

## Proposal to abolish real estate acquisition tax approved by Government

6<sup>th</sup> May 2020

On 30 April 2020, the Government approved the proposal to abolish the real estate acquisition tax, of which we already informed you in [our previous alert](#). The submitted proposal was approved with modifications based on the comments contained in the opinion of the Chairperson of the Government Legislative Council and the comments received from the Government. Thus the final approved wording is not yet available. From the updated press release of the Ministry of Finance, we understand that the parameters of the proposal, which will now be submitted to the Chamber of Deputies, are as follows:

- ▶ The abolition of the real estate acquisition tax will apply retroactively to entries into the real estate cadaster made in or after December 2019, i.e. where the deadline for filing the tax return was on or after 31 March 2020.
- ▶ The holding period for exemption of income from the sale of real estate that does not serve for housing needs is extended from the current 5 years to 10 years. The current five-year exemption period shall apply to the sale of real estate acquired before 1 January 2021. For subsequent acquisitions, the new 10-year period will apply.
- ▶ The tax deduction of interest on loans used to finance housing needs is abolished for real estate acquired on or after 1 January 2022.

If the proposal is approved by the Parliament in the current wording, individuals who are considering buying a house or a flat should do so in 2020 to take advantage of the five-year exemption period. The deduction of interest on loans used for housing needs will also remain for acquisitions made in 2021. Compared to the original proposal, the deduction of interest and, if applicable, the existing period of exemption are no longer tied to the payment of real estate acquisition tax. As a result, if the proposal is accepted, individuals should benefit from a tax point of view if they manage to make acquisitions still in 2020 or 2021.



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