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Tax

Insurance for statutory body members

More and more often we see the question of the taxation of insurance for statutory body members paid by the company.

The insurance sector is highly developed in this respect, and there are various products on the market that either relate to the insurance for statutory body members by itself or that combine it with other insurance products.

In practice, we encounter situations where an insurance contract is concluded between the company (the policyholder) and the insurance company (insurer). The company thus becomes the bearer of the contractual obligation to pay the premium.

The variable in insurance contracts is the insured person itself. The insured person may be a company that insures its business risk (e.g. the death of a statutory body member) or even a statutory body member / members themselves. In this context, the question arises whether the premiums paid should be treated as a taxable income for a statutory body member or not.

The answer might seem simple, but with a closer look we find that the wording of insurance contracts and insurance conditions often vary.

The insured person doesn't have to be just a company and/or a statutory body member, but also all past and future board members, executives and their family members, heirs and others. Such a definition of the insured person greatly complicates the determination of who is insured and when. Insurance companies in this case really don't know at any given moment how many people are covered by their insurance, as this figure may vary over time.

Another dimension of this issue is the coverage of members of a statutory body not only from the company that concluded a contract with the insurance company, but also other companies in the group (e.g. members of subsidiaries' statutory bodies). Thus, for example, an insurance contract concluded in the Czech Republic may also cover the managing director of a subsidiary in Greece. A very important aspect is the fact that some contracts guarantee a one-time benefit payment from the insurance company, while other contracts may guarantee repetitive payments.

The recommendation is to always prepare a detailed review of the contractual relationship between the company, the insurance company and possibly the insured person, including the insurance conditions applicable to the contractual relationship.



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State aid to Apple in Ireland?

On 30 August 2016, the European Commission (EC) issued its final decision in the state aid investigation of Apple in Ireland. The EC concluded that Apple benefited from unlawful state aid granted by Ireland during 2003–2014, and ordered Ireland to recover the amount of up to EUR 13 billion plus compound interest from Apple.

The EC's investigation was related to two rulings (from 1991 and 2007) on the attribution of profits to the Irish branches of two Irish incorporated, non-resident companies ultimately owned by Apple Inc. The EC calculated that Apple paid an effective corporate tax rate in Ireland that decreased from 1% in 2003 to 0.005% in 2014.

The EC's position is that the agreements made between the company and Ireland "did not correspond to the economic reality" as regards the profit attribution. Thus the EC concluded that the rulings deviated from the arm's length principle in a manner which was selective

(i.e. Apple received a tax benefit which was not provided to other companies). From Apple's perspective, however, it obtained the rulings in line with valid tax legislation in Ireland.

We expect further developments on the Apple case, such as a potential appeal by Ireland or Apple to the European Court of Justice. This case highlights a certain uncertainty for Czech taxpayers as well, as the EC could in future contest agreements concluded with the Czech Financial Administration in line with the tax legislation (in the form of binding rulings).

In practice, the Czech tax authorities may start looking at potential binding rulings not only from the local perspective, but also from the perspective of fair treatment of all taxpayers or the perspective of other counterparties in specific transactions. Still, binding rulings with the Czech tax authorities (such as the Advanced Pricing Agreements regarding transfer pricing) remain valid legal instruments and provide the highest level of assurance to taxpayers.



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Tax

Preparations for EET are well under way

The beginning of September represented a substantial shift in the situation surrounding the electronic registration of sales (EET). The Financial Administration published a methodical paper, while at the same time certain provisions of the Act on Registration of Sales came into effect. Taxpayers can already apply for authentication data to access the EET portal, where prior to the first registered sale they are obliged to define their establishments and obtain certificates for POS devices. Additionally, taxpayers can apply for binding judgements or for an authorization to keep their records in a simplified scheme.

The methodical paper, unfortunately, did not remove all the ambiguities that the professional community is facing. On the contrary, new issues came up for the catering sector, regarding when and how this area is going to be divided into the 1st and 3rd phases of implementing EET. We especially recommend that companies with complex business models, a greater number of establishments or a combination of several types of activities not delay their preparations for EET.



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Legal

European directive reports significant breaches of e-shop cybersecurity

Disruption of cybersecurity is becoming more common and complex. It can endanger the delivery of essential services, such as electricity, transport and banking. This risk led the European Commission to adopt a directive on the security of networks and information systems (NIS Directive), which came into force in August this year. Member States must implement it into the national legislature within 21 months.

The Directive lays down the minimum level of common European protection against cyber-attacks and also imposes an obligation on certain entities to report significant instances of cybersecurity breaches. The introduction of a reporting obligation will affect, inter alia, digital service providers (Internet search engines, social networks, online stores, etc.) and business entities in the field of energy or health. The obligation to report security incidents that have a significant impact on their services will affect not only the activities of Internet giants such as Google, Amazon or PayPal, but also Czech e-shops. The NIS Directive is the European Commission's effort to respond to the rapidly changing threats in order to create a common, high level of protection in all EU Member States.



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Assurance

Small and medium-sized entities will no longer be required to disclose non-financial information in their annual reports

The Accounting Act introduces significant simplifications in the compilation of annual reports for micro, small and even medium-sized entities. While the actual obligation to prepare an annual report is, as previously, tied to the obligation to have the financial statements audited, the aforementioned entities are no longer obliged to share non-financial information in their annual reports.

This is related to the omission of data relating to for example presumed development of the entity's business activities in the area of environmental protection and employment relations, activities in research and development, facts that occurred after the balance sheet date, etc.

On the other hand, the obligation to prepare an annual report has been implemented even in cases where the financial statements are subject to a mandatory audit because of a special legal regulation. For example, if the entity prepares an annual report (either mandatorily or voluntarily), the report on relations remains mandatory. The obligation to draw up a report on relations is based on the Act on Business Corporations, and is therefore independent of the requirements of the Accounting Act.

Disclosure requirements for financial statements and annual reports remain unchanged. Only the maximum period was specified at 12 months from

the balance sheet date. In the case of using exemptions from consolidation, the Czech accounting standards still demand that the consolidated annual report and the consolidated financial statements (including the auditor's report), prepared for a broader consolidation unit by another consolidated entity, be published in the Czech language.



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Study

The future of European banks: technological innovation and cooperation with start-ups

Even taking Brexit into account, established European banks are going to have to accede to technological innovations and collaboration across the financial-technological sectors. According to the authors of the PwC study, "The future of banking in Europe", financial houses will be established to connect with technology companies in order to withstand the onslaught of the market and competition.

The authors of the study previously predicted that the post-crisis banking industry was going to wake up in a radically different market environment, which will be dominated by mergers, alliances and business relations between financial service providers and technology companies. In this new market environment, in addition to the history of the crisis, the decision of the UK to leave the European Union is also going to be reflected.

Banks are now trying to focus more on improving their customer service and operational gaps in the market. According to the study authors, the development in this direction should return the growth potential to the banking sector. But it is necessary to consider the risks and obstacles.

The whole study can be found [here](#).



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PwC

PwC showed innovative solutions at Technomarket

Thank you for your participation in PwC Technomarket. We counted over 250 attendees – clients, alumni, students and employees.

12 teams in total presented their technologically advanced services and tools. You can find a summary [here](#). The Industry 4.0 team used their heat map to find out that attendance at all the stands was equal.

For more information about Technomarket, please visit: www.pwc.cz/technomarket



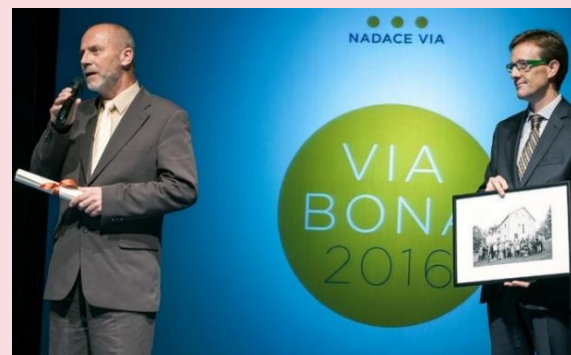
Via Foundation awarded the most inspiring philanthropic stories

The awards for philanthropic activities in the Czech Republic have been handed out. This year showed that even a small company can do a big thing.

We have been a partner of the Via Foundation for 7 years, and this year we sponsored the category of “Good company” in the Via Bona award. Out of twenty finalists, the winner was an auto service shop from Nový Jičín - DUŠAN HOPP, Auto Dily Servis s. r.o., for the long-term, effective interconnection of business and philanthropy in the region.

Its owner, Dušan Hopp, supports a local halfway house, and he tries to engage his customers in the charitable activities as well. When a customer makes a contribution to the halfway house, Mr Hopp reduces the price for the repair of the customer's car by the donated amount.

Last year, PwC Czech Republic was one of the finalists in the category “Opening new paths” for working with the social enterprise Startujeme, the operator of our in-house cafe. It employs people with mental disabilities and helps them to integrate into the work environment, which reflects our efforts to spread the principles of sustainable business in the Czech Republic.



*Michael Mullen,
author: Kryštof Kříž
for Nadace Via*

Four silver awards for PwC Czech Republic in the competitions Top responsible company, and Green Frog Award

PwC Czech Republic is celebrating success in two corporate responsibility competitions. We won three silver awards from the Top responsible company this year. The jury praised us for our overall corporate responsibility strategy, support for social start-ups through expert volunteering and for our responsible reporting.

This year, we also participated for the first time in the competition Deloitte - Green Frog Award. We finished in 2nd place in the national round, for our report on sustainability, environmental policy and CSR.

We are proud of all four awards, and we are pleased that the expert community appreciates our activities in the field of sustainable and responsible business in the Czech Republic. You can find a report on Corporate Responsibility PwC Czech Republic and other information about our activities [here](#).

The Academy

Certified Internal Auditor: Part II: Conducting the Internal Audit Engagement

The two-day course will prepare participants for the CIA exam 2. Participants will review the necessary theory and examine the specific test questions, including tips and tricks on how to pass the exam. Students will undergo individual circuits from the current exam syllabus, which include: implementation of audits, implementation of specific audits, monitoring the results of audits, knowledge of fraud and tools for auditing.

Date: 21 – 22 November 2016
Price: CZK 9,000 + VAT
 CZK 7,000 + VAT for ČIIA members
Language: English

How to book a place?

For more information and registration visit our website www.pwc.cz/academy.
 If you have any questions please don't hesitate to contact Lucie Kašparová, tel: +420 251 152 035
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