

Tax Flash

Czech Republic, 14 April 2010

Tax Flash is an electronic newsletter prepared by PricewaterhouseCoopers Česká republika, s.r.o. to keep you up to date on the latest tax and legal news. A more complex look at key tax changes and their impact on your business is provided in our monthly newsletter, Tax & Business News.

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VAT Act amendment related to employee benefits

Yesterday, on 13 April 2010, the Chamber of Deputies re-approved the VAT Act amendment after the President's veto. The VAT Act amendment excludes persons who are in a labour law relationship, or in a similar relationship with the VAT payer, from the group of persons subject to the VAT payer's obligation to determine the VAT base using an arm's length price. The VAT Act amendment affects the taxation of employee benefits, for which employees pay the employer a price lower than the arm's length price. Where an employer provides its employees with meals, services/goods at a reduced price, the general regime will continue to be used and the VAT base will be calculated from the price paid. In case employee benefits are provided for free, Section 36 (6) of the VAT Act will be applied.

The VAT Act amendment takes effect by a declaration in the Collection of Laws, and it will be effective retroactively from 1 January 2010 (from the moment that Section 36a of the VAT Act became effective).

If your company has applied VAT at the arm's length price in respect of transactions involving employees (subsidised canteen meals for example) in previous taxable periods, the VAT overpaid can be recovered.

In case of any questions, please do not hesitate to contact **Petra Šafková** or **Peter Skelhorn**. They will be happy to discuss the impact of the new legislation with you.