

Tax Agenda Czechia

July 2023



No.	Fact	Action
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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.

1

An amendment to Act No. 589/1992 Coll. came into force from 1 February 2023.

From this date, employers are able to send electronically to the Czech Social Security Administration (CSSA) a notification that they will apply this discount. The CSSA will then inform the employer whether it has registered its intention and the discount can be applied.

Employers who plan to claim the discount for selected employees should notify the relevant CSSA of their intention and have their payroll systems adjusted so that the discount is calculated correctly.



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

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

No.	Fact	Action
2	<p>New reporting obligation for digital platform operators (DAC7)</p> <p>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.</p> <p>These notifiable activities are:</p> <ul style="list-style-type: none"> ▶ Provision of immovable property ▶ Provision of means of transport ▶ Personal services ▶ Sales of goods <p>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.</p> <p>The General Financial Directorate has published a Q&A about the new reporting obligations for digital platform operators (deadlines, application of DAC7, the registration of a non-established reporting obligator, and examples of what is (not) covered by the notification obligation under DAC7) on its website.</p> <p>The year 2023 will be the first period for which reporting is to be done (i.e., in January 2024).</p>	<p>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.</p> <p>For sellers: Get prepared for potential tax inspections of income realized via digital platforms from the tax authorities.</p>
3	<p>Carbon duty mechanism in force from 1 October 2023</p> <p>The members of the Council and the European Parliament have agreed on the form of the Carbon Border Adjustment Mechanism (CBAM). The mechanism will come into force on 1 October 2023, with a first phase (transition period) for data collection. The length of the transition period is not yet known.</p> <p>The new obligations will apply to imports of carbon-intensive products, including in the first phase iron, steel, aluminum, cement, fertilizers, electricity, hydrogen, precursors, and, under certain conditions, indirect emissions).</p>	<p>Review the potential impact of implementing a carbon duty on the company.</p>
4	<p>Energy price caps for large enterprises</p> <p>The Government approved a regulation of energy price capping for large enterprises. The basic parameters of the regulation are summarized below:</p> <ul style="list-style-type: none"> ▶ Price capping applies from 1 January 2023 until the end of 2023. ▶ The maximum price (excluding VAT and distribution charges) of electricity is set at CZK 5 000 per MWh and the price of natural gas at CZK 2 500 per MWh. ▶ The capping applies up to 80% of the highest monthly consumption over the last five years. ▶ The enterprise must provide a declaration to its energy supplier. <p>The capping can be combined with other forms of aid under the temporary crisis framework, but the total state aid cannot exceed EUR 2 million or EUR 4 million for an enterprise (higher limits for energy-intensive companies).</p>	<p>Consider making use of energy price capping and, if appropriate, provide a statement to your energy supplier.</p>

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5	<p>Registration of limited liability company (LLC) in the Commercial Register</p> <p>Act No. 416/2022 amending regulations related to the use of digital tools and the operation of public registers, and Act No. 417/2022 amending the Notarial Tariff have entered into force.</p> <p>Main changes they bring:</p> <ul style="list-style-type: none"> ▶ The option to first register the company in the Commercial Register and to obtain a trade license afterward (the opposite order was obligatory before this acts) ▶ Creation of an official template of articles of association of LLC (published on the website of the Ministry of Justice), which can serve as a full-fledged incorporation act ▶ Reduction of the notary fee in case that the articles of association template is used 	<p>Consider the revised regulations when establishing a limited liability company in the Czech Republic.</p>
6	<p>Extension of the statutory period for archiving payroll records</p> <p>The main innovation of the approved amendment to the Pension Insurance Act (No. 455/2022) is the extension of the legal deadline for archiving employee payroll (i.e., wage lists) and accounting records of data needed for pension insurance purposes. The existing 30-year retention period for these documents has been extended to 45 calendar years following the year to which the documents relate.</p> <p>This change is effective from 1 January 2023.</p>	<p>Assess the implication of the extended deadline and assess the company's policy for archiving payroll and accounting data for alignment with changes to the law.</p>
7	<p>Updated guideline on the application of certain provisions of the Income Tax Act</p> <p>The General Financial Directorate has published a new guideline D-59, an update of previous guideline D-22. The guideline specifies in more detail the application of certain provisions of the Income Tax Act (e.g., moment when the depreciation of buildings can start has been specified, concept of cost of meals for the purpose of providing meals to staff has been clarified, rules for taxation of a controlled foreign company have been specified).</p> <p>The new wording of the guideline is effective as of 1 January 2023.</p>	<p>Review the updated guideline and consider its potential impact on the company.</p>
8	<p>Pillar 2 of BEPS 2.0</p> <p>Approved the implementation of Pillar 2 of the BEPS 2.0 initiative, which rules on minimum effective taxation of 15% in each country. The rules should apply to groups that have a turnover on a consolidated basis of more than the EUR 750 million.</p> <p>Although the statutory tax rate in the Czech Republic is higher than 15%, the calculation of the effective tax for Pillar 2 is complex, there are many exceptions and deviations from the standard calculation of the effective tax for accounting purposes.</p> <p>The draft of the Czech implementation of the EU Directive has been published and is expected to be effective from 2024.</p>	<p>Review the applicability of Pillar 2 rules for the group, individual entities and jurisdictions, assess the potential impact, develop the model for the calculation, prepare for reporting, monitoring and compliance.</p>

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9	<p>Tax consolidation package - Amendments of the corporate and personal income tax</p> <p>The government published a set of intended measures to help consolidate public finances. The changes should generally be effective from 1 January 2024.</p> <p>Main changes proposed for corporate income tax:</p> <ul style="list-style-type: none"> ▶ Increase of the corporate income tax rate from the current 19% to 21% ▶ Amendment of tax deductibility of expenses for meal allowances for employees ▶ Limitation of tax deductibility of employee's non-monetary benefits ▶ Possibility to apply enhanced depreciation for electric vehicles acquired between 1 January 2024 and 31 December 2028 ▶ Limitation of input price of vehicles to CZK 2,000,000 for tax deductibility purposes ▶ Elimination of tax deductibility of wine as a representation expense up to CZK 500 <p>Main changes proposed for personal income tax:</p> <ul style="list-style-type: none"> ▶ A taxpayer's tax base exceeding 36 times the average wage will now be subject to the higher (23%) tax rate ▶ A maximum of CZK 40 million per year will be exempt if the taxpayer met the holding period (3 or 5 years) of securities or shares before their transfer ▶ Abolition of the exemption for non-cash employee benefits provided in the areas of culture, education, purchase of medical services, recreation, and tours ▶ Changes in meal allowances ▶ Stricter conditions for applying for the spouse's tax credit ▶ Abolition of the student tax credit and the credit for the placement of a child in the nursery school 	<p>Review the proposed changes in detail and consider their potential impact on the company.</p>
10	<p>Tax consolidation package - Amendments of VAT</p> <p>Following the previous point, the main changes proposed for the VAT part are:</p> <ul style="list-style-type: none"> ▶ Two VAT rates instead of the current three - the basic (21%) and the reduced (12%) ▶ With respect to the catering services, application of the reduced rate for tap water only, as the other beverages will be included in the standard rate of VAT ▶ Exemption of VAT for books ▶ Transfer of the services such as municipal waste collection, transport, disposal and treatment, services of authors and performers, cleaning and hairdressing services, shoe and clothing repairs to the standard VAT rate ▶ Transfer of imports of works of art, collectibles and antiques, supplies of firewood, and supplies of cut flowers and decorative foliage to the standard rate of VAT 	<p>Review the proposed changes in detail and consider their potential impact on the company.</p>

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