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Will the new LCB rules affect the tax reporting for Q1 2020?

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As you have already noticed, the Ministry of Finance of the Czech Republic has proposed introducing the possibility of retrospective tax loss deduction (LCB; for more information on tax loss carryback, see our earlier article [HERE](#)).

If a company that has so far been profitable records a loss in 2020, it should be able to claim, possibly in the regular tax return for 2020, a refund of tax overpayment for 2018 and 2019.

Yet, shouldn't the company record a deferred tax asset already now, knowing for sure that it will end the year with a loss? Pursuant to IFRS and US GAAP, it should not, as changes in current and deferred taxes are not accounted for until the underlying legislation is adopted and binding. Given that the amendment to the Czech tax law could be expected to be approved in June, LCB and any deferred tax asset should be taken into consideration for tax reporting in the second quarter of 2020.

With respect to possible leaner years ahead, we would further like to draw your attention to another, partly related, fact: in the tax reporting for the second (and maybe even the first) quarter of 2020, all recognized deferred tax assets should be reassessed for future recoverability, particularly taking into account the expected losses and the resulting impaired recoverability of these receivables.

If you think this issue is of relevance to you, we will be happy to discuss it with you in greater detail.



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