

# NEWS

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# Changes to the taxation of acquisitions of immovable property



Jana Kotíková  
daňový poradce

Act No. 254/2016 Coll, amending Legislative Measure of the Senate No. 340/2013 Coll., on the Tax on the Acquisition of Immovable Property, was promulgated in the Collection of Laws on 5 August 2016. This amendment shall come into effect on **1 November 2016**. Below are the most important changes introduced by the amendment.

### *Person or entity liable to pay tax on the acquisition of immovable property.*

According to the amendment, **the purchaser** of the ownership right over the immovable property becomes solely liable to pay the tax on the acquisition of immovable property. Consequently the obligation of the other contractual party to provide security for the payment of this tax has been discharged.

The amended wording of the legislative measure shall apply to tax liabilities arising on and after the effective date of the amendment. The decisive moment for the application of the new regulation is the moment at which **the acquisition of the ownership right** over the immovable property comes into effect, which is generally the date upon which the application for registration in the Land Registry is submitted. The new regulation should be reflected in the wording of new contracts – not only purchase or exchange contracts but also safekeeping contracts or preliminary contracts.

### *Further changes*

- The **extension** of the period of time for which a **right to build** has been established is now subject to tax on the acquisition of immovable property.
- Acquisition of those parts of **underground utilities** that are not a building under the Land Registration Act (such as the acquisition of a water/sewerage pipeline) is no longer subject to tax.
- Rules for the calculation of the tax on the acquisition of immovable property have been changed in the case of an **exchange of immovable property**.
- **New buildings and units** will continue to be tax exempt when being acquired against payment for the first time; from now on, this provision will apply only to immovable property actually completed or in use, not to unfinished immovable property.

### *Recommendation*

We would like to recommend that you check transactions governed by an existing contract which come into effect after 1 November 2016, when the new legal regulation comes into force. If in doubt, please feel free to contact us: we will be happy to help you with the analysis and legal treatment of your situation. Please note that you should take the new rules into account when entering into new contracts.

*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