

Tax, Legal & Business News

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Tax, legal, accounting, advisory and assurance newsletter

October 2012

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Topic of the month

Amendment to Excise Duties Act increases rates and introduces new liabilities

An amendment to the Excise Duties Act is being discussed in Parliament. It should become effective from January 2013. The changes concern the following areas:

- An increase in excise duty on cigarettes, cigars or smoking tobacco will take place in two steps – from 2013 onwards, and once again from 2014 onwards. The highest increase is proposed for smoking tobacco in order to avoid it having a tax advantage compared to cigarettes.
- The law allows the purchasers of tobacco stamps to request a reduction of the payment or a security of payment of the value of tobacco stamps when being collected. This will allow purchasers to improve the cash flow on the company.
- Mineral oils used in mineralogical or metallurgical processes will not be exempt from excise duties. The

producer will pay the excise duty when the oil is being purchased and the duty can only be refunded retrospectively after it is proven that the oil has only been used in mineralogical or metallurgical production processes. The new system will worsen the cash flows of entrepreneurs who use this advantage and will also bring an additional administrative burden. The mineral oils that are exempt according to the current wording of the law can be disposed of up to 30 June 2013.

- Sales of already taxed spirituous beverages at a price lower than the sum of the relevant excise duty and VAT must be reported to the tax authorities before the sale is started. This obligation applies not only to producers of spirits but mainly distributors and retailers selling spirits e.g. in advertising or

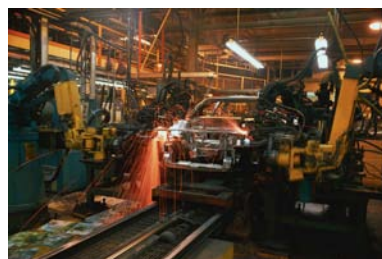
marketing promotions.

- Additives will be produced in tax warehouses and their movement will be subject to the rules for monitoring products in the regime of conditional exemption from excise duty. The above amendment shall not include additives for lubricating oils.

- The provisions relating to penalties, including the definition of new administrative offences, are revised.

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Worldwide Tax Summaries 2012 - 2013

updated issue is available

Our tax experts have developed a useful tool for you to maintain an overview of the current tax rates and legislation in the countries with which you are in contact - „Worldwide Tax Summaries (WWTS)“. The publication covers the latest changes in tax legislation, provides an up-to-date overview of the tax rates, deductions or incentives in the area of corporate tax in 146 countries.

For your convenience, we have developed an eBook, an electronic version of the WWTS, which you can download at:

www.pwc.com/taxsummaries



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

Law

Employee can be dismissed for the use of PC for personal purposes

An employee in the Czech Republic spends 51 minutes a day on average using his computer for activities not related to his work. Nevertheless, the labour code indicates that the employee may not make use of information technology for his personal use without the consent of the employer. The employer may monitor this restriction. This topic has been commented on by the Supreme Court which stressed that the monitoring must be reasonable. This means that the employer must not probe the contents of e-mail, SMS or MMS messages. The Supreme Court acknowledged that the acquisition of a detailed statement of the employees' activities may interfere with his privacy. The proof must therefore demonstrate that the employee watched web sites that were unrelated to the performance of his work. This evidence mustn't contain information which particular web pages he browsed. In such cases, the Supreme Court found that intervening in the privacy of the employee was reasonable.

The use of computers for personal purposes may lead to the immediate cancellation of employment, according to the Supreme Court. And that's only in the event that the employee spent 103 from a total of 168 hours per month on activities not related to his work. An extreme solution may also be a complete ban on the use of computer technology.

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Accounting

The entrepreneur must immediately submit an insolvency proposal in the event of bankruptcy

The Insolvency Act requires that an entrepreneur who finds himself in bankruptcy must submit an insolvency proposal without undue delay. The statutory body of the company is responsible for a breach of that obligation.

The Insolvency Act defines bankruptcy as insolvency (liquidity test) or as excessive debts (balance sheet test). The entrepreneur is insolvent if he has multiple creditors and is unable to fulfil financial commitments for a period exceeding 30 days overdue. The liquidity test examines whether a debtor's liquid assets are sufficient to cover outstanding commitments. An entrepreneur is declared to have excessive debts when the sum of his liabilities exceeds the value of his assets.

The Parliament approved an amendment to the law which resulted in a two-year exemption for entrepreneurs to submit the insolvency proposal in the event of bankruptcy in the form of excessive debts as a crisis measure in 2009. This exception is no longer valid and, therefore, managers must take not only a liquidity test into account but also a balance sheet test.

The so called 'other asset management' must be taken into account in the case of excessive

debts, i.e. whether the debtor creates revenues. It cannot therefore be based only on the accounting values. The entrepreneur is required to submit the insolvency proposal at the moment he recognises the bankruptcy or should have recognised it had the company been carefully managed. An entrepreneur is thus put under pressure to have a comprehensive overview of his company because he bears the full responsibility for any damage to creditors where he should have submitted an insolvency proposal and did not do so.

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Employees

The state provides a subsidy for training staff

If you do not have enough work for your employees due to the loss of contracts and they work only a few days a week, you can send them to training sessions. The state newly offers a subsidy for training and associated costs for businesses which are going through economic problems. The subsidy shall apply to those cases where the employer is unable to assign the employees to work for the entire work week.

The subsidy will be provided monthly for a period of half a year and it is possible to get support up to CZK 31,000 per employee per month. At the same time, the subsidy will be provided up to the maximum amount

of the wage cost per one employee, including mandatory payments on social and health insurance. The expenditure on internal trainers will be compensated up to CZK 230 per hour in the case of training being delivered by internal sources. Every employer may get a subsidy in the total amount of up to CZK 500 000 monthly.

This project, known as „Kurzarbeit“, is a new program of the Ministry of Labour and Social Affairs. Applications to the program are accepted from 17 September 2012 by the competent Czech labour office branches. Each application will be evaluated in detail and only those well properly can receive support from the program.

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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

Employees

Total revenues per employee per year reach CZK 3.9 million in the Czech Republic

Total revenues calculated per one employee reach CZK 3.9 million in the Czech companies. This figure resulted from a current study - HR Controlling 2012.

Is your revenue per employee lower compared with a competitor? There are a few tips before you start any analyses and corrective measures.

If the revenue per employee is lower, look at both components of this indicator - total revenues and number of employees. The result may more or less reflect the composition of the workforce and its remuneration or activities in the field of business strategy. Higher revenues may be caused e.g. by a larger number of salespeople or a massive marketing campaign.

If your total revenue per worker is higher, this does not necessarily mean that overall revenues are also higher. They may be on the same level as your competitors. The difference may be in the fact that you have reached such revenues with fewer employees.

It is important to determine how and, if at all, the situation has been affected by interventions in the field of human capital where the total revenue per employee is significantly increasing or decreasing.

Restructuring, decreasing the number of employees and outsourcing strategy can have significant positive effects on revenue per employee in the short term because the number of employees is decreased. Such a measure, however, often brings just a one-off improvement. These strategies improve the organisation's performance in comparison with its competitors to a minor extent in the long term.

While analyzing revenues is useful to explore other area such as:

- Total expenditure per employee
- Profit per employee
- Return on investment in human capital (HC ROI)
- Costs of remuneration to revenues
- Costs of remuneration to total costs
- Rate of absences and fluctuation
- Indicators in the area of development and education

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Internally transferred foreign employees can obtain a working visa

The Ministry of Industry and Trade has introduced a project called „Accelerated procedure for employees of foreign workers being internally transferred“. It aims to significantly streamline and shorten the legalisation process of the business visits by managers and specialists from countries outside the EU dispatched within the company to the Czech Republic. Approval of the work permit and long-term visas within this project should take at most 30 days from the date an application is submitted in a Czech diplomatic office abroad. Of course, this is assumed that the application is complete and does not contain errors. Our practical experience with the project shows that short deadlines that are set in the project are fulfilled by the respective offices. Seconded managers and specialists can therefore enter the Czech Republic much faster.

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Study

Global Entertainment & Media Outlook: 2012-2016



The digital beginnings of the entertainment and media industry are now over – electronic media are becoming the norm.

In the coming five years, global expenditure in the field of entertainment and media will grow on an annual basis by an average of 5.7%. In recent years, despite the uncertain economic developments, we have seen record sales of tablets, smart phones and similar devices. They point to growing sales opportunities in the field of digital entertainment and media products as well as advertising, in particular on that of mobile advertising.

On the basis of the study, we present ten of the largest trends in the entertainment and media industries, as summarised by Olga Řehořková, a specialist on the entertainment and media industry:

1. Global expenditure in the field of entertainment and media (E&M) will grow in the coming five years on an annual basis by an average of 5.7%.
2. China moved ahead of Germany with its expenditures for E&M in 2011 and thus became the third market. China and Brazil will be the fastest-growing markets with annual growth of about 12%.
3. Expenditure on advertising within E&M is the most sensitive to fluctuations in the economy. They rose by 3.6% in 2011. They should grow annually at a rate of 6.4% in the coming five years.
4. Internet advertising will be one of the fastest growing categories of advertising with an average annual rate of 15.9%.
5. Spending by final customers will increase on average by 3.8%. Video games will bounce off the bottom within five years and will become the fastest growing segment of consumer expenditure with 7% growth.
6. Expenditure for Internet connection (wired and mobile) will rise by 9.3% per year.
7. Mobile access to the Internet was involved in 26% of the total expenditure for the Internet connections five years ago (2007). Last year it was 40%, and in 2016 we expect 46%.
8. Expenditure for consumer magazines decreased in the last four years; however, this was only by less than 1% last year. This segment is expected to start growing by 1.3% annually this year.
9. Spending on electronic books will grow annually by more than 30%.
10. Indonesia, Russia and India are countries with the fastest-growing spending on outdoor advertising. Their markets will grow on average by 11.2%, 11%, and 10.9%, respectively, by 2016.

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www.pwc.com/outlook



The Academy

Become a PwC-Certified Project Manager

...and lead your project to Mt Everest!

Master the latest project management techniques through an exciting simulation of a Mt Everest expedition for the top management of HUDYsport!

Who should attend this course?

Individuals who need to strengthen their project management skill sets, those who are new to project management, or project managers seeking to refresh their fundamental project management knowledge, skills and current tools.

Why study with PwC Academy?

- Be introduced to the methodology and best practices of project managers
- Learn from experienced PwC project managers regarding their tips and tricks
- Participate in and observe role-plays to illustrate various project management situations
- Carry out real project management tasks in a classroom environment
- Share experience and networking opportunities with other leading clients

Date: 16 - 17 October 2012, 9 am - 4.30 pm
Venue: PwC premises, Kateřinská 40, Praha 2
Language: Czech
Course price: CZK 10 900 + VAT

How to reserve a place?

For more information and for registration, please fill in the registration form at www.pwc.cz/academy or write an e-mail to the.academy@cz.pwc.com. Should you have any questions, please contact **Martina Kopsová**, tel: +420 251 151 816.

www.pwc.cz/academy

We invite you

We organise technical seminars, trainings and conferences for our clients and business partners and we would be pleased to welcome you to any of these.

We further invite you to:

- Specific transactions not only for VAT specialists (11 October)
- VAT and Tax Code (26 October)
- Impact of pension reform on employers (6 November)
- Happiness waits for the prepared individuals – VAT changes from 2013 (November/December – various dates and locations)

More information at www.pwc.cz/events

TURNAROUND MANAGEMENT Forum 2012

How to pick up speed again and leave stagnant water

The conference is intended for professionals who are engaged in the restructuring and crisis management of companies (including interim managers), financial advisors and investors, bankers and representatives of the creditors, lawyers, insolvency administrators or judges and others who face this issue within their profession.

The aim of the conference is to introduce the process of restructuring of a company by using interesting examples from practice, to convey a view from the other side to the representatives of the creditors, to introduce new regulatory requirements and their impact on insolvency proceedings.

The conference should also encourage the exchange of ideas, sharing knowledge and experience among persons dealing with crisis management, restructuring and insolvency.

The event is organised by Turnaround Management Association under the patronage of Miroslav Singer, Governor of the Czech National Bank. PwC is a professional partner.

Date: 23 October 2012, 9:00 – 17:00 hodin

Venue: Kongresové centrum ČNB, Praha 1

www.turnaround.cz/TMAforum



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