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# TAX FRESH



**PROXY**  
TAX & AUDIT SERVICES

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Dear business partners,

In this issue of our Tax Fresh, we would like to introduce you the laws already approved and in force (e.g., Amendment to the VAT Act), but also the proposals, that have, so far, been in the approval process (e. g. Proposal to abolish the immovable property acquisition tax). We will, of course, inform you on the amendments in the approval process, after their approval.

Best regards



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## ANTIVIRUS PROGRAM EXTENDED UNTIL OCTOBER



By its resolution No. 876 of 24 August 2020, the Government approved the extension of Antivirus A and B programs until the end of October 2020.

Antivirus Program, Mode A, is designed for businesses with a forced restriction of their operation and their employees in quarantine. Under the Antivirus Program, Mode B, the state contributes to the compensation of wages of employees in enterprises affected indirectly by the coronavirus crisis. For example, through a decrease in sales or supply of inputs.

The Ministry of Labor and Social Affairs has already been working on the implementation of a so-called “kurzarbeit” (i.e. the situation when, due to the economic downturn, the employer shortens the working time to their employees and the loss in their income is paid by the state), which would build on the Antivirus Program.

The Antivirus program, Mode C (entrepreneurs were waived of their obligation to pay social insurance premiums for June, July and August 2020) was not extended, i.e. for September it will no longer be possible to apply a discount on employer premiums.

## AMENDMENT TO THE VAT ACT



We would like to point out that in early September 2020, the amendment to the VAT Act entered into force. The subject of the amendment is:

1. Unification of the EU procedure for the purposes of VAT under the arrangements of the call-off stock (consignment warehouse).
2. The rules governing the supply of goods within chain transactions have been amended.
3. The conditions for the VAT exemption of the supply of goods to another Member State have been amended.

These changes have already been described in the October 2019 Issue of the Tax Fresh No. 4 (please note that all previous editions of our Tax Fresh can be found on website under <https://www.proxy.cz/tax-fresh>).

In case of a consignment warehouse (i.e. the warehouse, to which the supplier transfers his own goods from another Member State) we would like to point out that as of 1 September 2020, a self-assessment of the VAT by the buyer of the goods from such consignment warehouse is conducted, though, not at the time of storage of goods, but at the time of withdrawal of the goods, i.e. at the moment when the buyer acquires the right to dispose of the goods as its owner. At the same time, the supplier and the buyer, newly have a warehouse reporting duty concerning the inventory placed in the consignment warehouse. The supplier is further obliged to report both the transfer of goods into the warehouse as well as its supply to the buyer in his recapitulative statement.

In the case of rules for cross-border supply of goods within the territory of the EU, within the framework of the chain transactions, when only the supply of goods with transport is possible to be exempted from VAT, new rules apply, i.e. that the transport will automatically be assigned to the first supply, i.e. to the transaction between the supplier and the middle person. However, in the case when the middle person passes on to the supplier his VAT number, which was allocated to him for VAT purposes by the country where the shipment started, the shipment will be assigned to the second supply.

In the case of supplies of goods to another Member State, we would like to point out that the buyer should provide the supplier with his VAT number (for VAT purposes), and that shall be done no later than to the date of issue of the tax document – i.e., to the 15th day of the month following the month when the delivery of goods to another Member State took place. This way one of the conditions for the exemption of such supplies from the VAT will be met. It will therefore require an “active” communication of the VAT number of the buyer to the supplier.

Within the framework of making a proof of the transport of the goods to another Member State, the supplier should newly be able to submit two items of evidence. There are two groups of evidence and the supplier can choose to submit both items of the evidence from the first group, or one item of evidence from the first group and second item from the second group of documents. The first group includes documents relating to the transport (e.g. transport invoice, bill of lading, signed CMR, etc.), the second group consists of other documents (e.g. transport insurance, proof of payment for the transport).

Beyond the above mentioned, the amendment also includes the introduction of a deposit on the excessive deduction allowing for the partial payment of the claimed excess deduction, where the tax administrator will continue to secure only the portion of the deduction on which the tax administrator has doubts. However, this provision is subject to the relevant legislation relating to the tax code, which will not take effect until early next year. At the same time, the tax code states that the right to an advance on an excess deduction does not arise if the amount of the advance does not reach the amount of CZK50,000.

## **PROPOSAL TO ABOLISH THE REAL ESTATE TRANSFER TAX - CURRENT STATUS**



Parliament is currently discussing a government draft law on the abolition of the real estate transfer tax (“RETT”), with a retroactive use for registrations in the Land Register allowed by the Register from 1 December 2019.

In August, the proposal of the relevant bill was returned to the Chamber of Deputies by the Senate with amendments (legislative-technical changes). The Senate version of the bill is expected to be adopted by the Chamber of Deputies at its next meeting.

In this regard, we would like to draw your attention to the “general pardon” published by the Minister of Finance relating to this tax. According to the above, all tax entities are automatically waived the penalty for late filing of RETT returns, for which the deadline for filing tax returns expires in the period from 31 March 2020 to 30 November 2020 (i.e. the registrations into the Land Register

carried out in the period from 1 December 2019 to 31 August 2020), provided that the filing of the tax return occurs no later than 31 December 2020.

Similarly, in the case of the RETT payment, whose maturity occurs within the period for filing a tax return, i.e. the period from 31 March 2020 to 30 November 2020, provided that the payment of the tax or advance on that tax is made no later than 31 December 2020, the Decision issued by the Minister of Finance automatically pardons tax entities' payment of interest on late payment of tax.

Therefore, until 30 November 2020 a general pardon on filing the return on the acquisition of real estate and to the payment of this tax applies if the registration in the Land Register has been allowed from 1 December 2019. Therefore, at this time, any return to that tax should not be filed. We will inform you about the next legislative procedure in this area.

## PROPOSAL TO ABOLISH THE SUPER-GROSS WAGE



At present, the work-related income (from employment) in the Czech Republic is subject to a personal income tax rate of 15 %. For incomes exceeding CZK 139,340 in a given month, this tax rate is increased by 7 % (a so-called solidarity tax increase).

The tax base for work-related income is a so-called super-gross wage, which is the sum of gross wages and obligatory payments of the employer for social and health insurance, which in the Czech Republic amounts to 33.8 % of gross wages. The principle of the super-gross wage is very complicated in practice, in particular for employees who are subject to the foreign insurance, where there is a necessity to find out the amount of foreign insurance premiums, which would then, for the purposes of taxation, increase the gross salary.

The real rate of income tax for employees with an income not exceeding CZK 139,340 in a given month, currently corresponds to a tax rate of 20.1 %.

The government's proposal to abolish the super-gross wage tax calculation (Chamber of Deputies document No. 254) has been prepared in the Chamber of Deputies since 2018. Now this proposal has become an issue to discuss again, its discussion is scheduled for 16 September 2020. If the proposal passes, the tax base for employees will again be gross wages only. As the calculation base is reduced, it is not yet clear whether existing income tax rates will also be maintained. If that were the case, from 2021 the real employee taxation will be lower. Rates of 15 % and 23 % have so far been published in the Government's press release. We will continue to inform you on further development.

## FLAT-RATE TAX FOR INDIVIDUALS FROM 2021



The Chamber of Deputies has just issued a document No. 922, which, if approved, would amend the rules for the self-employed as of 1 January 2021. This amendment should bring an administrative simplification for the self-employed (small entrepreneurs), because if they use the model of a flat-rate tax, they will no longer need to submit tax returns or statement of income and expenses for health insurance company or social security administration. The use of the flat-rate tax model will be entirely voluntary. However, it may not be advantageous for some entrepreneurs.

One payment of the flat-rate tax will include health insurance, social security premiums and personal income tax. The amount of the flat-rate tax containing these items should be CZK 5,740 per month.

Only entrepreneurs who have an annual turnover of up to CZK 800 thousand, who are not VAT payers, partners in unlimited companies, entrepreneurs who are not subject to any insolvency proceedings and who have no work-related income, except for withholding taxation, can apply to the flat-rate tax scheme. The only tax obligations of the taxpayer then are paying the monthly flat-rate tax and fulfilling the aforementioned conditions.

When using a flat-rate tax, the entrepreneurs will not be able to apply tax abatements (on the wife, on the taxpayer, on the children, etc.). Therefore, it is recommended to calculate the advantages of the scheme in advance.

To register in the flat-rate tax scheme, the entrepreneurs will have to file an official notification form, which will need to be submitted to the tax authority by 10 January of the year in which the entrepreneur wants to take advantage of the flat-rate tax. We will continue to inform you on further development.

## PROVISION OF SERVICES ABROAD – TIGHTENING OF COMPLIANCE WITH THE RULES



With reference to the Tax Fresh No 1/2020 we would like to remind you on the direct effect of EP and EU Council Directive No. 2018/957, which amends the Directive on Posting of workers in the framework of the provision of services. This directive applies to all EU and EEA Member States. Businesses posting their employees into any of the above-mentioned Member States shall, on the basis of the Directive, address, e.g. the length of working hours, the amount of remuneration, the minimum length of vacation, provision of adequate work health and safety in the context of ensuring equal working conditions. The posted employees shall get the working conditions of the country, which are more favourable to these employees. This means that if the home working conditions are more favorable to workers, the home working conditions shall apply. If, on the contrary, the working conditions in the host country, i.e. a country to which the employee is posted,

are more advantageous, the host country conditions shall apply. The Czech Republic applied this directive to the amendment of the Labor Code, Article 319, and the following articles. The directive is effective as of 30 July 2020.

Please note that the working conditions of posted employees are often very vigorously checked. There are high fines for violating these rules, so we recommend that you pay an increased attention to this issue.

## IN BRIEF



The amendment to the tax code, which we informed you of in the previous Tax Fresh Issue No. 2/2020, has been approved and will take effect on 1 January 2021. The amendment, for example, extended the deadline for the submission of the tax return assessed for the taxable period of the minimum length of 12 months, by 1 month, i.e. 4 months after the end of the tax period, if tax return is filed electronically.

As of 1 September 2020, amendment of the act on international cooperation in tax administration came into effect. This amendment brings a new notification obligation for cross-border arrangements, in terms of tax planning of potentially aggressive arrangement, the main or expected benefit of which is a tax advantage (the so-called DAC6).

The amendment states that

- For cross-border arrangements, in which the first step was implemented in the period from 25 June 2018 to 30 June 2020 (included), the notification obligation has to be fulfilled no later than 28 February 2021.
- For cross-border arrangements that were made available or prepared for the implementation, or whose step was implemented in the period from 1 July 2020 to 31 December 2020 (included), the notification obligation has to be fulfilled no later than 30 January 2021.
- For cross-border arrangements, which were made available or prepared for the implementation, or whose step will be implemented in the period starting from 1 January 2021, the notification obligation has to be fulfilled within 30 days from such operative event at the latest.

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