



■ **Amendment 260/2005 Coll. – change of Act No. 116/1990 Coll. On the lease and sublease of commercial (non-residential) areas**  
*effective as of 19 Oct. 2005*

- Since this amendment came into effect, it is not necessary to specify the due date and the method of payment of the rent in a lease agreement. In such a case, the rental payment along with the payment for supplies provided in connection with the use of a commercial area is paid in monthly instalments always on the first day in the relevant calendar month.
- The obligation to determine the amount of payment for supplies in connection with the use of commercial areas or the manner of their determination is new.
- The law now requires as a necessary particular of a lease agreement for commercial areas the statement of the nature of the business, but only if the lease is agreed upon for entrepreneurial purposes.
- A provision from the wording of the law has been cancelled, namely the provision relating to the possibility to let the commercial area to the lessee in a physical condition not specified in the agreement. Therefore it is always necessary to describe in the agreement the physical condition (state) of the commercial area in which it will be let to the lessee.
- The legal wording cancels the provision which sets out an obligation of the lessee to reimburse costs related to usual (normal) maintenance.
- The provision that the agreement on the lease of commercial areas has to be in written form is new.
- The lessee is entitled to let the commercial area or part thereof only for a definite term and only upon the prior written consent of the lessor, with the exception that the parties state otherwise in the agreement.
- Termination of the lease:
  - The reasons for the termination of the lease both on the part of the lessee and on the part of the lessor as provided in the law apply only if the parties do not agree otherwise.
  - The law now provides as a novelty the possibility of terminating the lease agreement if the lessee changes the nature of the business in the shop without the prior consent of the lessor.
- In the case that the ownership of the building in which the commercial area is located has changed, neither lessee nor the lessor are entitled to terminate the lease for that reason, with the exception that the parties state otherwise in the agreement.
- The lease of commercial areas does not end with the cessation of the legal person who was the lessee, if such legal person has a legal successor.





■ **Amendment to the law on reserves  
(Act No. 545/2005 Coll.)**

*effective as of 1 Jan. 2006*

Introduction of the option to create adjusting items up to 100% to receivables up to CZK 30,000 related to each debtor. All of the conditions below have to be fulfilled:

- the taxpayer shall not create adjustable items to the receivable under other provisions of the law on reserves
- the receivable shall not be the one specified in Section 8a (3) of the law on reserves (including receivables from shareholders),
- at least 12 months have passed since the end of the agreed time of payment and on the day when the adjusting item is created the total value of receivables excluding collateral (interest) does not exceed CZK 30,000.

■ **Amendment to the law on income (Act No. 545/2005 Coll.)**

*effective as of 1 Jan. 2006*

Conditions for viewing companies as parent companies or subsidiaries are modified. In particular, the minimum share of the parent in the base capital of the subsidiary has been decreased from 20 to 10%, and the minimum time of holding such share has been shortened from 24 to 12 months. This arrangement relates to the relief of dividend income on the payment of which a general meeting has decided after 1 January 2006.

■ **Amendment to the law on VAT (Act No. 545/2005 Coll.)**

*effective as of 1 Jan. 2006*

Tax-deductible publicity and promotional things include the so-called „silent wine“, if conditions specified in the law on income taxes are met. The term “silent wine” is defined in the law on excise tax.

A new regime has been established for trade with non-investment gold.

■ **Decree 496/2005 Coll., which sets the amount for rates of food allowance and the rates of basic compensation for the use of road motor vehicles and the average price of fuel.**

*effective as of 1 Jan. 2006*

The new food allowance when travelling amounts now to CZK 58-69 if the business trip takes 5-12 hours; CZK 88-106 if the business trip within the territory of the Czech Republic is between 12-18 hours; and CZK 138-165 if the business trip is longer than 18 hours.

The rate of basic compensation for 1 km of travel is CZK 1 with one-track vehicles and three-wheel cars and CZK 3.8 for passenger road motor vehicles. The average price per 1 litre of fuel ranges from CZK 29.5 to 34.4 depending on the type of fuel.

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