

Tax Code amendment - attempt No. 2

30th April 2020

Shortly after the surprising rejection of the long-awaited amendment to the Tax Code by the Chamber of Deputies (we informed you [here](#)), the government prepared a modified draft amendment.

The current draft amendment is in fact based on the previous wording and only modifies certain points taking into account the comments of the Senate and the opposition. E.g., the following modifications have been incorporated:

- ▶ Maintaining the 30-day period for refund of excess tax deductions. Compared to the original proposal, however, the minimum amount for the entitlement to an advance payment in respect of the undisputed part of VAT deductions to arise was increased from CZK 10,000 to 50,000.
- ▶ Maintaining the tax payment tolerance period. The period will be reduced from 4 working days to 3 calendar days.
- ▶ Introducing the option to individually waive the fine for late submission of tax returns.
- ▶ Maintaining double interest for the period of enforcement in the execution proceedings of incorrectly determined tax.

In view of the recent discussion of the original draft amendment, the government proposed to the Chamber of Deputies an expedited discussion of the current draft, which could thus be approved in the first reading.

The firmly proposed effect of the amendment is from 1 January 2021.

We summarize some potential changes as compared to the current wording of the Tax Code in the table below

	Current Tax Code	Draft amendment
Extended functions of the tax information box (DIS)	Currently, DIS allows a tax entity to view selected information from the file and personal tax account.	Under the caption "My Taxes", the amendment significantly expands the use of DIS. In particular, it introduces the possibility to make submissions and receive correspondence from the tax administrator through DIS. In addition to the existing methods, natural persons will now be allowed to also log in to DIS via an electronic identity card.

	Current Tax Code	Draft amendment
Sanction system revision	The tax entity's default interest rate corresponds to the CNB repo rate increased by 14 percentage points (p.a.). The same rate applies to interest on unjustified conduct of the tax administrator.	The draft amendment reduces the amount of interest incurred by both the taxpayer and the tax administrator to a single rate equal to the CNB repo rate increased by 8 percentage points.
Refund of undisputed part of VAT deduction	The current Tax Code does not include a tool for the tax administrator to be able to pay to the tax entity the undisputed part of the tax deduction (that is not subject to review).	The amendment introduces the concept of an advance payment for tax deductions that will allow for earlier credit of the undisputed part of the deduction. In order to be entitled to an advance, however, the undisputed part of the deduction must reach at least CZK 50,000. The tax administrator will impose upon the taxpayer the advance payment without undue delay and without a proposal. If, upon the advance payment imposition, a refundable overpayment arises, it will be refunded automatically within 15 days.
Tax audit procedures	The commencement and termination of a tax audit is connected with an oral hearing attended by the tax administrator and the tax entity.	Shift from oral to correspondence commencement/termination of a tax audit.
Tax payment tolerance period	The obligation to pay late-payment interest only arises from the fifth working day following the tax due date.	Late-payment interest obligation will now accrue from the fourth calendar day following the tax due date.
Tax return submission deadlines	For taxes assessed for a period of 12 months or longer (typically income tax), the deadline for filing a tax return is 3 months from the end of the tax period. For entities that are obliged by law to have their financial statements verified by an auditor, or that have their tax returns prepared by a tax advisor, the deadline is extended to 6 months. The power of attorney must be granted to the tax advisor and submitted to the tax administrator within the original, three-month period.	The deadline is extended to 4 months in case the tax return is filed electronically (e.g., via the extended DIS). If the period is 6 months, the obligation to submit to the tax administrator the power of attorney granted to the tax advisor within the original three-month period is abolished. In practice, a tax entity thus has two options to subsequently avoid penalties for late submission and payment of tax, if the tax entity is unable to file the tax return within the standard 3-month period.
Increased interest on tax deduction	The tax entity is entitled to interest on excessive deduction, which has been unreasonably withheld for more than 4 months, at the amount of the CNB repo rate increased by 2 percentage points.	The interest is newly set at one half of the late-payment interest, i.e. half of the CNB repo rate increased by 8 percentage points.



Radek Matušík

radek.matustik@cz.ey.com
+420 603 577 841



Jakub Tměj

jakub.tmej@cz.ey.com
+420 735 729 372