

ISSUE 1 / JANUARY 2019

TAX FRESH

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PROXY
TAX & AUDIT SERVICES

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A member of HLB International, the global advisory and accounting network

Dear business partners,

In this year's first issue of our newsletter we would like to wish you every success and thank you for your cooperation. We will be more than happy if we can keep helping you with your taxes, accounting and audits.

Yours faithfully



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Partner



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STARTING WITH A NEW LOGO

In the new year, PROXY enters its 28th year of existence and its 15th year of membership in the multinational chain of HLB advisors. As you might have noticed not only in this newsletter, the new year brings a change in our external corporate identity. Celebrating the 50th anniversary of its foundation, HLB International introduces a new brand, including a new company logo, web pages and overall appearance, in order to support transformation of the whole HLB network to a modern and comprehensive advisory and accounting association. The new brand and company logo stress the network's global



growth (in recent years, an annual growth of nearly 15%). The new motto "Together we make it happen" exemplifies HLB's philosophy that cooperation between member companies and close relations with clients lead to better results and added value for all the parties involved. We fully embrace and support this philosophy. This is why PROXY also adopts a new company logo, new company colours (blue, yellow and white), unified email and written communication and new marketing appearance. Your success is our success, and vice versa. With you, we had made it in the past, and **with a new brand and our existing team**, we will make it in the future.

REAL ESTATE TAX



On 31st January at the latest, a real estate tax return for 2019 must be submitted with the competent tax authority (local competence lies with the tax authority in whose territorial scope the real estate is located). The taxpayer does not submit this tax return if they have already submitted it for some of the previous tax periods and no change has occurred in the circumstances relevant for determining the tax payable.

If any changes occurred in ownership rights or other rights concerning the real estate during 2018, or if any other events occurred that are relevant for determining the tax payable (e.g. a change concerning previously recorded entries in the land register), the taxpayer is obliged to submit a regular or partial real estate tax return. The same procedure applies to buildings and units that newly received a final building approval or are newly in use despite not being finished.

The tax is assessed for the tax period according to the state as at 1st January 2019. Let us add that compared to 2018, the beginning of 2019 only saw a small number of clarifying legislative amendments of the Real Estate Tax Act, i.e. there were no substantive changes to the act in force for 2019.

Should you be interested, we are ready to draw up a tax return for this tax for 2019.

ROAD TAX



It is recalled that a road tax return must also be submitted by 31st January 2019. This tax return must be submitted for 2018 by those who became or were (or ceased to be) liable to pay taxes for their vehicles. As opposed to last year, there was only a small number of clarifying legislative amendments and no substantive changes in the taxed object or in the tax base or rate occurred.

The tax claimed by the taxpayer (or the difference between the amount of the tax and the sum of any advance payments already made) must be paid within the deadline for submitting the road tax return, i.e. by 31st January 2019.

DOMESTIC MEAL ALLOWANCE IN 2019



Changes in the amount of meal allowance are made annually by a decree of the Ministry of Labour and Social Affairs in accordance with the enabling provision of Article 189 of Act No. 262/2006 Coll., the Labour Code. For 2019, the rates are regulated by Decree No. 333/2018 Coll.

The meal allowance is fixed as a flat rate for each calendar day of business travel and varies according to the duration of the travel on the respective calendar day:

- 5-12 hours: CZK 82-97
- 12-18 hours: CZK 124-150
- 18 hours or more: CZK 195-233

FOREIGN MEAL ALLOWANCE IN 2019



As with the amount of domestic meal allowance, foreign meal allowance is regulated by Decree No. 254/2018 Coll., determining the amount of base rates for foreign meal allowance for 2019. In 2019, the amount of meal allowance was increased for 10 less frequent destinations (such as Saudi Arabia). As for European countries, the meal allowance was only increased for the Netherlands and Poland. Foreign meal allowance for the rest of European countries remains at the same level as in 2018.

FORTHCOMING CHANGE IN FLAT-RATE EXPENSES



Please note that amendment to the Income Tax Act in the version which was approved by the House of Representatives in late 2018, and which is now being discussed in the Senate, adjusts, inter alia, the amount of the maximum possible flat-rate expenses for taxpayers with income pursuant to Article 7 of the act, who do not claim demonstrably incurred expenses.

According to the amendment, the amount of maximum possible expenses should return to the values that were in force until the end of 2017, which means that flat-rate expenses could be claimed up to the amount of 1.6 million for taxpayers belonging under 80% of the flat rate, up to

the amount of 1.2 million for taxpayers belonging under 60% of the flat rate, up to the amount of 800 thousand crowns for taxpayers belonging under 40% of the flat rate, and up to the amount of 600 thousand crowns for the taxpayers belonging under 30% of the flat rate. At the same time, taxpayers should retain the possibility to apply a child or spouse tax credit.

Pursuant to transitional provisions to the amendment of the act, the aforementioned change should already apply for the tax period in which the amendment enters into force, i.e. probably already for 2019.

We'll keep you updated on the final versions of the amendments of the tax acts in the upcoming issue of our newsletter.

CHANGES IN MINIMUM AMOUNTS AND IN DEADLINES FOR PAYING INSURANCE CONTRIBUTIONS IN 2019 FOR SELF-EMPLOYED



By an amendment in force as of 1st January 2019, changes are made in social security contributions and contributions to national employment policy. The changes concern both the amounts of advance payments and the deadlines for advance payments. Adjustments are also made to the amount of health insurance advance payments.

Pension insurance

As of January 2019, advance payments for pension insurance shall always be paid within the calendar month to which the insurance contribution relates, with the possibility to make the advance payment for the given month from the first until the last day of the given calendar month (the effective date being the day of crediting the account of the district social security administration). Therefore, an advance payment for January 2019 must be paid within the period from 1st January 2019 to 31st January 2019. In 2018, maturity of advance payments was different: within the period from the 1st to the 20th day of the following month. Given this change, it would therefore be necessary to pay the insurance contribution twice at the turn of the year – retroactively for December 2018, and newly for January 2019. However, in accordance with the transitional provisions, an exception was adopted so that advance payment for December 2018 need not be paid at all and will be adjusted when submitting an overview for 2018. Any payment made in January 2019 will be regarded as payment for the month of January 2019.

In 2019, a minimum monthly amount of advance payments for pension insurance for a self-employed person performing a principal activity shall be CZK 2,238.00; for a person performing a secondary activity, it shall be CZK 955.00. The decisive amount for a secondary gainful activity in 2019 shall be CZK 78,478.00. Change of payment to the newly increased advance payment for pension insurance must be made starting from the month following the month in which an overview of income and expenses of an entrepreneur for 2018 was or is to be submitted. This does not apply to situations where the newly calculated amount of advance payments is lower than in the previous period. In such case, the lower advance payment is to be paid already in the month of submitting the overview. Self-employed individuals are obliged to submit the overview of income and expenses within one month from the date when they are to submit a tax return (i.e. by 2nd May 2019, or by 1st of August 2019 for tax returns filed by tax advisors).

Disability insurance

Starting in January 2019, advance payments for disability insurance shall also be paid within the calendar month to which the insurance contribution relates, with the possibility to make the advance payment for the given month from the first until the last day of the given calendar month (the effective date being the day of crediting the account of the district social security administration). No transitional exception was specified for disability insurance. Therefore, in January 2019, it is necessary to pay both the advance payment relating to December 2018 (by 21st January 2019) and the one relating to January 2019 (by 31st January 2019). If the advance payment for January 2019 is not paid retroactively by 28th February 2019, the disability insurance shall cease to exist.

As of 2019, the minimum amount of disability insurance changes to CZK 138.00. For disability insurance, it is necessary to adjust the amount of advance payments already in January 2019.

Health insurance

As for health insurance, only the amount of minimum advance payments changes in 2019. A minimum monthly advance payment is CZK 2,208.00.

The advance payment must be paid by the 8th day of the following month (i.e. by 8th February 2019 for January 2019). It is necessary to adjust the new amount of minimum advance payment now. If a self-employed individual already pays an amount that is higher than the minimal advance payment, the amount will only be changed when submitting an overview for 2018 (see above for the deadline for submitting the overview). Individuals performing a secondary gainful activity are not obliged to pay the minimal advance payments, they pay advance payments according to their actual earnings.

Individuals with no taxable income (such as homemakers) are obliged to pay minimal advance payments for health insurance amounting to CZK 1,803.00 in 2019.

2018 UNIFIED EXCHANGE RATE



By an instruction of the General Finance Directorate No. D-40, unified exchange rates for 2018 were specified. A unified exchange rate may be used for conversion of foreign currency by taxpayers who do not keep accounts, such as individuals applying flat-rate expenses or natural persons keeping tax records. Unified exchange rates were specified for various currencies. For the conversion of EUR, the rate is CZK 25.68 / EUR, for USD, it is CZK 21.78 / USD.

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