

# Tax, Legal & Business News

www.pwc.cz/tbn

Tax, legal, accounting, advisory and assurance newsletter

November 2012

## Summary

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- › VAT rates are increased all over EU
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- › Acknowledgement of foreign education is newly issued by the Centre for equivalence of documents
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## Topic of the month

### ***The amendment to the Execution Act strengthens the role of executors and administrative bodies***

Creditors and debtors can expect a number of changes which will substantially affect the whole execution process due to the amendment of the Execution Act. An important novelty is the obligation of each creditor to send an official reminder to his debtor to pay the debt before an execution proposal is submitted. This must be done at least seven days before the execution proposal is submitted. Otherwise the creditor loses his entitlement to the reimbursement of the proceedings costs.

How the execution is ordered is also being changed. The resolutions on ordering the execution will no longer be issued, as this lengthened the entire process. The court will now entrust an executor in the form of measures and he will subsequently inform the debtor. The debtor can then appeal by submitting a proposal to stop the execution.

The amendment further weakens the role of the court in that it eliminates one of the forms of enforcing the claims by the judicial execution of a decision. The change reinforces the role of executors. On the other hand, the role of the administrative authorities is strengthened in matters of collecting the tax underpayments.

The obligation to merge executions against one debtor in the event that he so requests is also introduced. The execution charges to the debtor might be reduced due to the merger of executions.

It is now possible to carry out the execution in the form of real estate rental or an auction of member rights in housing cooperatives. The underpayment regarding maintenance and support of an infant will also be enforceable in that the driving licence of the payer can be suspended.

The executors will make a video-recording of the execution of movable assets if this is proposed by the present individuals (e.g. the debtor, his or her family, owners of the unlawfully seized goods and others) or on the basis of the executor's own discretion where nobody except for the executor is present when the inventory of movable goods is made.

Certainly, the introduction of limits on the travel costs of executors and a ban on performing the execution by the way of seizing pets represent a nice change from the current situation.

The amendment of the Execution Act is effective from 1 January 2013.

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If you are interested in receiving Tax, Legal & Business News, please contact Ondřej Hubatka, [ondrej.hubatka@cz.pwc.com](mailto:ondrej.hubatka@cz.pwc.com).

## Tax

### VAT rates are increased all over EU

VAT represents an important income for any state budget, all EU countries are gradually increasing VAT rates with the intention to increase their budgetary income. The reason is that collecting VAT is an easy and effective way for any Government to raise tax revenues.

Despite that decision about Czech VAT rates effective from 1 January 2013 is now only a few weeks away, it is still not clear which VAT rate will apply. Two draft VAT amendments are currently subject to approval by the Czech Parliament and signature by the Czech president. Both of them contain rules concerning the VAT rate, however, the one with the VAT rates of 21 % and 15 % is currently supported by the Government. In case that none of the currently discussed drafts would be approved by the end of the year, a flat VAT rate of 17,5 % would be applied from 1 January 2013. If the amendment supported by the Government will be approved and signed by the president. VAT rates at a level of 21 % and 15 % will apply.

The highest standard VAT rate in EU applies in Hungary (27 %) and in Denmark (25 %) where it is the only VAT rate used. In case that flat VAT rate would be applied in the Czech Republic, we would be using third lowest VAT rate in the whole EU (after Luxembourg with 15 % and Cyprus with 17 %). The flat VAT rate is rare in the EU as it is currently applied only in Denmark.

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EU	Valid on 1 November 2012		
	Special reduced VAT rate	Reduced VAT rate	Standard VAT rate
Austria		10/12/19	20
Belgium		6/12	21
Bulgaria		9	20
Cyprus <sup>1</sup>		5/8	17
Czech Republic <sup>2</sup>		14	20
Denmark			25
Estonia		9	20
Finland <sup>3</sup>		9/13	23
France	2,1	5,5/7	19,6
Germany		7	19
Greece		6,5/13	23
Hungary		5/18	27
Ireland	4,8	9/13,5	23
Italy <sup>4</sup>	4	10	21
Latvia		12	21
Lithuania		5/6/9	21
Luxembourg	3	6/12	15
Malta		5/7	18
Netherlands		6	21
Poland		5/8	23
Portugal		6/13	23
Romania		5/9	24
Slovakia		10	20
Slovenia		8,5	20
Spain	4	10	21
Sweden		6/12	25
United Kingdom	0	5	20

1 - Cyprus considers the proposal to increase the standard VAT rate to 18%. However, no changes have been legislatively approved to date.

2 - The Chamber of Deputies approved the increase of VAT rates to 15% and 21%. The proposal suggests the increase till 2016 only when the VAT rate should be changed to a single rate of 17,5 %.

3 - It was proposed to increase all VAT rates by one percentage point to 24% for the standard rate and 10% and 14% for reduced rates in Finland. The amendments should be valid from 1 January 2013 under the present proposal.

4 - It was proposed to increase VAT rates by one percentage point to 22% for the standard rate and 11% for the reduced rate in Italy. The amendments should be valid from 1 July 2013 under the present proposal.

## Accounting

### You can newly use accounting records to prove the existence of assets

The amendment to the Accounting Act newly defines the ways of detecting the actual condition of the assets. It also introduces the possibility of using accounting records to prove the existence of the assets in addition to counting, measuring and weighing when carrying out physical stock-taking. It clarifies and partly extends the mandatory content of the inventory list.

It introduces a so-called decisive day preceding the balance sheet date in which an entity identifies the actual situation in the case of periodic stock-taking. This survey can be completed according to the accounting records which show the additions and consumption of assets and liabilities that occur between the decisive date and the balance sheet date. The law also specifies that when a periodic stock-taking is performed the accounting units may initiate the stock-taking four months before the balance sheet date at the earliest and must finish it not later than two months after the balance sheet date.

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## Employees

### Acknowledgement of foreign education is newly issued by the Centre for equivalence of documents

It is required that a certificate of acknowledgement of a foreign university education be attached to new applications not only for work permits but also for the blue and green cards. The certificate is issued by public universities that teach the same or a similar subject referred to in the foreign diploma. The certificate can newly be obtained from the Centre for equivalence of documents on education which is part of the Centre for the university education. The Centre which, inter alia, serves as an advisory body for universities in the field of the recognition of foreign diplomas can assess the equivalence of education even in problematic subject.

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### New issue of IFRS news

Available here:  
[www.pwc.cz/ifrsnews](http://www.pwc.cz/ifrsnews)

Topic of the issue:  
Exemption from consolidation for investment subjects



**Study**

## Global production of electromobiles will be ten times higher within five years



Last year, car manufacturers around the world produced more than 90 thousand vehicles that have electric propulsion. Current PwC estimates show that world production of electric vehicles will increase to more than 950 thousand vehicles per year by 2016.

At the present time, electrically powered cars represent barely 0,1 % of total automobile production. It should reach almost 1 % in 2016.

### Jiří Zouhar, leader of Automotive expert group says:

World production will already exceed half a million electric vehicles next year. Only slow growth in the infrastructure and a relatively short battery life still prevent more massive expansion of electromobiles. In addition, manufacturers are aware of the rarity of many inputs for their production. The current electromobiles thus certainly do not represent the final technology. Manufacturers are therefore looking for alternatives using more available resources.

National and international regulation also have a role. Fans of strong engines will thus be disappointed. Manufacturing of cars with motors with a capacity above 4 litres will decrease by 14% over the next five years, the production of 3-4 liter cars will stagnate. And this will happen at a time when the total global production of cars for the next five years will increase by one-third.

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# PwC is moving!

You can find us from 3.12.2012 at the following address:

**City Green Court**  
Hvězdova 2c, Praha 4  
metro station C – Pankrác

### We are looking forward to inviting you to our new building.

- City Green Court is located in an attractive place on Prague's Pankrác, close to public transport and Central park.
- It is one of the most advanced ecological buildings in Europe (LEED Platinum pre-certified building).
- It is a state-of-the-art office building designed by the world-famous architect Richard Meier

## ČESKÁ INOVACE O.P.S.

**Announces 2<sup>nd</sup> year of the contest ČESKÁ INOVACE**

### GIVE YOUR INNOVATION A CHANCE!

- **Is it still just an idea you've had?**
- **Is it being created by your development team?**
- **Are you successful at the market because of it?**

On-line applications at:  
[www.ceskainovace.cz](http://www.ceskainovace.cz)



**Deadline for the applications is 30 November.**



## The Academy

## Deferred tax according to Czech accounting standards and IFRS accounting and tax view

### What will you learn with us?

In the first part you will learn about tax issues (eligibility of costs, temporary and permanent differences). The second part will introduce you to the principles and methods of calculating the deferred tax. The majority of common situations is summarised in practical examples. The seminar will teach you the principles of reconciliation of the effective tax rates as a control mechanism for calculating deferred tax. We will further summarise the differences between the deferred tax calculation in Czech accounting and IFRS.

### Benefits for you and your company

- Fresh information on current developments in the area of accounting standards and tax
- Our experts will not only explain the theory but will also give you valuable advice for everyday practice
- The training also includes a discussion part which will allow enough time for your questions in addition to the many practical examples
- You will get 7 CPD (Continuous Professional Development) points for your development for participating in this seminar

**Date:** 13 December 2012

**Venue:** City Green Court, Hvězdova 1734/2c, Prague 4

**Language:** Czech

**Price:** CZK 8,900 + VAT

### How to reserve a place?

For more information and registration, please visit [www.pwc.cz/academy](http://www.pwc.cz/academy).

Should you have any questions, please contact **Martina Kopsová**,  
tel: +420 251 151 816 or write to [the.academy@cz.pwc.com](mailto:the.academy@cz.pwc.com).

[www.pwc.cz/academy](http://www.pwc.cz/academy)

## Are you looking for a professional qualification to demonstrate your expertise? Are you not afraid of English?

### Get a globally recognised professional qualification with The Academy by PwC.

In spring 2013, we are opening a range of international professional qualifications in different areas that can help you to prove your knowledge and achieve faster career development, which you will be able to continue anywhere in the world because they are recognised globally. Choose the one that is most relevant for you:

### Finance and Accounting

- **ACCA (Association of Chartered Certified Accountants)** – a qualification designed to provide finance professionals with accounting knowledge, skills and professional values;
- **Diploma in IFRS** – an ACCA qualification for professionals working in accounting, audit and finance who want to broaden their knowledge of the theoretical and practical aspects of IFRS;

### Internal Audit

- **Certified Internal Auditor (CIA®)** - the only globally accepted certification for internal auditors that remains the standard by which individuals demonstrate their competency and professionalism in the field of internal audit;

### Project Management

- **Project Management Professional (PMP®)** - the most important industry-recognised certification for experienced project managers;

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- **CIPD (Chartered Institute of Personnel and Development)** - **Postgraduate Diploma in HR Management** – a university postgraduate degree aimed at HR managers that will keep you up to date with developments in the fast-changing HR profession, ensuring your professional recognition in the workplace;

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