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ADOPTED LEGISLATION AND AMENDMENTS

Amendments to Implementation Decrees for the Accounting Act

In response to a recent amendment to the Accounting Act, amendments to three implementation decrees which govern accounting procedures for businesses (500/2002 Coll.), banks (501/2002 Coll.) and insurance companies (502/2002 Coll.) were published in the Collection of Acts on 5 October 2015. The decrees change the structure of statements, the accounting of stock and assets, and more.

The adoption of the amendments is another step to complete the transposition of the EU Directive in respect of annual financial statements, consolidated financial statements and related reports of certain types of undertakings.

Exchange of Financial Information between Liechtenstein and the EU

The European Union and Liechtenstein signed a treaty on 28 October 2015 whereunder Liechtenstein agreed to disclose and make available information on financial accounts held by EU citizens as of 2017.

This measure is expected to improve compliance with tax legislation and amends the 2004 treaty whereunder Liechtenstein agreed to proceed in line with the EU Savings Directive, especially as concerns statements on income from savings.

The information, including data collected for 2016, will apply to balances on accounts at the year end, all income generated from selling financial assets, as well as cross-border interest-, dividend- and license-fee income.

The EU entered into a similar treaty with Switzerland whereunder the first information is to be exchanged in 2018. The EU is negotiating similar treaties with Monaco, Andorra and San Marino.

LEGISLATIVE ACTIVITIES

Increased Concise Duty on Cigarettes

The cost of a pack of cigarettes is expected to go up by CZK 3.60 as of 1 January 2016 and by CZK 2 in 2017 and 2018. The reason is the need to discharge duties imposed on

the Czech Republic by the EU Directive, which requires EUR 90 to be imposed on every 1,000 cigarettes.

The Czech National Bank intervened in November 2013 to weaken the Czech crown against the euro, as a result of which the current concise duty yield is lower than the required EUR 90/1,000 cigarettes.

The increase will impact cigarettes, other tobacco products and smoking tobacco as well.

Real Estate Acquisition Tax to Be Paid by the Purchaser

The government approved a draft amendment to the Senate's real estate acquisition tax statutory measure. The main change is that the acquirer will be required to pay the acquisition tax.

Pursuant to the currently applicable rules, sellers and purchasers of property may agree on who pays the tax and if no such agreement is made the seller is the tax payer while the purchaser is the party responsible for guaranteeing such payment.

The draft amendment cancels the opportunity to agree on who pays the tax and renders the purchaser's guarantee non-existent.

Moreover, the draft amendment facilitates the method of calculating the tax base for property swaps, extends the tax which now also applies to contractual extensions of the right to build and the assumption of assets by a shareholder, clarifies adjustments to utility networks and contains a number of other changes mainly aimed at removing practical shortcomings and implementing requirements resulting from real-life situations.

The Customs Act to Change to the Customs Code

The Ministry of Finance is working on a new draft Czech Customs Code which should replace the fragmented and insufficient customs legislation contained primarily in the Customs Act (which was largely gutted after the Czech Republic joined the EU; the remaining portion merely contains certain necessary rules for customs authorities) and in the Administrative and Tax Code, while the European customs and customs procedure rules, to some extent, were concentrated



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into the EU's new Customs Code (formerly the Community's Customs Code). By adopting the new legislation, the Ministry wishes to respond in line with the EU's Customs Code to the most frequent troubles with applying customs laws and to unify customs inspections, supervision and customs proceedings for the whole customs administration going digital.

The processes of securing customs debts, indirect representation in various stages of customs proceedings and post-goods release inspections will all be simplified. The draft Customs Code pays special attention to the supervision of international trade between the EU and third countries and the movement of goods across its borders.

The new Customs Code should take effect on 1 May 2016.

Financial Inspections to Be Tougher Next Year

Finance Minister Andrej Babiš recently commented on the scheduled increase of the Finance Ministry's staff by approximately 700 new people next year. In addition to the need for more staff due to the preparation of the electronic evidence of sales and VAT check reporting which is underway, he emphasized the long-term shortage of people in Financial Administration and Customs Administration. He said in connection with severe tax evasion, that Prague in particular has become almost a tax paradise due to the lack of tax inspectors.

As of 2016, the work carried out by the Financial Administration and Customs Administration is expected to be more intensive, especially in Prague.

Better Exchange of Tax Case Law Rulings within the EU

On 6 October 2015, the EU's Economic and Financial Affairs Council (ECOFIN) agreed on a joint draft directive aimed at ensuring a better mandatory exchange of information resulting from tax rulings with a cross-border impact.

The proposed directive is part of a measure focused on combating tax evasion and tax law circumvention and should help change the Mutual Assistance Directive (2011/16/EU).

Given the fast and smooth agreement, ECOFIN representatives expect that the final draft directive could be completed before the end of 2015 and transposed to EU Member States' national legal systems as of 1 January 2017.

BEPS

The OECD recently issued 13 final reports containing 15 key BEPS recommendations. BEPS is a joint initiative of almost 90 countries under the umbrella of the OECD and G20 focused on combating tax base erosion and profit shifting, which can result in what's referred to as "double non-taxation". The reports include recommendations for the digital economy, circumvention of "permanent establishment" status, interest-related restrictions, access to transfer pricing documents as well as more efficient dispute resolution.

The finance ministers of the G20 approved the OECD's action plan on 8 October. The proposed BEPS recommendations are to be discussed at the G20 summit in November.

Public Debate on Modernization of VAT from Cross-Border Online Transactions

The European Commission commenced a public debate with the aim of finding efficient methods for simplifying the rules for paying VAT on cross-border online transactions within the EU.

The Commission wishes to have feedback on how the Mini One-Stop Shop (MOSS) works and on the obligations to which the Commission agreed in its "Single Digital Market Strategy", which comprised an extension of the MOSS and online payments for physical goods within the EU and in third countries, the introduction of a simplified regulation for the entire EU (VAT threshold), inspections to be made by the home country, including a unified audit of cross-border ventures for VAT purposes, and the abolishment of the VAT exemption on imports of small consignments from third-country suppliers (countries that are not EU Members).

The debate is open to businesses, the public and industry-specific organizations until 18 December 2015.



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