

# Tax, Legal & Business News

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Tax, legal, accounting, advisory and assurance newsletter

May 2015

## Summary

- › Hockey tickets in the tax return
- › Overview of transactions with related parties – FAQs
- › Transfer pricing: tax officials are knocking at the door
- › Risk of cancelling permits in excise duties
- › Expanding automatic exchange of information in tax
- › Mortgage? Better wait till next year
- › Czechs will beat Russia in the final for the gold medal, Canada will finish third
- › We invite you
- › The Academy



(known from our mobile application)



## Theme of the month

### Hockey tickets in the tax return

**If you receive hockey tickets from your employer, you do not pay tax on them. You cannot deduct tickets from your taxes if they are a present to a business partner.**

The world ice hockey championship is fast approaching. Hockey tickets can be a welcome gift for employees or business partners, not to mention taking a significant client right to the stadium and watching the match together. It's tempting, but what impacts will it have on the tax obligations of the employee or the firm?

**Are tickets to the world ice hockey championship considered taxable income of employees?**

If you get hockey tickets from your employer, you do not pay tax on them. An employee benefit in the form of a ticket to a sport event does not represent taxable income, and it isn't subject to payments to statutory insurance, not even on the employer's side, on the condition that it represents a non-monetary supply, i.e. providing tickets, not providing the money to buy them. The related expenses are tax non-deductible for the employer.

**What if a company invites its business partner to a hockey match?**

The tax base is not decreased in this case. It's a tax non-deductible cost for a company spent on representation.

**And what is the tax impact on the employee who accompanies the client to the event?**

None. It concerns a work performance, and a visit to a sport event by an employee who accompanies and deals with the client does not constitute taxable income.

**What if we give the tickets to the business partner as a gift?**

We do not deduct anything from taxes. It's a tax non-deductible expense for the company.

**What if we invite the client to watch the match in a restaurant on its own equipment?**

Expenses for refreshments while watching a hockey match together are not tax-deductible for the company. Renting out a private room can be assessed as a tax-deductible expense only if it concerns business negotiations.

**And what if we invite a client to watch a hockey match on our company premises?**

We do not deduct anything from taxes. Not even refreshment costs connected with watching the hockey match together constitute a tax-deductible expense for the company.



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*More about World Championship  
on page 3*



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## Tax

**Transfer pricing: tax officials are knocking at the door**

The tax administration's growing interest in transfer prices is continuing. A few weeks ago, the Specialised Financial Office (SFO) announced blanket audits of transfer prices at multinational companies. The territorial departments of the tax offices and the SFO are now starting local investigations in this area. The tax administration is sending companies a list of required documents and arranging appointments with company representatives. A local investigation can even last several days and is very detailed. The team of officials checks the set-up of intercompany transactions and relevant contracts. They predominantly focus on management fees, licence fees or on the functions and risks of the company. They require the submission of invoices and other accounting documents, or if need be they look into who really makes the decisions in the group. Additional taxes cannot be assessed within the scope of the local investigation; this is done exclusively by tax audits. But we recommend not underestimating the investigation and dedicating proper attention to the tax administration's questions. All discovered facts will be recorded, will be part of the tax file, and can result in further steps by the tax administration (e.g. opening a tax audit). After that they can even be used when assessing taxes.



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**Risk of cancelling permits in excise duties**

Starting January 2015, the conditions for issuing all permits according to the Excise Duties Act got stricter. These include, for example, the permit for operating a tax warehouse, the permit for approving and using certain tax-exempt products, the permit for an authorised recipient, etc.

Permits issued before the end of 2014 remain valid, but their holders are obliged to prove by the end of June 2015 that the new conditions for granting the respective permit have been fulfilled. If in this given period the new conditions are not proven and fulfilled, the customs office in its official capacity will initiate proceedings leading towards the cancellation of the permit.

The list of additional conditions whose fulfilment has to be proven to the customs office is relatively extensive. For example, it concerns the condition of reliability and economic stability. Thus we recommend not waiting till the last minute to manage this problem.



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**Expanding automatic exchange of information in tax**

The European Union has prepared an array of tools for the fight against tax evasion.

The automatic exchange of information is already under way between member states in such areas as income from employment, executive remuneration, environmental products, pensions, and ownership of real estate and income from it. A guideline took effect this year, based on which beginning in 2016 we should see the automatic exchange of information between EU member states gathered by financial institutions about accounts, their balances, proceeds and their owners as well as persons responsible for the account. But, after the initiatives of the US and the OECD, the same arrangement will gradually be used on a global scale, and from 2018 almost every country should participate in the automatic exchange of information except countries such as Bahrain, Cook Islands, Nauru, Panama and Vanuatu.

At present a proposal is being debated, which introduces the automatic exchange of information about binding assessments, agreements and similar provisional acts issued or approved by tax administrative bodies of EU member states in the area of transfer prices and cross-border transactions. Unlike data on income and assets that is only provided to the member state of which the asset owner or the beneficiary of the income is a resident, this information will be available to all member states.

A proposal for a new guideline against money-laundering has also been prepared, which allows for the creation of an index of information on beneficial owners, trust funds, foundations and similar property associations. The index should be publically accessible online, provided that personal data protection is ensured. Last but not least, a new regulation on information accompanying cash resources is also being prepared. The implementation of domestic regulations will follow the aforementioned arrangement.



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## Law

**Mortgage? Better wait till next year**

A mortgage loan is currently excluded from the scope of the Act on Consumer Credit, and the protective elements of European consumer law do not apply to it. Thus, in an effort to eliminate this shortcoming, the EU recently adopted a new guideline for contracts on consumer credit for real estate designated for housing. The following is newly introduced:

**Early loan repayment**

Based on this guideline, a consumer will now have the right to pay off a loan early, without being penalised for taking advantage of this right (the so-called fee for early repayment). Of course, on the other side the creditor will have the right to fair and objective compensation of expenses if it comes to the early repayment of the loan. One of the intended consequences of this right should be easier and cheaper refinancing of mortgages that have already been granted.

**Information obligations of the creditor**

The consumer should be familiarised with information that helps to compare loans available on the market, and this

## Law

should be done free of charge and well in advance of concluding a contract with a standardised form. This way the consumer will be able to make a qualified decision on whether or not to conclude a particular loan contract. The required contents of the standardised form don't only include the amount of interest on the loan, but also a sample breakdown of repaying the loan and of the APR (annual percentage rate of charge), among other things.

The creditor should give the consumer some time to consider this decision, in the amount of seven days from the moment the consumer is given pre-contractual information. The question whether this period will also apply to the possibility of withdrawing from already concluded contracts or only to the period before concluding a contract is left up to the Czech legislators.

Member states are obliged to implement the guideline by 21 March 2016 at the latest. The Ministry of Finance will arrange for implementing the guideline into Czech legal regulations, and, after finishing the public consultation, they are currently preparing a paragraph version of the proposal of the law. Many consumers will definitely feel the consequences of this guideline sooner rather than later. That's because banks are already preparing for a much stricter regulation.



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## Study

## Czechs will beat Russia in the final for the gold medal, Canada will finish third (Study from 1st May 2015)

A PwC analysis based on historical results and individual countries' conditions for hockey

PwC analysed individual countries' projections of success in the world championship in ice hockey, which kick off in Prague on 1 May. A statistical analysis, taking into account among other things the historical results of championships over the last 20 years, number of stadiums, registered hockey players, demographics and economic indicators and even average annual temperature, has favoured the home team of the Czech Republic. The Russian team should get silver, and the bronze should go to Canada, who will beat out Sweden for third place. The underdog of the championship will be the Swiss, who have so far not fulfilled their potential.

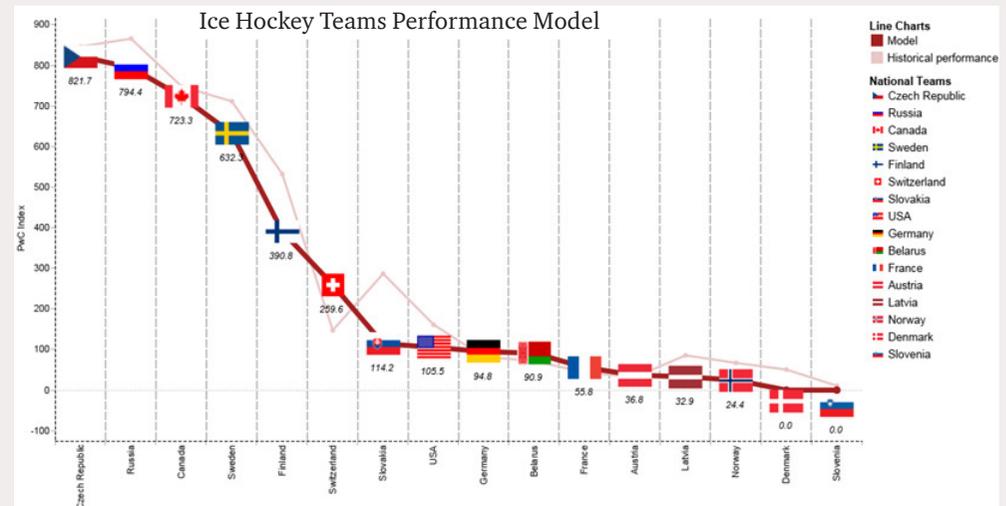
*“With the help of analytical tools and techniques which we usually use to solve our clients' business problems, we tried to discover who has the best chance of winning the championship. The principle is similar: you set up a model, to which you add the things that can have the biggest impact on the results.”*

The scores of each country take into account not just medal placements but any placing in the championship. The model comes from publically available data from the International Ice Hockey Federation with details on the number of registered players (men, women and juniors), registered referees and stadiums in each member country.

Subsequently the model was used to estimate the points scored by national teams in the way they should look according to the acquired data. The result is partly a ranking based on the estimated “performance” of each country and partly a division of the countries into two groups – countries that are historically more successful in the championship than they should be according to our findings, and countries that by contrast have not sufficiently fulfilled their potential in ice hockey and can thus be the underdogs of the competition.



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*“We completed the data with variables which we believe influence countries' projections for success in ice hockey. It's interesting that economic and demographic factors such as GDP or number of inhabitants are not statistically important according to the model and do not influence performance. On the other hand, it's not surprising that average annual temperature is relevant, because northern and colder countries are more successful than southern countries. The second statistically relevant variable is how many times the given country has hosted the world championship. Here we are assuming that a country where hockey and the championship are popular should also be successful.”*

**We invite you****HR MEETING (6th anniversary): Business in networks**

New forms of communication and cooperation; virtual people management

**Date:** 28.5.2015, 9am – 3pm

**Place:** PwC, Hvězdova 1734/2c, Prague 4

**More information:**

<http://kas.economia.ihned.cz/cz/detail-akce/hr-meeting-byznys-v-sitich-15402/>

PwC is an expert guarantor of the event.

**Digitalization 2.0**

2nd Conference Digitalization as a Service

**Date:** 3. 6. 2015, 9am – 12:30pm

**Place:** PwC, Hvězdova 1734/2c, Prague 4

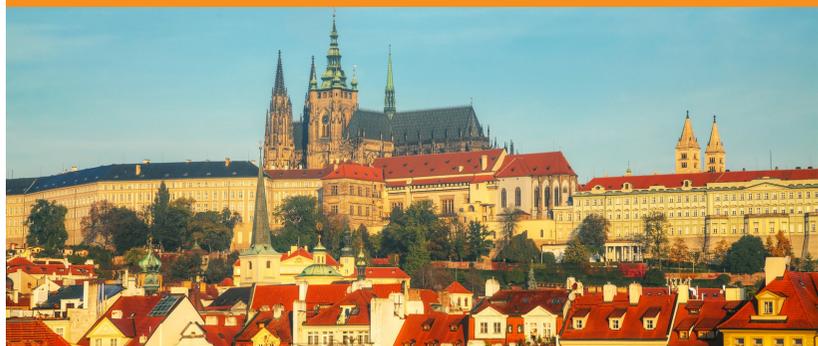
The conference is designed primarily for Strategic Leaders and Financial Directors

PwC is an expert guarantor of the event.

Registration: [www.pwc.cz/digitalizace](http://www.pwc.cz/digitalizace)

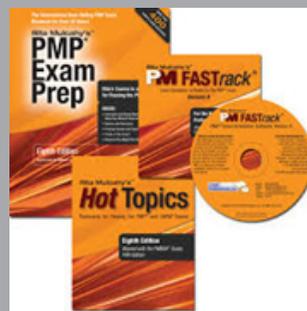
Note: Both events are in Czech language only

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

**The Academy****Project Management Professional: PMP intensive preparatory course**

This course will not only make you a better project manager, but will also thoroughly prepare you for the PMP test (Project Management Professional) with unique games, activities and exercise techniques designed to speed up the learning process and help you retain this new knowledge. After finishing the course, you will be able to take the PMP test without the need for further individual study. Study materials from the Rita Mulcahy publishing house (RMC) are part of the course.

Date:	19 - 22 May 2015
Place:	PwC, Hvězdova 1734/2c, Prague 4
Time:	8am – 6pm
Price:	CZK 25,000 + VAT
Language:	English



For more information and to register, please visit our website [www.pwc.cz/academy](http://www.pwc.cz/academy). If you have any questions, don't hesitate to contact Lucie Kašparová, tel: +420 251 152 035 or write to the [academy@cz.pwc.com](mailto:academy@cz.pwc.com).

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