

# Tax & Business News

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Tax, accounting, advisory and assurance newsletter

May 2011

## Content

- › The Ministry of Justice prepares revolutionary changes in the private law as at 2013
- › New implementation rules to the EU VAT Directive
- › New possibilities for creating adjustments
- › Illustrative IFRS corporate consolidated financial statements 2010 in Czech
- › Business licences for foreigners – now cheaper and quicker
- › Germany and Austria opened their labour market to Czechs
- › 10 years of automotive industry growth in the Czech Republic
- › Calendar of our Academy events in May 2011



## Theme of the month

### **The Ministry of Justice prepares revolutionary changes in the private law as at 2013**

The Ministry of Justice has proposed to the government, for the second time already, the drafting of a new Civil Code together with an Act on Commercial Corporations. It represents a completely new conception of the two essential enactments that regulate extensive areas at private law. Both new acts should become effective on 1 January 2013.

The new Civil Code regulates areas concerning the concept of natural and legal person, status questions (personal rights), position of an entrepreneur, property rights,

contractual relations, family law, inheritance or e.g. compensation for damage. The new Civil Code introduces new terminology and changes e.g. the concept of absolute nullity (considerably fewer cases),



supports the autonomy of wills, it unifies the regime for commercial law and civil law relations in case of contracts, it places emphasis on the will of the testator in respect

of inheritance law. Newly added, the construction will be part of the land.

The Act on Commercial Corporations will only contain the regulation of business entities. From the news, you might find interesting, e.g., the new concept of limited liability companies (the minimum amount of registered capital will be CZK 1) or partial changes regarding joint-stock companies or changes in corporate governance.

We will inform you regularly on further progress in this important change to private law

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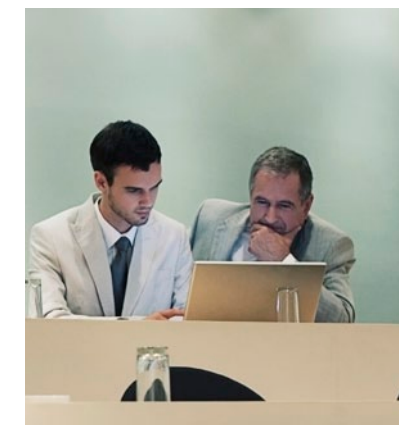
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## Taxes

### **New implementation rules to the EU VAT Directive**

New implementation rules of the European Union to the Directive on a common system of VAT will become effective on 1 July 2011. The purpose of this Regulation, intended by the EU Council, is to ensure a unified



If you are interested in receiving Tax & Business News, please contact Marie Čapková, +420 251 151 839.

## Taxes

application of the provisions of the so-called EU VAT package which so far has been interpreted differently by particular member states. The Regulation, among others, clarifies the location of registered place of business and defines the establishment for VAT purposes. The question of the participation of the establishment in the provision of services is also explained here. The rules further define the restaurant and catering services and the place of their supply.

The document also contains a definition of the services comprising entry to the events of an educational, cultural or sporting nature. You can also find information there on the extent of verification sufficient to determine the customer's status as

a VAT payer.

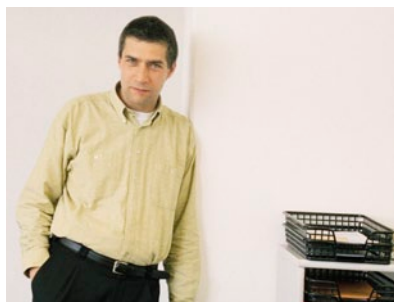
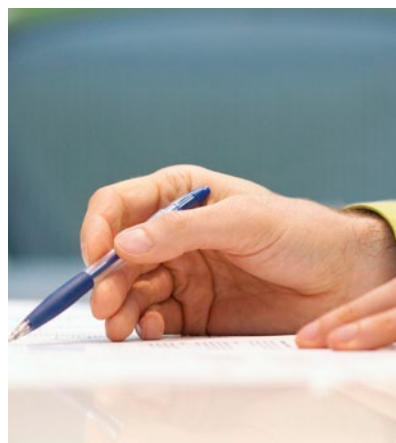
Regulation No. 5531/11 has a so-called direct effect – its wording is thus binding and the member states are not obliged to include it in their national legislation.

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## New possibilities for creating adjustments

Adjustments can also be created after judicial or administrative proceedings or arbitration and after the final decision in a case is released. Adjustments already



created do not have to be cancelled. This is the standpoint of the Coordination Committee between the Chamber of tax advisors and

tax administration regarding the question whether participation of the creditor in the proceedings is necessary for the entitlement to create tax adjustments.

In this respect PwC presented comprehensive material and additional facts that have been confirmed by the General financial directorate – the debtor is not liable to start executory proceedings for the entitlement to create adjustments. It is sufficient if its ground and amount are finally confirmed within the claim in the preceding (discovery) proceedings.



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## Accounting

## Illustrative IFRS corporate consolidated financial statements 2010 in Czech

A group of PwC consultants prepared a Czech translation of the publication Illustrative IFRS corporate consolidated financial statements 2010. The publication contains sample consolidated financial statements completed in accordance with the International Financial Reporting Standards (IFRS). Companies can use this

publication as an instrument for completing their own financial statements according to IFRS in the wording approved by International Accounting Standards Board (IASB) and in the wording approved by the EU. The Czech and the original English version of Illustrative IFRS corporate consolidated financial statements 2010 together with other publications from the area of IFRS can be found on [www.pwc.cz](http://www.pwc.cz).

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## Employees

### **Business licences for foreigners – now cheaper and quicker**

Beginning entrepreneurs – foreigners do not have to be registered in the Commercial Register any more in order to get a business licence. This requirement has been cancelled by the amendment to the Act on Aliens



as at 1 January 2011. Newly added, the business licence could therefore be obtained at least a week faster. Thus there is also no obligation to pay an administrative charge of CZK 5.000 to register in the Commercial Register.

This affects foreigners from countries outside the EU who reside in the Czech Republic on a long-term basis and decide to run a business here.

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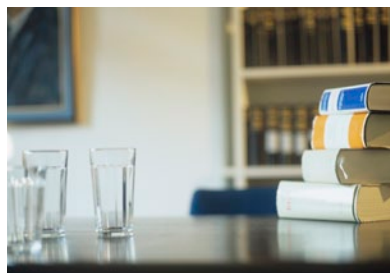
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### **Germany and Austria opened their labour market to Czechs**

As at 1 May 2011, the labour market in Germany and Austria has been fully opened for Czech nationals as well as nationals of other new EU member states. Workers from these countries will no longer need work permits to be able to legally work in the countries of our western and southern neighbours.

More relaxed employment rules have so far been applied by these states to only some professions. In Germany, these rules concerned, for example, university educated candidates; Austria applied these rules to applicants for medical or nursing positions or to highly qualified employees.



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## Market

### **10 years of automotive industry growth in the Czech Republic**

According to the manufacturers' statistics, the production of automobiles in the Czech Republic has grown continually from 2002 and it will grow further until 2012 based on the current forecasts by analysts from the consulting company PwC. While this year we expect a marginal increase in production due to only a gradual economic recovery and partly exhausted demand on a number of key markets due to the scrap subsidy. We could experience nearly 9% growth in 2012.

„While domestic manufacturers produced, for the first time in history, more than a million personal cars last year, their production could surpass this magic number by 100 thousand vehicles as early as next year and, as such, maintain the position of the Czech Republic as a second largest car producer in the world per capita. We believe that the local automotive

industry is well prepared for a new era of global growth,“ said Jiří Zouhar, leader of automotive expert group of PwC in the Czech Republic.

The automotive sector in the Czech Republic will, according to PwC experts, face the following main threats this year:

- Risk of a worsening economic situation in many key markets, mainly due to deepening public finance deficits.
- Instability in the supply chain, either because of the financial difficulties of individual companies or political instability or natural disasters.
- Rising prices of raw materials and energy due to political risks in countries that are major producers and, at the same time, due to increasing demand related to economic recovery.

- Dragging of the key experts and also the lack of graduates with adequate technical education.
- The new requirements of customers who, for the current low prices, require a well-equipped car with a number of features that, a few years ago, were not widely available even in lower vehicle categories, such as automatic transmission, 4x4.

Czech car manufacturers will not escape the trends and moods that move the global automotive market. A sense of optimism seems to rule after the worst crisis in 75 years. As recent global PwC survey of managing directors showed, 90% of global leaders in the automotive industry expect that their company will increase sales this year.



**Invitation****Calendar of our Academy events in May 2011****CIPD Open Evening**

The Academy is delighted to announce that we will be launching the second run of this Programme under the sponsorship of the Chartered Institute of Personnel and Development (CIPD). CIPD Postgraduate Diploma in Human Resource Management is strictly focused on the needs of people working in the HR and L&D area. If the question of how to become a more strategic partner to the leadership of your company is an issue for you, you should not miss this opportunity to get more information about obtaining this highly evaluated international qualification. The second run of the Programme starts in December 2011.

**Admission is FREE.**

**How to register?** Please send a short e-mail with your contact information to e-mail address [martina.kopsova@cz.pwc.com](mailto:martina.kopsova@cz.pwc.com). For more information contact Martina Kopsová at tel. +420 251 151 816.

**When?**

12 May 2011, from 6 to 8 pm

**Where?**

premises of PwC,  
Kateřinská 40, Prague 2 (near  
I.P.Pavlova)

**Why attend?**

- Meet one of the Nottingham Business School tutors and find out more about the teaching approach of NBS.
- Details about the content and requirements of the Postgraduate Programme
- Benefits of the CIPD Diploma and CIPD Membership
- Find out if the Programme is for you.
- Talk to the current students of the Programme and learn where they see the advantages of it.

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