

# Tax Agenda Czechia

July 2022



No.	Fact	Action
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**Registration of beneficial owners with significant changes**

1 The amended Act on Registration of Ultimate Beneficial Owners (BO) will introduce significant changes with respect to the identification of BO. Based on the amendment the basic criterion for the status of the BO should be ownership of shares in a specified amount. The amendment further modifies the thresholds for so-called indirect ownership in a registrant, which could result in the expansion of number of BOs in company. The amendment should also narrow the scope of entities that are currently deemed not to have a BO. The obligation to identify the BO should also apply e.g. to political parties, churches, trade unions, or associations of unit owners. The amendment is expected to enter into force approximately in the third quarter of this year.

Review the compliance with the draft amendment of the Act on Registration of Ultimate Beneficial Owners.



**VAT on payments from the group to offset the profitability of Czech companies**

2 The Supreme Administrative Court (SAC) in the case 3 Afs 54/2020-73 (Eli Lilly) ruled that marketing service invoiced by a Czech distributor of medicines to its parent company in foreign country constituted a separate supply of service taxable in foreign country (and it is not taxable ancillary to the local sale of medicines). Based on the SAC ruling, a foreign supplier may have an interest in promoting its products in the Czech Republic.





Consider the possible implications of the judgment on the company.



Use text boxes above the timeline to plan your actions for coming months

● Compliance    ● Risk management    ● Cash-flow / ETR impact

No.	Fact	Action
3	<p><b>Fines for employers for disguised mediation of employees</b></p> <p>With effect from 2 August 2021, the amendment to the Employment Act No. 274/2021 Coll. has expanded the range of entities that can be fined for disguised mediation of employees. In practice, there are situations where the parties enter into e.g. a contract on the provision of services or contract for work, however, the actual relationship consists in providing employees (the work is assigned, organised and controlled by the recipient of the services, not by the provider). Provision of employees without an agency licence or proper temporary assignment setup can result in fines for illegal employment. Based on the amendment, such fines can be imposed not only on the provider, but also on the recipient of the services, i.e. recipient of the employees.</p>	<p>Review the relationships with intra-group and third party providers of services or works for any concerns relating to disguised mediation of employees and adapt to new legislation.</p>
4	<p><b>Disclosure of financial statements</b></p> <p>The amendment to the Accounting Act No. 609/2020 Coll. allows selected persons obliged to comply with the Accounting Act to submit their financial statements to the public register by filing them with the relevant tax authority. The financial statements have to be filed as an attachment to the corporate income tax return and the tax return has to be submitted electronically.</p>	<p>Consider submitting financial statements in the public register via tax return attachment.</p>
5	<p><b>Revaluation of advances paid in foreign currency</b></p> <p>The Supreme Administrative Court (SAC) in the case 4 Afs 170/2021-35 ruled that advances paid in foreign currency for the acquisition of fixed assets should not be revalued as at the balance sheet date. The SAC agreed with the interpretation of National Accounting Council (NAC) I-43 stipulating that booking of the exchange rate risk is only applicable if the exchange rate has an impact on the future value of those assets, which is not the case for advances for fixed assets.</p>	<p>Review correctness of the accounting principles used with respect to the new interpretation of National Accounting Council and related Supreme Administrative Court ruling.</p>
6	<p><b>Remission of advances on road tax and interests related to VAT</b></p> <p>Based on the decision of the Minister of Finance from 24 March 2022 there are (i) remission of road tax advances due on 19 April 2022, 15 July 2022, 17 October 2022, and 15 December 2022 to all road taxpayers and (ii) remission of late payment interest related to VAT for the taxable period from February 2022 till August 2022, or Q1 and Q2 2022 for taxpayers with more than half of incomes from the transport business, if the payment of the VAT to which the interest relates is made no later than 31 October 2022.</p> <p>Please note, that the (i) remission of the advance payment of road tax does not result in the remission of the tax itself, and (ii) VAT returns must still be filed within the statutory deadline.</p>	<p>Consider the option of non-payment of road tax advance.</p>

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7	<p><b>New VAT treatment of leaseback</b></p> <p>The Financial Administration published its view (No. 592/23.03.22) that for sale and leaseback contracts concluded after the publication of the view, for VAT purposes, the contract will be treated as a financial service. If the lessee applies VAT on the sale, the leasing company will not be able to claim a deduction. Similarly, if the leasing company applied VAT on the finance lease, the lessee would also not be able to claim a deduction.</p>	<p>Review the sale and leaseback contracts considering the new view of the Financial Administration.</p> 
8	<p><b>New tax law in connection with the events in Ukraine</b></p> <p>The bill on tax measures in connection with the conflict in Ukraine was approved by the Senate. This new law contains especially the income taxes' implications of related gifts or donations. The Ministry of Finance has also published a Q&amp;A on this law.</p>	<p>Review these documents if you deal with gifts or donations or assist employees or their family members from Ukraine.</p> 
9	<p><b>Authorization of global deferment of customs duty payment</b></p> <p>The importer of goods is obliged to pay the customs duty debt within 10 days from obtaining notification of the amount of the customs duty debt. However, the new version of e-Import will allow importers or their customs agents to use the authorization of global deferment of customs duty payments associated with all imports for up to 31 days.</p>	<p>Consider submitting the application and postponing the payments of customs duty.</p> 
10	<p><b>The lower excise duty on mineral oils</b></p> <p>With effect from 1 June 2022, mineral oil tax rates are temporarily reduced (until 1 October 2022). The reduction concerns mainly fuels. The tax rate will decrease by the same amount for petrol and diesel by CZK 1,500/1000 l.</p>	<p>The fuel suppliers should ensure that they issue sales or transport documents with the correct amount of excise duty and that their records comply with the law.</p> 

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