



1. Real Estate Tax in 2010

The real estate tax rate doubled on the basis of the amendment to the Real Estate Tax Act that came into force in 2010. Therefore some municipalities took their option and increased the tax rates. The rate increased from CZK 5.00 to CZK 10.00 per square meter of built-up area for structures serving for industry, building industry, transport, energy industry and other agricultural production, and from CZK 0.10 to CZK 0.20 per square meter of land. Arable land, hop gardens, vineyards, gardens, fruit orchards, permanent grasslands, productive forests and fish ponds, and also structures for other business activity make an exception.

In view of the fact that, already from 2009, municipalities may also determine, in the form of a municipal ordinance, a so-called local coefficient (under Section 12) equal to 2,3,4 or 5 by which the whole sum of the tax on the individual types of real estate is multiplied, the final increase of tax liability may multiple compared to 2009. Though municipalities may reduce the coefficients for calculation of the basic tax rate, some municipalities, on the contrary, took the option to increase the tax rates.

Tax authorities will inform on the new tax liability through a new assessment, which will be sent to tax payers by mail, probably during April and May 2010, i.e. shortly prior to the date of payment of the first instalment of the real estate tax for 2010.

2. Amendment to the Electronic Signature Act passed by the Chamber of Deputies

The Chamber of Deputies debated the amendment to the Electronic Signature Act on the basis of which also a certificate issued by a provider accredited at any of the EU member states should be considered as a qualified certificate issued by an accredited provider of certification services. This change should enable e.g. to sign electronic tax documents with a guaranteed electronic signature based on a qualified certificate issued by a provider accredited at some other EU member state. The bill has already been referred to the Senate.

3. Reporting according to the IFRS

The Ministry of Finance has prepared a draft amendment to Act No. 563/1991 Sb. 1, on accounting, with proposed effect from 1 January 2011, for circulation for comments. The amendment should enable wider use of the International Financial Reporting Standards regulated by the European Community law (hereinafter the IFRS) for accounting and compilation of financial statements. Many companies will certainly welcome the possibility to keep accounting and compile financial statements according to the IFRS if some of



their parent companies presents its consolidated financial statements in accordance with the IFRS. Thus the companies may, on the basis of their voluntary option, reduce the demands placed on accounting and preparation of financial statements by using the same accounting methods for both consolidation of the group and statutory purposes. However, the calculation of income tax will continue to be based on the accounting result calculated according to the Czech accounting standards.

4. A change of calculation of interest on late payments

If one party is in default of payment in a business relationship, the other party may enforce penalties against it. Interest on late payments is the most frequent institute.

If the manner of determination of the interest on late payments is not agreed within business relationships, the statutory legal regulation shall be applied. The specific method of calculation is set by Government Decree No. 142/1993 Sb, of 8 June 1994, which determines the amount of interest on late payments and late charge according to the Civil Code.

According to the applicable legislation, the interest on late payments ascertained in this manner annually corresponds to the level of the repo rate determined by the Czech National Bank, increased by 7 percentage points. In each calendar half-year in which the default of the debtor continues, the level of the interest on late payments depends on the level of the repo rate determined by the Czech National Bank and valid on the first day of the respective calendar half-year.

According to the legislation effective from 1 July 2010, the level of the interest on late payments shall correspond annually to the level of the repo rate set by the Czech National Bank on the last day of the calendar half-year preceding to the calendar half-year in which the default occurred, increased by 7 percentage points. Accordingly, if the debtor's default occurs after 1 July 2010, a uniform rate shall be applied for the calculation of the interest on late payments for the whole period of the debtor's default. However, if the default occurs prior to 1 July 2010, the existing legislation shall be applied.

5. Payments of social security contributions in the period from 1 January to 30 June 2007

As we informed in News No. 2/2010, the Supreme Administrative Court decided on appeal in cassation against a judgment of the Regional Court in Ústí nad Labem with respect to refund of social insurance contributions of the period from 1 January to 20 June 2007. The Supreme Administrative Court allowed the appeal in cassation, quashed the judgment and referred the case back to the Regional Court for further proceedings. The Regional Court will be, upon its re-judging in the given case, bound by the legal opinion of



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the Supreme Administrative Court. The Supreme Administrative Court judged that though Act No. 589/1992 Sb., as amended in the first half-year of 2007, did not contain an explicit definition of an employer's assessment basis, this legislative error did not cause termination of employers' liability to pay or impossibility to determine its amount. It was possible to determine the employer's assessment basis as an amount corresponding to the sum of assessment bases of their employees by means of interpretation methods, and it could be done to such extent of certainty that there could not be any doubts about its determination.

Refund of social security contributions of the given period could be enabled only by a decision of the Constitutional Court if the case was brought before it. However, it is very difficult to foresee the result.

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