

Summary

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Tax

The Ministry of Finance and select institutions submitted their comments to the EU's initiatives against tax evasion

The Czech Ministry of Finance has published working comments on the measures proposed by the BEPS (Base Erosion and Profit Shifting) project and the Directive against tax evasion (the Directive). Some institutions and interest groups submitted comments to the Ministry's document. Below are their most important observations:

- Establishing a transitional period (for example 5 years) during which taxpayers would be able to adapt their current contractual relationships to the new legislative requirements;
- Determining the cases where a taxpayer will have to report the procedures he used to optimise his tax obligations. For these cases, the Directive proposes to establish a binding obligation to comment whether the reported tax treatment will be accepted as legitimate;
- Defining the assets whose cross-border transfer will be considered as

a sale from the tax perspective and the presumed profits from these sales will be taxed in order to limit the movement of assets to countries with a low tax burden;

- Supplementing the Directive on a united definition of a permanent establishment. As a result of a different definition in individual EU states, the same case can be assessed differently depending on which Member State the permanent establishment occurred in;
- As the Directive proposes to restrict the deductibility of interest (low capitalization) on debt instruments from related and unrelated parties, institutions are asking that the low capitalization test be maintained only for debt instruments from related parties. There is no link between the fight against aggressive tax planning and the provision of foreign resources from unrelated parties.

The Directive against tax evasion is now in the European Parliament for consultation and in the EU Council for adoption. If approved, the Czech Republic must implement it into its domestic laws.



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Financial administration and professional public clarified the interpretation of certain obligations upon reporting tax exempt income

Since January 2015, individuals have been obliged to report the receipt of tax exempt income that amounts to more than CZK 5 million. They can report this income by the deadline for filing the tax return for the year in which it was received. The obligation also applies to individuals who do not have to file a tax return.

The financial administration and the professional public recently clarified the interpretation of certain provisions that relate to this notification:

- For income that comes gradually in instalments, the specified limit for the notification applies separately

For each instalment. Each instalment is not cumulative for the limit. But it must not be recognised as a calculated redistribution of income in order to avoid the reporting obligation.

- For inherited income, the obligation to report it is by the date of the effective completion of the inheritance proceedings, not the date of the testator's death. The financial administration also confirmed that the inheritance value is assessed as a whole, not by its individual components.
- Reporting on tax exempt income does not apply to income that is not taxed (e.g. the settlement of marital property) or to income which is subject to withholding tax which is not collected after rounding the liability (e.g. one-crown bonds).
- The financial administration also confirmed that the double reporting of taxpayers who have received compensation in excess of CZK 5 million for the release of a flat is not necessary. This assumes that the standard notification of income for the release of a flat contains all the essential terms of the notification of tax exempt income, i.e. the amount of income, a description of the circumstances of its acquisition and the date of receipt.

Tax

The Ministry intends to get tough on use of flat rate expenses in exchange for tax credits

The Ministry of Finance published its intention to propose a return of tax credits for wife and children for taxpayers who submit flat rate expenses, especially entrepreneurs and people living off income from property rentals. This change could start to be effective for income earned for the year 2017.

In exchange, the Ministry is planning to further tighten the use of flat rates. The new limit for using flat rates should be decreased from the current CZK 2 million per year to 1 million.



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The new Customs Code changes the classification of special customs regimes

After more than 22 years, the Customs Code of the European Union (EU) and its implementing regulations was amended with effect from 1 May 2016. The new code brings extensive changes in the areas of computerization of customs procedures, special customs procedures and the confirmation of concrete benefits for the holders

of certain economic authorizations. The amendment also helped unify the interpretation of some controversial issues.

One of the most significant changes is the new classification of customs approved treatments and special customs regimes. The new code waives certain customs procedures (e.g. the customs warehousing type D, active inward processing in the drawback system and the free zone type II) while at the same time rearranging some special customs regimes, such as inward and outward processing and processing under customs surveillance.

Therefore, the new code defines only the following special customs regimes:

- Transit – external and internal
- Storage – customs warehousing or storage in free zones
- Special purpose – temporary and final use
- Processing – inward and outward processing

Also, the interpretation of the term exporter was unified. An entity that has its headquarters outside the EU cannot be listed in box 2 of the customs declaration. At the same time, the exporter may not be identical to the entity on whose behalf the customs declaration is made. The exporter can therefore only be an entity based in the EU that at the time of filing the customs declaration has an agreement with the consignee of the goods in a third country, or at least is competent to decide about the carriage of the goods to their destination

in a third country.

The good news for holders of the "[authorized economic operator](#)" (AEO) permit is that, with the arrival of the new Customs Code, this authorisation is becoming increasingly important. Unlike regular entities, AEO permit holders will have significantly easier access to customs simplifications and will be the only ones with access to an internationally centralised customs clearance, the option of self-assessment and the waiver of presenting goods when registering as a declarant.

We also have to keep in mind the change of the deadlines for binding tariff information, which was recently reduced to three years. Any binding tariff information issued before 1 May 2016 shall remain in effect six years in accordance with the previous legislation.

With regard to the above-mentioned changes in the customs area, we recommend checking the processes and customs procedures that you use so that they are fully in line with the new customs legislation.



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Martin Diviš has been appointed Partner of the PricewaterhouseCoopers Tax and Legal Services department. In his new role he will be responsible mainly for indirect taxes and customs issues.

Study

Prague among the top 5 most exciting cities in Europe for hotel business

According to hoteliers, this year Prague should be one of the five most interesting cities in Europe. The average occupancy of hotels in Prague should exceed 76% and the price per room CZK 2,000. Annual growth in revenue per room (i.e. RevPAR) should rise this year to 6.6%. The forecast is based on the study PwC Trends in the European hospitality industry 2016 and 2017 (European cities hotel forecast for 2016 and 2017).

“Even though this year we do not expect any event of global significance in Prague or elsewhere in the republic, hoteliers can be satisfied. The average price per hotel room should increase by almost a hundred crowns to CZK 2,212 per night, and hotel occupancy to 76% from last year's 75%,” Jan Musil, a PwC CR expert in the hospitality industry, stated previously.

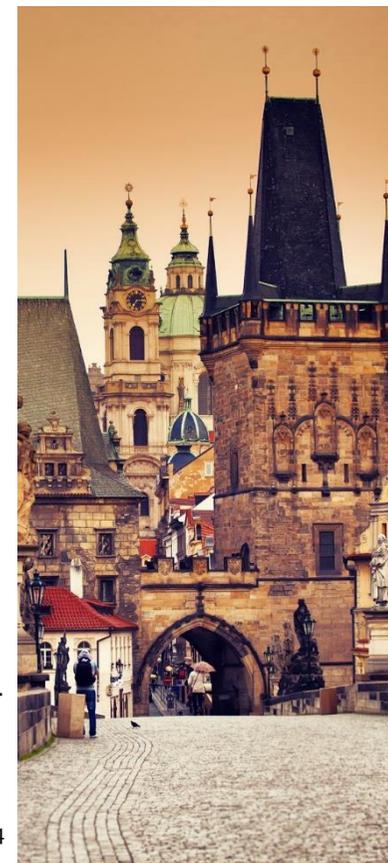
This year three cities should be able to exceed the 80% occupancy limit: London (83%), Dublin (82.3%), and Edinburgh (82%). Just below this limit will be Amsterdam (78.4%). This year's most expensive cities according to the forecast will remain Paris (EUR 252), Geneva (EUR 247), and Zurich (EUR 219). London also got above the EUR 200 mark with EUR 202.

Behind the expected growth in the European hospitality business in 2015 and 2016 stands the improving economic development and with it the recovery of business trips. The year 2014 was already successful for the industry.

Europe welcomed about 20 million more foreign tourists this year than in 2013.



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PwC

Trade fair has shown that we have technology services wrapped around our little finger. Come to the autumn show!

At the beginning of May, we organised Technomarket 1.0, an internal trade fair of PwC services. The aim was to show clearly, creatively and unconventionally the PwC services and products that utilize new technology in various ways.

At the event, teams presented on technological consultancy, data analysis, forensic technology services, customer relationship management, risk management, cyber security, digitized tax services and audit. Each team had its own stand where it showed a variety of games, quizzes, performances and other interactions.



The event took place during the whole day. Employees and invited alumni could stop by at any time during the day. The high number of participants and their positive attitude and feedback proves that our first internal trade fair of services was outstandingly successful. Participants appreciated that they could not only learn about interesting technologies, but most importantly experience them.

You can enjoy the improved version of the event on 12 October, which our clients will also be invited to. We'll tell you more about the attractive program we are preparing in the near future.

Ten projects of the Social Impact Award competition will receive advice from PwC Czech Republic

In late June at the headquarters of PwC Czech Republic in Prague, the summer intensive acceleration program for this year's finalists of the Social Impact Award will start. Young people who have succeeded and made it to the finals with their ideas on how to help and do business at the same time will get expert advice on how to make their idea a functional and financially sustainable socially rewarding venture.

Promoting social entrepreneurship through professional volunteering in PwC is fast becoming a tradition. This year over 25 experts from various fields got involved, especially from the fields of analysis of customers and competitors, strategic planning and information technology.

Every start-up team gets a mentor who they meet regularly with over two months and talk about how to successfully start a social enterprise. Some of the main topics of the meeting will be determining a complete business concept, basics of financial planning, analysing competitors and potential customers, communicating and promoting the new business and technical issues regarding the legal form or taxes. At the end of September, we will find out who did best in the acceleration program and which three projects will be announced as winners of SIA 2016.



*Photo with finalist
author: Social Impact Award*

We covered operational costs of Safety line on Children's Day

The operational costs of the Safety line on 1 and 2 June were covered by the donations from PwC Czech Republic and its employees, thanks to which we have helped more than 200 children.

The Safety line is one of our long-term partners that we support.



PwC employees did something different this Children's Day: they spent it with the Safety line. Three- to four-member teams tried out the interactive game Escape to Safety and learned about how the Safety line works. The employees also learned what topics can be addressed and how difficult it can be to find the courage to ask for help.

The Academy – Sign up for autumn seminars now

CIPD Certificate in Human Resource Management (CHRM)

CIPD Certificate in Human Resource Management (CHRM) will give you a broader perspective of the organisational issues facing HR and help you to develop your ability to evaluate the effectiveness of HR models and practices and your planning, analytical and problem-solving skills. This is an annual program certified by CIPD (Chartered Institute of Personnel and Development).

Date: September 2016 – February 2017
Price: CZK 73,500 + VAT
Sale 10%: CZK 66,150 + VAT (if registered by 30.6.2016)
Language: English

Unique courses with Shaolin monks

Training courses led by Shaolin monks brings a unique opportunity to the Czech Republic to work on your leadership skills. These courses were specially developed for the needs of senior management and CEOs. You can develop your skills in four areas: **Stress Management (5 October), How to resolve conflicts (6 October), Self-empowerment (28 November) and the Art of Strategy (29 November).**

Date: September, October
Time: 9am – 5pm
Price: CZK 14,900 + VAT (for 1 seminar)
Language: English

Czech tax system in English

The seminar focuses on corporate income tax and personal income tax (including social security and health insurance) and will also cover the basic principles of Czech VAT and the tax administration. You will learn how to prepare Czech tax returns that include worldwide income and cross-border transactions and reflect the principles of international taxation and methods for the avoidance of double taxation.

Date: 20 – 21 September
Price: CZK 10,900 + VAT
Language: Czech combined with English (or otherwise – depending on the participants)

PMP (Project Management Professional)

This four-day intensive course will prepare you for the exam which leads to getting the internationally recognised PMP certification and membership in the PMI (Project Management Institute). This qualification is one of the most recognised certifications for professionals in the field of project management. Gaining it will demonstrate your experience, education and full capacity to manage projects.

Date: 10 – 13 October
Price: CZK 33,500 + VAT
Language: English

Law seminars

The seminar will be carried out by experts from the international law firm PwC Legal. Training courses are not just lectures; they also offer case studies focusing on applying the issues in practice. Experts will guide you through the issues in three areas: **Status of members of statutory bodies (5 October), Labour law in questions and answers (13 October) and the Business Corporation – corporate governance (24 October).**

Date: 5., 13., 24. September
Time: 9am – 12pm
Price: CZK 1,400 + VAT (for 1 seminar)
Language: Czech or English (depending on the participants)

How to book a place?

For more information and to register visit www.pwc.cz/academy. If you have any questions, please contact Lucie Kašparová, tel: +420 251 152 035 or write to: the.academy@cz.pwc.com.

Topic

50 %

We reduced the carbon footprint by 50% over the last 7 years

#ecology
#reducingwaste

#cleantthenature
#professionalvolunteering

#socialbusiness

www.pwc.com/cz/en/spolecenska-odpovednost

You can learn more about our corporate responsibility activities on our website. Don't hesitate to share your opinion.

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