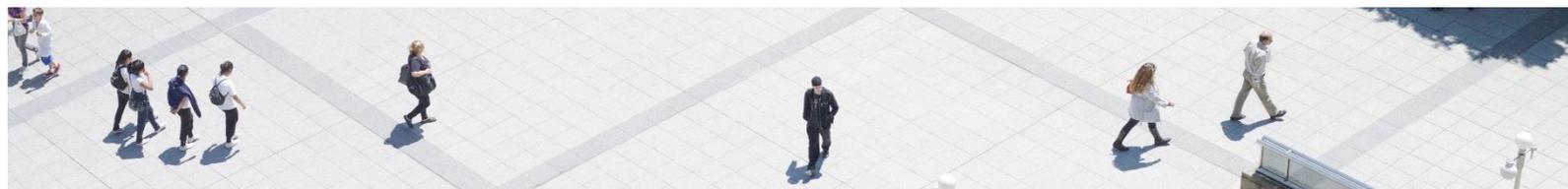


Summary

- > The amendment to the Act on Significant Market Power
- > Extrajudicial disputes between the seller and the consumer will be settled by state
- > European Court: Employers can monitor private correspondence of their employees
- > European Commission proposed a package of measures against tax evasion
- > Amendment to the Income Taxes Act changes the asset depreciation period and child tax allowances
- > The first control statements filed late without penalty and reverse charge for foreign persons
- > 45,000 taxpayers did not hand in first control statement



Law

The amendment to the Act on Significant Market Power

The amendment to the Act on Significant Market Power clearly defines the areas of relations which it will impact. The current legislation had neglected the fact that together with purchases a number of services are closely related, whose provision may also lead to abuse of significant market power. The substantive scope is now extended to relations associated with providing these services.

The amendment also adds basic concepts and accurately establishes the criteria for assessing significant market power. The specific authorization of the office for the protection of economic competition should also lead to the acceleration of administrative proceedings.

Consumers and suppliers will have three months to bring their existing contracts into compliance with the new legislation. In the future, other industries should be assessed for the appearance of the same relations as those between suppliers and consumers of food.



Petr Kincl
+420 251 152 905

Extrajudicial disputes between the seller and the consumer will be settled by state

Consumer law is introducing something new - the system of alternative dispute resolution (ADR). This should ensure independent, impartial, transparent, effective, quick and fair procedures in extrajudicial disputes between the seller and the consumer.

Additionally, the system allows consumers to bring their claims to state institutions. The Czech Trade Inspection has the main role in addressing these disputes. In some cases, other entities can also take its place, e.g. a financial arbitrator for financial services, the Czech Telecommunications Office for electronic communications and postal services and the Energy Regulatory Office for the electricity, gas and energy industry. The goal of the entities is active communication with the parties to the dispute, which should lead to an agreement.

Retailers must inform consumers about the use of ADR in a clear, comprehensible and easily accessible way. They should put this information on their websites and integrate the information into their terms and conditions. If the case is taken to court, the retailer is obligated to cooperate with the Czech Trade Inspection or one of the specialized entities.

Alternative dispute resolution is based on the voluntary participation of consumers and the mandatory participation of entrepreneurs. It is up to the consumer whether to initiate ADR or not. If proceedings are brought, the consumer has the opportunity to withdraw. However, consumers must act promptly and propose the ADR before any of the parties initiate proceedings in a general court. The commencement of ADR does not affect the consumer's right to seek protection of their rights through the courts.



Vlastimil Volek
+420 251 152 921



Law

European Court of Human Rights: Employers can monitor private correspondence of their employees

Earlier this year, the European Court of Human Rights (ECHR) decided that an employer may terminate the employment of an employee if it is proven that an employee was using his electronic communications account, intended primarily for communication with clients, for private purposes.

The decision involved a Romanian citizen who had appealed against a decision of the Romanian courts to the ECHR. He was referring to the right to privacy guaranteed by Art. 8 of the European Convention on Human Rights.

One of the employer's key pieces of evidence was a multi-page transcript of the employee's private correspondence. The ECHR has stated that a check of the employee was reasonable because it was a work account, which could be assumed as not containing private messages.

According to the Czech Labour Code, employees shall not use their manufacturing and labour resources, including computers and telecommunications equipment, for their personal use without the consent of the employer. The employer has the right to enforce the prohibition with adequate checks.

Adequate monitoring and surveillance of private staff communications is

possible but only after prior notification, if a compelling reason supported by the special nature of the employer's activity is given.



Petr Glogar
+420 542 520 284



Tax

European Commission proposed a package of measures against tax evasion

The European Commission proposed a package of measures to prevent evasion in the future, especially in cross-border areas. The aim is to increase transparency between Member States and provide fairer competition for all businesses in a single market.

The package complements and reinforces the OECD initiative against tax base erosion and profit-shifting (BEPS).

The amendment to the directive on administrative cooperation also introduces the obligation of the parent or subsidiary of the multinational group to produce an annual summary of select economic indicators of the group and post it to their tax administrators. It will then automatically share information with the tax authorities in all countries where the group exists. The aim is to enable the tax authorities of the Member States to effectively get the information for the proper collection of taxes.

The package also includes a directive proposal to prevent tax evasion, a directive on administrative cooperation between tax administrations of the Member States, as well as recommendations to modify the double tax treaties and the report on the EU external strategy in the area of fair taxation.

As reported in the February issue of TBN, the directive against tax evasion proposes six measures that all Member States should introduce into their domestic legislation.

Specifically:

- ongoing taxation of the profits of the controlled companies in tax havens, regardless of the actual payment of dividends (CFC rules)
- the right of the tax administrator to approve in advance the option of tax exemption against the possibility of tax credit on cross-border incomes (switchover rule)
- taxation of transfers of assets or tax residency abroad (exit tax)
- the obligation to respect the income characteristics from the source state (avoidance of double non-taxation, also known as Hybrid instruments)
- limiting the tax deductibility of interest
- setting up the general rule to restrain the abuse of tax law

If the directive is approved as proposed, the Czech Republic will have to implement mainly the first three proposed changes into the legal system.

The Commission encourages Member States to amend already concluded agreements on avoidance of double taxation by setting general anti-avoidance rules and revisions of the definition of a permanent establishment.



Zenon Folwarczny
+420 251 152 580

Amendment to the Income Taxes Act changes the asset depreciation period and child tax allowances

The Ministry of Finance is preparing changes to the Income Taxes Act for the year 2017. They should affect individuals as well as legal entities.

For personal income taxes, the amendment keeps the super gross principle as well as the solidarity tax increase in the amount of 7% of the tax base exceeding the limit for social security payments, i.e. CZK 108 thousand per month. The proposed amendment also states an increase in tax benefits for the second and each subsequent dependent child. The benefit for the second child should be CZK 1,617 per month and for each additional dependent child CZK 2,017 per month.

Further, the amendment is also considering reintroducing withholding tax on employees whose monthly incomes don't exceed CZK 2,500 (for example, under the agreement on working activity, or compensation for performance of a function) and on employers who don't sign the tax declaration.

The amendment also affects property ownership. The Ministry would like to refine the asset valuation method for interest-free loans for employees which exceed CZK 300,000.

Tax

Finally, the amendment considers that the conditions for the tax exemption will be unloading funds obtained from the sale of property to purchase own housing, not housing for family or others. The condition would apply to owners of real estate who have lived in the real estate for less than 2 years.

A draft for the time test for exemption of income from the sale of securities (shares) in a business corporation when inherited from the deceased who was a direct relative or a spouse is also changing. Now the time during which a security (share) was owned by the deceased should also be included. The change relates to individual income tax.

The amendment to the provision regarding tax amortization of intangible assets applies to both individuals and legal entities. Now a minimum depreciation period should be set. This period could also be extendable. The adjustment thus reflects the fact that the period of use of intangible assets (and also the accounting depreciation) is generally longer.

Another change is that it should be possible to depreciate the technical evaluation of foreign assets by the user. At present, the technical evaluation can be depreciated only by the tenant, while the subtenant doesn't have that right. The adjustment would simplify many transfers of leases or sublease deals.

The forthcoming amendment is now going through the external comment procedure, and we will continue to update you on the legislative process.



Daniela Králová
+420 251 152 625



Lenka Nováková
+420 251 152 655

The first control statements filed late without penalty and reverse charge for foreign persons

A proposed amendment to the VAT Act provides for automatic remission of the one-thousand CZK fine, for each of the first late filings of control statements in a given calendar year. It will also be possible to apply for a waiver of the fines in connection with the control statement ranging from CZK 10,000 to 50,000. The Tax Office will take into account the specific circumstances that led to the infringement.

The amendment also applies to foreigners not established in the Czech Republic and registered for AT. Starting from May 2016, the reverse charge procedure will apply for the supply of goods to a taxpayer with the place of taxable supply in the Czech Republic, so the invoicing will be without VAT.

Another major change is modifying

the territorial jurisdiction of non-settled foreign persons registered for VAT from the Prague Tax Office to the Moravian-Silesian Regional Tax Office. This amendment to the VAT Act in connection with customs regulations is now in the Chamber of Deputies.

45,000 taxpayers did not hand in first control statement

In February 2016, the Czech VAT payers were submitting their first control statements. Out of roughly 290,000 taxpayers, 45,000 did not manage to meet the deadline, as the Ministry of Finance stated. Another 10,000 managed to submit the control statement on time but did not fill in all the necessary information.

PwC clients have the opportunity to use a special tool called VAT SPECTRUM, which prevents similar mistakes and identifies other discrepancies in the reported data. Also thanks to this tool, we encountered no technical problems associated with the administration of control statements.

Now the financial administration will analyze the data and will call for changes, additions and confirmations on reports submitted.

More information about our services for control statements at:

www.pwc.com/cz/cs/danove-sluzby/kontrolni-hlaseni-dph.html.



Martin Diviš
+420 251 152 574

Study

CEOs' faith in the improvement of the global economy declines

The global CEO Survey showed that two-thirds of them are seeing more geopolitical threats that their businesses will need to face now. Only 27% of the leaders believe that the global economy will improve in the next year, which is about ten percentage points less than last year. The uncertain prospects of the global economy are mainly affected by the balancing of the Chinese economy, the fall in oil prices and geopolitical security.

The biggest risks to the growth ambitions of companies according to the directors are: overregulation (79%), geopolitical uncertainty (74%) and exchange rate fluctuations (73%). More than half of directors (61%) in the US, Australia and the UK are concerned about cybersecurity, which they say threatens both national and commercial interests. Cybersecurity is the key aspect in the insurance, banking and technology sectors.

The most optimistic regions are the Middle East and Western Europe. One-third of the directors still believe in the positive development of the global economy. In North America, only one-fifth of the leaders remain positive. A development slowdown is also expected by the one-third of Chinese representatives.

The global survey involved more than 1,400 CEOs.



Jiří Moser
+420 251 152 048



PwC

Report on Sustainable Business and Corporate Responsibility Report 2015

We received a golden certificate in the TOP Responsible Company competition in the category of Responsible reporting 2015. Every year we prepare a summary of our corporate responsibility activities in the form of a report using the international GRI (Global Reporting Initiative).



We have set the following as our most important commitments in the field of sustainable business:

- improving conditions for entrepreneurship, innovation and entrepreneurship development in the Czech market
- developing staff and promoting a culture of inclusion, for which we have a bronze certificate from TOP Responsible Firm 2015
- promoting social enterprises through our knowledge and experience, for which we have a gold certificate from TOP Responsible Firm 2015
- eliminating the impact of our activities on the environment, for which we have a silver certificate from TOP Responsible Firm 2015



All this and more can be found in our new CSR report, which maps the activities of corporate responsibility for fiscal year 2015. The report is also available in print form (if you are interested, please contact [Pavla Zemanova](#)).

You can find the report in electronic form and more details on the various activities at www.pwc.cz/odpovednost.

- Last year we managed:
 -  **553** hours of expert volunteering
 - 399** hours of physical volunteering
- In December, the three most active corporate volunteers were awarded the honorary title Srdcar roku.
- Three NGOs – the Endangered Children Fund, Safety Line and the Bumpstart association received a philanthropic donation in the total amount of CZK 317,000.
- Over the last 7 years, we have reduced our carbon footprint per 1 employee by 50%.

Do you like our report and would you like a copy? Feel free to contact [Radka Nedvedova](#).

Subscribe to our Global Tax publications

These global tax publications provide timely news and perspective of tax issues around the world.

You may subscribe or unsubscribe at any time.

Publications available:



Financial services transfer pricing perspectives



Global Tax Accounting Services Newsletter



International Tax News



Tax Insights from Tax Controversy and Dispute Resolution



Tax policy bulletin



Tax Insights from Transfer Pricing



Global tax publications

[Subscribe here](#)

The Academy

Certified Internal Auditor

Part I: The role of internal audit in management and corporate governance, risk management and control (1 day)

Shortened one-day intensive preparatory course for the CIA 1 test is designed as a follow-up consultation with the teacher on self-education. It is designed primarily for participants who would like to prepare for the CIA exam 1 simultaneously with the second part. The course will be held on **14 March 2016**. If interested, please contact us for more information.

Part II: Internal audit realization (3 days)

The three-day course will prepare participants for the CIA exam 2. They will go through the necessary theories and will attempt the test questions and problems including tips and tricks for the exam. In terms of training, students undergo the individual circuits from the current exam syllabus, which include: implementation of audits, implementation of specific audits, monitoring the results of audits, knowledge of fraud, tools for auditing.

Project management – Base camp

This course will teach its candidates the techniques of project management through a unique case study – the ascent of Mt. Everest. It is suitable for project managers, but also for those who are experienced in managing projects beyond their main job responsibilities. After its completion, graduates will be able to successfully handle the most important concepts, processes and techniques of project management.

How to book your place?

For more information and registration visit www.pwc.cz/academy.

If you have any questions, please contact Lucie Kašparová,

tel: +420 251 152 035 or email us at the.academy@cz.pwc.com.

Details

Date:	15 – 17 March 2016
Place:	PwC, Hvězdova 1734/2c, Prague 4
Price: members)	CZK 12,000 + VAT (CZK 10,000 + VAT for ČIIA
Language:	English

Details

Date:	13 - 14 April 2016 or 13 - 14 June 2016
Place:	PwC, Hvězdova 1734/2c, Prague 4
Price:	CZK 10,900 + VAT
Language:	Czech

We invite you

Seminar: Two months of experience with control statements and other changes in VAT („DPH před námi“)

Dates:	4. 4. 2016 and 28. 4. 2016
Location:	PwC, Hvězdova 1734/2c, Prague 4
Registration:	www.pwc.cz/dphseminare
Speaker:	VAT specialists from PwC ČR
Language:	Czech
Price:	CZK 2,900 VAT not included*



* In case of registration of 4 or more places for one company on any seminar date, we offer a 10% discount off the total price. For each seminar, please log on at least five days before they take place.

16. 3. 2016 4pm – 8pm	<u>Conference:</u> TMA Europe – East European Conference	ČNB, Senovážné náměstí 30, Prague 1	<u>Registrace:</u> TMA Europe
------------------------------	---	--	--

Contact

Jiří Moser

Country Managing Partner
+420 251 152 048

David Borkovec

Lead Tax & Legal Services Partner
+420 251 152 561

Věra Výtvarová

Lead Assurance Services Partner
+420 251 152 099

Miroslav Bratrych

PwC Advisory Partner
+420 251 152 084

Bořivoj Líbal

PwC Legal Partner
+420 251 152 929

Prague Office

Hvězdova 2c, 140 00 Prague 4
+420 251 151 111

Brno Office

náměstí Svobody 20, 602 00 Brno
+420 542 520 111

Ostrava Office

Zámecká 20, 702 00 Ostrava
+420 595 137 111