Tax News February 2021

Dear clients,

The spring is approaching and so are the tax duties, namely the submission of the income tax return. For the first time, the deadlines for submission of income tax returns may be extended till the end of April or till the end of June (if the tax return is prepared by a tax advisor) this year. But there is no reason for postponing things and the returns can be prepared now already. We will also see if the situation with the pandemic changes the tax deadlines again.

We bring you more detailed information about all this in our newsletter.

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Contents

Income tax

Temporary increase in the limit for deducting donations from the tax base

The president signed a bill in January 2021 which increases temporarily the limit for deducting donations as a deductible item from the tax base.

Regarding private individuals, the increase in the deductible amount changes from 15 per cent to 30 per cent for the calendar years 2020 and 2021. Legal entities can deduct donations of up to 30 per cent of their tax base compared to the original 10 per cent; this applies to the tax periods that end in the period from 1 March 2020 to 28 February 2022.

Change to the tax depreciation of assets

- **Change to the limit for classification as a tangible asset for the purpose of the Income Tax Act**

  The Income Tax Act defines a tangible asset as an asset with an input price of CZK 80,000 (the limit for classification as a tangible asset for the purpose of the Income Tax Act was CZK 40,000 before 1 January 2021). This new limit applies also to the technical appreciation of assets. According to the transitional provisions of the Income Tax Act, the limit applies to all tangible assets acquired from 1 January 2021, regardless of which tax period is used by the tax subject.

  The transitional provisions also enable tax subjects to use the increased limit for tangible assets and their technical appreciation acquired from 1 January 2020.

- **Elimination of the tax depreciation of intangible assets**

  From 1 January 2021, there will be only accounting depreciation of intangible assets, and the accounting depreciation will be considered a tax deductible expense. This can be applied to intangible assets acquired after 1 January 2020.

- **Introducing the extraordinary depreciation of tangible assets classified in the first and second depreciation groups and acquired between 1 January 2020 and 31 December 2021**

  Assets classified in the first depreciation group will be depreciated continuously and evenly for twelve months up to 100 per cent of the input price. The assets classified in the second depreciation group will be depreciated for twenty four months, where up to 60 per cent of the input price will be evenly depreciated during the first twelve months and 40 per cent of the input price will be evenly depreciated during the following twelve months. The depreciation can be made only by the first owner of the asset.

Meal voucher allowance

Meal voucher allowance can be provided to employees in addition to the existing corporate catering or paper meal vouchers. The employer pays the meal voucher allowance directly with the salary. The meal voucher allowance for one shift is exempt from income tax for an employee in the amount of up to 70 per cent of the upper limit of the subsistence expenditures which is paid to employees as business trip compensation (a business trip means travel lasting from 5 to 12 hours within a shift). It is a taxable expense for the employer.

Eliminating super-gross salary and a change in the basic relief for income tax

The amendment to the Income Tax Act, effective from 1 January 2021, introduced progressive taxation with rates of 15 per cent and 23 per cent and also eliminated the super-gross salary. The 23 per cent rate will apply to income exceeding 48 times the average salary (CZK 1,672,080 in 2020). The separate tax base rate is set at 15 per cent. Further, the basic relief on income tax for each tax payer changes to CZK 27,840 in 2021 and CZK 30,840 in 2022.

Retroactive use of past tax losses

The Income Tax Act implemented the possibility to use past tax losses retroactively. It applies to tax losses accrued in the tax periods ending 30 June 2020 or later with respect to personal and corporate income tax and it covers up to two preceding tax periods where the tax loss was created. The maximum amount of such used tax loss can be CZK 30 million.

Now, the tax loss can be used in five future tax periods and two past tax periods.

The retroactive use of past tax losses can be done through a supplementary tax return for the previous periods.

Changes to the Tax Code

Automatic extension of the income tax return deadline for electronic submissions

Changes to the Tax Code mean also changes to deadlines for the submission of income tax returns (tax periods of at least twelve months). From 1 January 2021, the Tax Code allows the automatic extension of the basic income tax return deadline from three months after the end of the tax period to four months if the return is submitted in electronic form.

If the tax payer is subject to an audit, the deadline does not change. The deadline remains six months after the end of the tax period and there is no possibility to reduce it to three months.

If the deadline is extended to six months because the tax payer is represented by a tax advisor, there is still an option to submit the tax return within three months of the end of the tax period. If the authorised tax advisor submits the tax return within three months of the end of the tax period, then the deadline is not extended to six months. If the authorised tax advisor submits the tax return after the deadline, then the deadline for submitting the tax returns is automatically extended to six months. There is no obligation to deliver the power of attorney, which authorises the tax advisor to submit the tax return, to the tax administrator before 1 April. The power of attorney can be sent together with the tax return.

Introducing the site MOJE daně (MY taxes)

The Financial Administration plans to launch an on-line financial office (the site MOJE daně, i.e. MY taxes) on 28 February 2021. The on-line financial office should simplify and speed up communication with tax administrators.

Other

Road tax return and real estate tax return – postponing the deadline for submissions

In January 2021, remission of real estate tax and road tax accessions has been approved if the road tax returns and real estate tax returns are submitted by 1 April 2021. The deadline for submission of the returns was in fact extended by two months from 1 February 2021 to 1 April 2021.

Decision to waive VAT on respirators

The government approved a decision of the Finance Minister to waive VAT on respirators because of the extraordinary situation during its meeting in February 2021. The VAT will be waived on respirators classified as FFP2 and higher that will be sold between 3 February and 3 April 2021.

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