KempHoogstad Tax News

May 2013

Content:

KempHoogstad
Tax Advice & Solutions

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1. Changes to legislation

Changes to legislation are proposed and approved practically every year, and there are numerous changes prepared for 2014 as well. Currently, the Chamber of Deputies is debating over several draft acts relating to the re-codification of private law, which will come into effect on 1 January 2014.

In addition to draft act no. 1003 on real estate acquisition tax (we commented on this on our web pages www.kemphoostad.cz), there is draft act no. 1004 on changes to tax legislation in relation to the re-codification of private law and related acts.

The act is to be deliberated in the Chamber of Deputies, and amendments will likely be proposed. Therefore, we would like to mention only the most relevant changes.

The act reflects the changes in private law effective from 1 January 2014. It also changes the Act on a Single Collection Point, which should come into effect on 1 January 2015. In addition, it amends the Value Added Tax Act and the Real Estate Tax Act. The most important changes include:

- A change in the period for holding securities when income from sale is tax exempt, from the current six months to three years, and a one-year limit of CZK 100,000 for exemption is to be introduced;
- Dividends paid to legal entities and individuals are exempt from income tax in the Czech Republic and also in other EU member states or other agreed countries; and
- Contracts for work will be subject to withholding tax up to CZK 10,000 per month instead of the current CZK 5,000; etc.

2. Draft act concerning investment companies and funds

Act no. 897 on investment companies and funds is currently in the third reading in the Chamber of Deputies; it governs activities of investment companies and funds. In addition, there is draft act no. 1004, which modifies certain provisions of the Income Tax Act related to the activities of companies in accordance with the act. According to the draft act, the income tax rate should return to 5%. The current draft acts have proposed changing the income tax rate to 0% starting in 2014. Dividends should be subject to standard regulations on exemption from withholding tax.

3. Court decisions

In April 2013, the Supreme Administration Court issued a decision that has a significant impact on the interpretation of the VAT Act and application of the directive concerning the return of VAT from unpaid receivables related to debtors in insolvency proceedings. The decision confirms that the provisions concern only receivables with a date of taxable supply after 1 April 2011. The General Financial Directorate has informed that it will apply this interpretation only to adjustments used by tax payers after the amendment is passed, i.e. after 26 April 2013.

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