

Tax Flash

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Legislative changes with negative impact on Czech solar businesses passed by the Lower House of Czech Parliament

The Lower House of Czech Parliament passed a new legislation which should restrict construction of new solar plants from 2011 and reduce the profitability of solar plants launched in 2009 and 2010. This may negatively affect both operators of solar plants and investors and financing banks.

Special levy on the production of electricity from solar plants

The guaranteed purchase price and so-called "green bonus" exclusive of VAT received for the electricity produced by a solar plant from 1 January 2011 to 31 December 2013 shall be subject to a new levy of 26% and 28%, respectively. Since the levy shall be collected by the distributor, this effectively means that the electricity producer shall receive the guaranteed electricity price or green bonus less the respective 26% or 28% levy. This levy shall not be applicable for the electricity produced in solar plants with a capacity of 30kW or less if these solar plants are placed on buildings.

Increased levy on the withdrawal of land from the Agricultural Land Fund

According to the new legislation, the levy on the withdrawal of cultivable land from the Agricultural Land Fund shall be increased from 2 to 9 times the original amount, based on the quality of the land. This levy shall increase costs of the solar plants located on cultivable land.

Gift tax on carbon emission allowances

Further, carbon emission allowances allocated free of charge for 2011 and 2012 shall be subject to a gift tax of 32% (the tax base shall be the market price of carbon emissions allowances valid as at 28 February each year). This tax shall be applicable only for carbon emission allowances utilised in power plants producing electricity in 2005 or later.

Income tax

The Lower House of Czech Parliament also passed an amendment to the Income Tax Act. The amendment ceases tax holidays for revenues from the operation of solar plants and enlarges the tax depreciation period of solar plants to 240 months.