

NEWS

5/2016



Jana Alfery
Tax advisor



Jana Kotíková
Tax advisor

Tax changes

Amendment to the VAT Act

New customs legislation will come into effect in the course of 2016. This includes the Union Customs Code and the regulation implementing the Customs Code. Consequent amendments shall also be made to related laws, in particular to the VAT Act. The most important changes include:

1) Reverse charge system for domestic supply of goods

If goods are supplied to a Czech VAT payer within the Czech Republic by a Czech non-resident, the liability to pay VAT under Czech law shall be passed on to the customer. Thus a taxable entity without a registered office in the Czech Republic will no longer automatically become a VAT payer at the moment of the supply of goods to the Czech Republic. However, if a taxable entity without a registered office in the Czech Republic supplies goods with a place of performance in the Czech Republic to a non-taxable person or to a taxable person who is not a VAT payer, it continues to be a VAT payer.

2) Further changes

The amendment introduces a new definition of the six-month period in which VAT on receivables against debtors in insolvency proceedings may be corrected. Now, corrections to VAT returns may be made in the case of receivables older than six months before the court decides on bankruptcy.

The supply of goods into a Czech free zone or free warehouse shall not be considered an exempt export of goods. The return of goods from a Czech free zone or free warehouse shall not be considered to be an import of goods.

Furthermore, the amendment to the VAT Act shall change territorial jurisdiction for persons registered for Czech VAT

who are non-resident in the Czech Republic, moving it from the regional office for Prague 1 to the Tax Office for the Moravian-Silesian Region. This provision shall take effect on the first day of the second calendar month following the promulgation of the Act.

Increase of the tax credit for a second and third child

Since January 2016 the state should have granted tax benefits to families with multiple children. As these amendments were not approved in time, the intended changes shall take effect on 1 May 2016. However, they shall apply retroactively, starting from the beginning of this year.

The amount of tax benefit for families with one child shall remain unchanged, i.e. CZK 13 404 per year. For the second child, the tax benefit shall increase from the current CZK 15 804 to CZK 17 004 per year (i.e. by CZK 100 per month); for the third and each additional child, the tax benefit shall increase from CZK 17 004 to CZK 20 604 per year (i.e. by CZK 300 per month) with effect from January 2016.

Tax payers may claim tax credits for the entire tax period 2016 despite the fact that the amendment shall become effective only in the course of the year. Tax benefits shall be granted in the old way for the months prior to the effective date of the legislative amendments (January to April), then employees shall be entitled to a tax refund to be paid together with their salary after the annual tax settlement is made by the employer for the entire year 2016. Entrepreneurs shall claim the tax credit in their tax returns for the year 2016, to be filed by the ordinary deadline of the end of March 2017.



Václavské nám. 40
110 00 Praha 1
www.alferypartner.com

Fax: +420 221 111 788
Tel.: +420 221 111 777
E-mail: info@alferypartner.com

NEWS

5/2016



Alena Křížová
Auditor

New Czech Accounting Standard No. 24

As we informed you in our News No. 6/2015, a comprehensive amendment to the Accounting Act came into effect on 1 January 2016. Since this amendment brought about substantial changes to the structure and contents of the individual items of financial statements, Czech Accounting Standard for Entrepreneurs No. 24 has been issued. Its validity is limited to the year 2016.

This new standard lays down basic principles applying to financial statements for the accounting period starting on or after 1 January 2016 concerning the carry-forward of closing balances of balance sheet items to opening balances of balance sheet items and recognising the items of the balance sheet and the profit and loss statement (structured according to the type and purpose) in order to ensure comparability of the amounts of these items for the current and previous accounting periods.

Czech Accounting Standard No. 24 includes detailed data bridges for each financial statement item with a thorough explanation. In particular, the following changes need to be considered:

- Line B.I.1 Start-up costs shall be deleted. Effective from 2016, start-up costs shall be entered in line B.I.4. Other intangible fixed assets.
- Line B.III.6. Purchased financial fixed assets shall be shown in the respective line of financial fixed assets depending on the nature of the purchased assets.
- Transfers have been made in the financial fixed assets.

- Major changes have been made in the category of current financial assets.
- A new class, 'Convertible bonds', has been introduced, resulting in amendments in the area of current and noncurrent liabilities.
- Line II.2. Change to internally produced inventories – previously recognised as a revenue item – shall be shown as a cost item in line B.
- Line II.3. Activation – previously recognised as a revenue item – shall be shown as a cost item in line C.

This list is not exhaustive.

Please note that the contents of the term "total assets" shall change in connection with the aforementioned changes in financial statements. The Accounting Act that expired on 31 December 2015 defined total assets as the sum of gross assets. According to the new wording of the Accounting Act, total assets are defined as net assets.

At the same time, the contents of the term "annual sum of net turnover" shall change due to the reclassification of inventories and activation from revenues to costs.

Considering the above changes, the statutory audit thresholds will also be changed. Hence, entities should examine the parameters according to the new definitions of the relevant terms to ascertain whether they are subject to a statutory audit of financial statements which also may have an impact on their deadlines for compliance with tax obligations.



Václavské nám. 40
110 00 Praha 1
www.alferypartner.com

Fax: +420 221 111 788
Tel.: +420 221 111 777
E-mail: info@alferypartner.com

NEWS

5/2016



Pavel Alfery-Hrdina
Attorney

The so-called Fourth EU AML Directive (Directive 2015/849/EU on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing) came into force in mid-2015 and all Member States should transpose this Directive into national legislations by 26 June 2017. The Directive also tightens the rules applying to the identification of the real owner in the case of cash transactions.

The draft amendment to Act No. 253/2008 Coll., on selected measures against legitimisation of proceeds of crime and financing of terrorism (AML Act), by which the Fourth EU AML Directive shall be transposed, clarifies the definition of the real owner. At the same time, the draft amendment significantly changes Act No. 314/2013, on public registers of legal entities and individuals. The real owner's personal data (name, address, date of birth, nationality) should be entered in the commercial register and

Money laundering – tightening of rules

this data shall be fully public. Furthermore, non-public data concerning the basis upon which the person concerned is considered to be the real owner shall be entered in the commercial register. The entire copy, including non-public data, shall be presented to courts and further specified persons upon request.

Other changes contained in the draft amendment include the reduction of the limit for entrepreneurs as obligated persons from 15,000 to 10,000 EUR for cash transactions including lottery operators and virtual currency (bitcoin) service providers as Obligated persons. There is also a new regulation of controls of politically exposed persons which largely falls within the competence of the Member States.

Certain provisions of the draft amendment shall come into effect on 1 July 2016. However, the provisions concerning data to be entered in the commercial register shall not come into effect until 1 January 2017.

Warning: All of the above mentioned is of a general indicative nature only and is not comprehensive. The purpose is only to draw attention to the most important points of the amendments and changes. No damage claims for steps made based on the information shall be accepted. If you use information included in this document, you will only do it at your own risk and responsibility. Please do not use information in this material as a base for a specific decision-making. Instead, always use our professional services of qualified experts.



Václavské nám. 40
110 00 Praha 1
www.alferypartner.com

Fax: +420 221 111 788
Tel.: +420 221 111 777
E-mail: info@alferypartner.com