be debated soon.

Treaty with Poland on Potential VAT Cross-Border Cooperation

The Czech Republic and Poland have signed a treaty on direct cross-border cooperation regarding value added tax. The treaty does not change the previously signed tax information exchange treaty entered into between the two countries but is aimed at a quicker response to, and action against, tax fraud. Statistics show that the 90-day query processing deadline is being massively exceeded. In addition to Poland, the Czech Republic has entered into a similar treaty with Slovakia and plans to do the same with more countries.

New AML-Related Duties Imposed on Legal Entities

Act No. 368/2016, which amends the Public Registers Act, the AML Act and other associated legislation was published in the Collection of Acts on 14 November 2016. The Act implements the so-called 4th AML

Directive and will take effect on 1 January 2017.

A registry of information on the ultimate beneficiaries of legal entities registered in the Companies Register and trusts in the Trust Register is to be established under the Amendment to the Public Registers Act. The ultimate beneficiary refers to individuals who have a true or legal opportunity to directly or indirectly control the legal entity.

In addition to identification data, the register will include information on the type and size of the shareholding or amount of control in the legal entity. The information is not to be made public; it will only be available to the authorities.

Changes in VAT Rate for Catering Services

The General Financial Directorate has issued a statement regarding changes to the VAT rate applicable to catering services as of 1 December 2016. Catering services which were subject to the basic VAT rate of 21% will be included in Schedule No. 2 to the VAT act and will be subject to the first reduced VAT rate of 15%.

The first reduced VAT rate will apply to taxable supplies completed as of 1 December 2016. If the payment was made before the taxable supply date and the supply is actually made after 1 December, the calculation is to be made in line with Section 37a of the VAT Act.

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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



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pleased to provide you with more information on any of the issues above.

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