

# Tax Agenda Czechia

June 2022



| No. | Fact   | Action  |
|-----|--|---|
| 1   | <p><b>Registration of beneficial owners with significant changes</b></p> <p>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.</p> <p>The amendment is expected to enter into force approximately in the third quarter of this year.</p> | <p>Review the compliance with the draft amendment of the Act on Registration of Ultimate Beneficial Owners.</p> |
| 2   | <p><b>New regional State aid map</b></p> <p>The European Commission adopted revised guidelines on regional State aid, which will come into force on 1 January 2022. The amount of the aid depends on the business region. The new guideline provides for the growth of aid above the current 25% in selected regions, though this does not generally apply to support of production expansion projects for large businesses in some regions.</p>   | <p>Consider filing an application for an investment incentive under the new rules.</p>                          |

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

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

| No. | Fact   | Action   |     |
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| 3   | <p><b>Changes of VAT rules on travel services</b></p> <p>As of 1 January 2022, selected rules for the application of VAT on travel services (Sec. 89 of the VAT Act) were changed. According to the new rules, it will be necessary to (i) calculate the margin for each service provided (aggregate margin for the whole taxable period is no longer available) and (ii) declare the tax on advances received for travel services.</p>  | Review compliance with the new VAT rules.  | ●   |
| 4   | <p><b>Intrastat changes</b></p> <p>As a result of the adoption of Government Regulation No. 333/2021 Coll., there are changes to the Intrastat reporting from 1 January 2022. The most significant change is the option to use a "simplified declaration" if a reporting company imports or exports (within one calendar year) goods worth between CZK 12 million and CZK 20 million, unless the goods are of a specific type.</p>   | Review the new Intrastat changes and consider potential simplification of Intrastat reporting.   | ●   |
| 5   | <p><b>VAT on payments from the group to offset the profitability of Czech companies</b></p> <p>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.</p>  | Consider the possible implications of the judgment on the company.   | ● ● |
| 6   | <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> | 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. | ● ● |
| 7   | <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>  | Consider submitting financial statements in the public register via tax return attachment.   | ●   |

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| 8   | <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> |
| 9   | <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>   |
| 10  | <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>   |
| 11  | <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 is in the process of being approved. This new law contains especially the income taxes' implications of related gratuitous transactions. The Ministry of Finance has also published a Q&amp;A on this draft law.</p>   | <p>Review these documents if you deal with gratuitous benefits or assist employees or their family members from Ukraine.</p>   |

## Contacts:

**Rene Kulinsky**

Partner  
Ernst & Young, s.r.o.  
Prague, Czech Republic

rene.kulinsky@cz.ey.com

**Martina Kneiflova**

Partner  
Ernst & Young, s.r.o.  
Prague, Czech Republic

martina.kneiflova@cz.ey.com

**Ondrej Havranek**

Partner  
EY Law advokátní kancelář, s.r.o.  
Prague, Czech Republic

ondrej.havranek@cz.ey.com

**Karel Hronek**

Associate Partner  
Ernst & Young, s.r.o.  
Prague, Czech Republic

karel.hronek@cz.ey.com

**Lenka Hajsmanova**

Tax Senior  
Ernst & Young, s.r.o.  
Prague, Czech Republic

lenka.hajsmanova@cz.ey.com

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