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Tax Base Deduction of Gifts to European Political Parties and Foundations

On 18 August 2017, Act No. 246/2017 Coll., on European Political Parties and European Political Foundations which have their registered office in the Czech Republic was published in the Collection of Act.

Among other things, the Act amends the Income Taxes Act, which considers these European political entities to be publicly beneficial taxpayers, and makes it possible for individuals and legal entities to use the donations to reduce their tax base. This opportunity is available for the 2017 taxation period.

Increased Value of Tax-Deductible Blood Donation

Another recent amendment to the Income Taxes Act (No. 254/2017 Coll.) increased the value of blood donations that is deductible from the tax base of individuals from CZK 2 000 to CZK 3 000. Moreover, the value of a single donation of blood-forming cells was determined to be CZK 20 000.

The higher deductions referred to above can first be applied for the 2017 taxation period.

Amendment to the Social Security Act and Related Legislation

Act No. 259/2017 Coll. amended the pension, health insurance and social security legislation.

The amendment changes the due dates for pension and health insurance advances for self-employed individuals (sole proprietors). The monthly advances will now fall due in the calendar month for which they are paid. The first payment under the new rules is to be made for January 2019. To avoid paying two advances in January 2019 (for December 2018 and January 2019), the December advance will be waived for self-employed individuals.

Another change concerns how to determine the month in which the new advance is to be paid after the annual summary is filed. If the advance is higher, it will be payable in the month following the month in which the summary is filed and, if lower, it will be paid in the month in which the summary is filed.

Moreover, the amendment makes it possible for parties who are engaged in secondary independent gainful activities to apply for, and be granted, a waiver of pension insurance advance payments.

As concerns the health insurance calculation, the major change relates to the calculation of sickness insurance. It will amount to 60% of the assessment base in the first 30 days of sickness, then to 66% for the period from the 31st to the 60th day of sickness, and to 72% from the 61st day of sickness and onward. The sickness allowance is to be paid under the new rules as of 1 January 2018.

The group of employees who have sickness and pension insurance was also adjusted, and the terms for paying the sickness insurance allowance in disputed cases were modified.

There are several effective dates for different sections of the amendment: 18 August 2017, 1 January 2018, 1 February 2018 and as of 1 January 2019; hence, the effective date of every change needs to be checked.

Additional Real Estate Acquisition Tax Returns

In response to the Supreme Administrative Court's recent judgment (4 Afs 88/2017–35), in which the Court held that VAT is not a part of the agreed price for calculating the tax base for real estate acquisition tax, the Czech Tax Authorities will now accept additional tax returns, if any, in cases where the transferor was the party in charge of paying the tax and the price, the price was agreed with VAT (hence the tax base was with VAT), and the transfer occurred between 1 January 2014 and 31 October 2016.



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The Czech Tax Authorities are now trying to find out whether to apply the approach even in cases where the transferee is (or was) the party in charge of paying the tax.

Lower House Approves New Requirements for VAT Status Reports

On 15 February 2017, the Constitutional Court's ruling which abolished, among other things, the provisions of Section 101d of the VAT Act regarding VAT status reports, was published in the Collection of Acts (No. 40/2017). The ruling will take effect on 31 December 2017.

The Constitutional Court held that the "*data prescribed for tax administration*" should be specified in the VAT Act rather than by the Ministry of Finance via the VAT status report form.

The Ministry of Finance responded immediately and drafted a change proposal (including the reasoning) which was included in the VAT amendment relating to the new Payment Transactions Act (Parliamentary Print 1060). The Lower House approved the draft Act, including the change proposal, in the third reading. The amendment is not waiting to be discussed by the Senate.

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