



# TAX FRESH

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## INSIDE THIS ISSUE:

 TAX NEWS IN 2018



Dear Business Friends,

As in every forthcoming year, there are several significant changes in 2018. In this issue we have focused on the most basic tax and wage news. At the end, we will introduce the resolution of the Constitutional Court, which expressed its views on the Electronic Registration Sales Act.


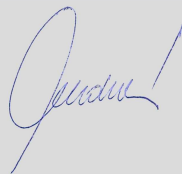
Our employees are still available to you at any time.

Yours faithfully,

Šárka Adámková  
Tax partner

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## Income tax and wage news

### 1. Limitation of fixed expenditure

Since the beginning of 2018 there has been a reduction in the maximum amount of expenditure that a taxpayer may claim as a percentage of his income. At the same time, however, the option to apply a spouse discount and child tax benefit when using fixed expenditure may be used again.

Expenditure in 2018:

- 80% fixed rate (agricultural business, craft trade) - maximum expenditure CZK 800,000.00;
- 60% fixed rate (other than craft trade) - maximum expenditure CZK 600,000.00;
- 40% fixed rate (other activities - maximum expenditure CZK 400,000.00;
- 30% fixed rate (rental income from commercial property pursuant to Section 7, rental income according to Section 9) - maximum expenditure CZK 300,000.00.

The above expenses correspond with income of CZK 1,000,000.00. Until 2016 this amount was limited by CZK 2,000,000.00. If the taxpayer receives a higher income, he / she may claim expenses only up to the limit. In 2017, the taxpayer may still choose whether to use the old amendment from 2016, that is higher fixed amount of expenditure without the option to apply discounts, or to use the above-mentioned new adjustment valid for 2018.

### 2. Child tax benefit increase

Although it is possible, based on the transitional provisions, to apply a higher tax benefit to the second and to the next following child for the entire year of 2017, the change for the first child applies only to 2018. However, it is necessary to point out that the first of these changes could be applied for the first time after its publication in the Collection of Laws, that is in July 2017. As for the previous months, you may apply through an annual tax accounting or you may include it in a tax return.

- CZK 15,204.00 (CZK 1,267.00 per month) for the first child;
- CZK 19,404.00 (CZK 1,617.00 per month) per the second child;
- CZK 24,204.00 (CZK 2,017.00 per month) for the third and next child.

### 3. Child tax bonus limitation

To qualify for a child tax bonus, the taxpayer must earn at least 6 times the minimum wage per year. From the beginning of 2018, this income does not include income from capital assets (Section 8 ZDP /the Income Tax Act) and rental income (Section 9 ITA).

### 4. Small employment

From the beginning of 2018, the withheld tax may be applied to the following income:

- Income from work agreements up to CZK 10,000.00 (unchanged);
- Income from dependent activity (e.g. employment, work agreement, broker remuneration) if the total does not exceed CZK 2,500.00 per month. According to the information of the Tax Office, work agreement cannot be included in the total.

This limit is assessed in terms of income and not based on the calculation of super-gross wages. The newly approved provision may only be applied if the tax return statement is not signed.

### 5. Increase of pension and life insurance limits

In connection with the approaching deadline for tax return filing, we would like to remind you that for 2017 there was an increase in the limit of pension and life insurance you may deduct. The limit for the deduction of pension and life insurance from the tax base increases from CZK 12,000.00 to 24,000.00 for employee.

### 6. Minimum wage

- From 1 January 2018, the minimum wage has been increased to CZK 12,200.00 which represents CZK 73.20 per hour.
- The lowest levels of guaranteed salary for a fixed weekly working time of 40 hours are divided according to the complexity, responsibility and workload of the given work which is classified into 8 groups as shown in the annex to the Government Regulation on minimum and guaranteed wages, which was as amended by the Act No. 286/2017 Coll.

### 7. Social and health insurance

- General assessment base amount CZK 28,250.00;
- Average wage 29,979.00 CZK.

<b>Social insurance</b>	
Maximum assessment base	CZK 1,438,992.00
Minimum annual assessment base (main activities)	CZK 89,940.00
Minimum annual assessment base (secondary activities)	CZK 35,976.00
Minimum monthly deposit (main activities)	CZK 2,189.00
Minimum monthly deposit (secondary activities)	CZK 876.00
<b>Health insurance</b>	
Minimal assessment base	CZK 14,990.00
Minimum deposit	CZK 2,024.00

### **Real estate property tax - watch out for the deadline until the end of January 2018**

Please note that if ownership or other rights applicable to immovable property in the Czech Republic have changed during 2017, or possibly other factors relevant to the assessment of the tax (for example, a change concerning previously entered data in the Land Register). The taxpayer is obliged to file a full or partial tax return on immovable property. The tax return does not need to be submitted if the taxpayer has filed it for one of the previous tax periods and there has been no change in the circumstances relevant for the establishment of tax in comparison with the previous tax period.

The taxpayer is required to file the tax return before 31 January 2018 in electronic form (with the exception of a separate tax return which may only be submitted in a paper form), providing that the tax entity or its representative has access to a data box. The tax is assessed for the taxable period (that is for 2018) as of 1 January 2018. The tax on immovable property up to CZK 5,000.00 is payable as one-time payment until 31 May 2018, for other payers the tax is payable in two equal instalments, no later than before 31 May and 30 November 2018 (for taxpayers dealing in agricultural production and fish farming by 31 August and 30 November 2018 at the latest).

In comparison to the previous year, there has been no substantive change to the Immovable Tax Act.

### **Sending real estate tax payment data via E-MAIL**

The basis of this new financial administration service is that taxpayers receive an e-mail message every year before the first tax payment, at an address specified by them. This report contains complete tax payment information in PDF format as the paper voucher - that is information about the amount of the established tax, but also the amount of overpayment / arrears and payment details. If the taxpayer fails to pay the tax within the prescribed period, the tax administrator will notify the taxpayer of the tax debt, and therefore informally informs the taxpayer.

To subscribe to this service, you must fill out and submit to your local tax office the predefined form where you must clearly identify the e-mail address to which the tax information is to be sent, and you shall do so at the latest by 15 March of the tax year. You may submit this form in writing, orally on a protocol or via a data message.

This service is not intended for taxpayers who pay tax service through SIPO and for legal entities with a data box. Signed taxpayers will no longer receive the tax voucher via Czech Postal Service.



### Road tax

Until 31 January 2018 the obligation to file a road tax return for 2017 also applies. Also, this submission may only be done electronically if the tax entity or representative of the tax entity has access to a data box. The obligation to pay this tax applies to person who carries a vehicle tax liability or to whom such obligation has arisen.

Road tax applies to road motor vehicles and trailers, if registered, operated and used in the Czech Republic, and if used by the taxpayer of a corporate income tax or by a taxpayer of income tax of natural persons due to performance of activities that results in income from independent activity pursuant to Section 7 of the Income Tax Act taxes. In addition, road tax always applies to trucks with maximum weight exceeding 3.5 tonnes registered in the Czech Republic and trailers with a maximum weight exceeding 3.5 tonnes, also registered in the Czech Republic.

The tax claimed by the tax entity (or possibly the difference between the amount of tax and the amount of already paid deposit) must be paid within the deadline for filing the tax return, that is by 31 January 2018.

Again, in comparison to the previous year, there was again no substantive change to the relevant law (only a few terminological changes).

### Uniform exchange rates for 2017

The website of the Tax Administration Office has published a regulation of the Financial Directorate No. D-36 which establishes uniform rates for 2017 pursuant to Section 38 of the Act No. 586/1992 Coll., of the Income Tax Act.

According to the D-36 regulation, EUR 1 is to be converted at a rate of CZK 26.29, 1 USD shall be converted using the exchange rate of CZK 23.18 and 1 GBP shall be converted using the exchange rate of CZK 30.04.

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### The Constitutional Court commented on the EET

The end of last year brought interesting changes. In mid-December the Constitutional Court upheld the proposal of a group of opposition parties to abolish some of the parts of the Electronic Sales Record Act (hereinafter "EET").

The petitioners have requested the annulment of the entire law, or at least some of its sections, which violate fundamental rights and are, in their view, unconstitutional. However, the Constitutional Court has confirmed that the EET is a legitimate tool for tax control and tax administration.

Even though neither the law nor the conditions resulting from it were affected in any significant way, this decision brought several significant changes, in particular:

- **Postponement of the III and IV EET phase** - according to the previously approved timetable, as of March 2018, sellers of refreshments without a background support and freelancers such as doctors, lawyers or accountants should also be involved. Starting on June 2018, also craftsmen and service providers should be included;
- **Tax identification number will no longer be a mandatory part of the receipt** - the VAT number of natural persons includes their birth identification number, which is in conflict with privacy rights and therefore, seriously affects their privacy;
- **Abolition of the obligation to record non-cash payments** - revenues from non-cash transfers are currently well traceable and there is no reason to register any further;
- **Abolition of the option to adjust the scope of the Act through a Government Decree** - this establishes the obligation to definitively determine the extent of exceptions to the relevant act (who is subject to this obligation and to what extent).

Any relevant changes should be incorporated into the amendment that is already in the preparation process, which shall also take into account the requirement on the exemption of natural persons with a fixed tax rate and low annual income from this regulation.

The Ministry of Finance has issued an opinion that respects the resolution of the Constitutional Court's decision and undertakes to change the law by issuing the relevant amendment. However, these changes will not be applied immediately. Part of them shall become valid starting in February 2018 and other shall become valid before the end of this year.

Thanks to the decision of the Constitutional Court's EET will remain for a while at a crossroads. However, the question whether this law fulfils its original intention, still remains.





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