Tax Agenda Czechia

January 2023

EY
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No.	Fact	Action
1	**Registration of beneficial owners with significant changes** On 1 October 2022, an amendment Act on Registration of Ultimate Beneficial Owners (BO) came into force introducing significant changes to the identification of BO. Based on the amendment, the basic criterion for BO status is the ownership of shares in a specified amount. The amendment also modifies the thresholds for so-called indirect ownership in a registered person, which could lead to an increase in the number of BOs in a company. The amendment also narrows the scope of entities that are considered to have no BO. The obligation to identify NPOs extends, for example, to political parties, churches, trade unions or unit owners' associations.	Review the compliance with the amended Act on Registration of Ultimate Beneficial Owners.
2	**New VAT treatment of leaseback** 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.	Review the sale and leaseback contracts considering the new view of the Financial Administration.

Jan | Feb | Mar | Apr

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

Compliance · *Risk management* · *Cash-flow and ETR impact*

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3	**New tax law in connection with the events in Ukraine** 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&A on this law.	Review these documents if you deal with gifts or donations or assist employees or their family members from Ukraine.
4	**Authorization of global deferment of customs duty payment** 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.	Consider submitting the application and postponing the payments of customs duty.
5	**Extension of the lower excise duty rate on diesel fuel** The mineral oil tax rates were temporarily reduced from June 2022 to October 2022. However, there is an extension of the reduction of excise duty, but it applies only to diesel fuel now—CZK 8,450/1,000 liters of diesel fuel. The reduced rate should be valid until the end of 2023.	Diesel 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.
6	**Changes to the taxation of low-emission vehicles for employees** Due to an amendment to the Income Tax Act, there is a different method of taxation for low-emission vehicles provided to employees by their employer for business and private purposes since 1 July 2022. Instead of 1% of the purchase price of these vehicles (including VAT), only 0.5% of their purchase price will be subject to the personal income tax of the employee for each month of use.	Take this amendment into account when processing payroll for July 2022 and following months and consider adjustments in the company car fleet.
7	**Amendment to the Road Tax Act** Act No. 142/2022 Coll. that came into force on 1 July 2022, brings changes regarding the taxation of vehicles. According to the transitional provisions, it applies for the entire 2022 tax period, i.e., it has a retroactive effect from 1 January 2022. Important changes: ▸ Advance payments of the road tax are abolished and the tax is significantly reduced ▸ Road tax will only be payable on selected vehicles and trailers with a permissible weight of 12 tones or more ▸ A taxpayer of road tax can only be a user (typically an owner) of a qualifying vehicle or of a qualifying trailer. Prior to the amendment, employers became taxpayers if their employees used their private cars for business trips. This specific provision was abolished, i.e., employers whose employees use private cars for business trips should not become taxpayers of road tax	Review the tax obligations based on the amended Road Tax Act.

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8	**Employer social security discount for selected groups of employees** For selected categories of employees, (e.g., parents caring for young children, students, people under 21, people over 55 or 60, people with disabilities or retrained employees) a 5% discount on employers' insurance premiums will be introduced. The employer's contributions would thus be only 19.8% instead of 24.8% for the employees concerned. An amendment to Act No. 589/1992 Coll. will come into force in February 2023.	Review the impact of this amendment on the company given your employee structure. If relevant for your business needs, consider hiring of employees from the selected categories.
9	**Windfall tax** A new windfall tax which apply to companies with significant activities in electricity and gas generation and trading, fossil fuel extraction and production, distribution of petroleum and coke products and largest banks, was approved. The thresholds for companies are set at certain net turnovers at group and stand-alone level (for banks, the threshold is set at net interest income level). The windfall profits will be calculated by comparing the current year's tax base with the arithmetic average of the 2018-2021 historical bases plus 20%. The windfall profits are subject to tax rate of 60% (in addition to the 19% corporate income tax) and will apply from 2023 to 2025.	Review the potential obligation of the company to levy additional tax on windfall profits.
10	**Amendment to the VAT Act** Based on the amendment to the VAT Act there will be an increase of the limit for compulsory registration of a VAT payer from the current CZK 1 million to CZK 2 million. Further a new deadline for filing a control report. The changes take effect from 1 January 2023 with a number of transitional provisions.	Review the changes in tax obligations based on the amendment of the VAT Act.
11	**Amendment to the Income Tax** Amendment to the Income Tax is approved takes effect from 1 January 2023. ▸ The amendment to the Income Tax Act mainly introduces an extension of the possibility to apply extraordinary depreciation to assets acquired until 31 December 2023. ▸ Another change is increasing the income limit for the flat tax scheme while introducing different flat tax bands with different monthly levies. ▸ Inter alia, there is a relatively significant increase in the income threshold that obliges an individual to file a tax return (from the current CZK 15,000 to CZK 50,000 per year). For employees who typically (if the statutory conditions are met) benefit from the annual tax settlement carried out by their employer, the limit of other income triggering the obligation to file a tax return will also increase from the current CZK 6,000 to CZK 20,000 per year.	Review the changes in tax obligations based on the amendment of the Income Tax Act.

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12	**Complete abolition of the electronic evidence of sales (EET)** The obligation to record sales was suspended until the end of 2022, but the businesses could continue to record their sales voluntarily. However, in the course of 2022, the Chamber of Deputies approved the complete abolition of the EET and the proposal now heads to the Senate. If the proposal is passed in the Senate and signed by the President, the EET will be abolished from 1 January 2023.	Note the abolition of EET recording of sales and consider potential implications arising from inability to report sales voluntarily.	●	☐
13	**New reporting obligation for digital platform operators (DAC7)** The reporting digital platform operators will be required to report selected information to the tax authorities yearly (by 31 January) based on the local implementation of the EU Directive (DAC7). The reporting platform is a software that allows a seller to connect with another user to carry out defined notifiable activities in return for consideration. These notifiable activities are: ▸ Provision of immovable property. ▸ Provision of means of transport. ▸ Personal services. ▸ Sales of goods. The reporting digital platform operators will collect and report information about income of sellers from the notifiable activities and additional information. The law contains ~~a~~ number of exemptions from reporting obligations. The law also introduces additional registration or reporting obligations, as well as sanctions for breaches of related obligations. The year 2023 will be the first period for which reporting is to be done (i.e., in January 2024).	For digital platform operators: review the possible obligation to report information to tax authorities and set-up respective due diligence, collection of information, reporting and monitoring procedures. For sellers: Get prepared for potential tax inspections of income realized via digital platforms from the tax authorities.	●	☐

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