

# Tax & Business News

Tax, accounting, advisory and assurance newsletter

02|2009

If you are interested in receiving Tax & Business News, please contact Markéta Veberová, [marketa.veberova@cz.pwc.com](mailto:marketa.veberova@cz.pwc.com), +420 251 151 835.



Dear business partners,

We are sending you the March edition of our bulletin, Tax & Business News. In this issue we have focused on providing information from publications that PricewaterhouseCoopers issued in recent weeks. I am convinced that all of these publications can provide you with useful information – be it the outcomes of a global CEO survey that tracks current opinions of CEOs around the globe, a study that deals with the shape of the working environment and the approach of future generations towards anticipated work challenges or a study that deals with current trends in the European real-estate market. In addition, we are bringing you the regular mix of information from tax, accounting and financial advisory. I believe that you will find the content of the March edition of Tax & Business News engaging.

Yours sincerely,

Stephen B. Booth, Managing Partner, PricewaterhouseCoopers Česká republika, s.r.o.

## Changes in VAT

### Electronic invoicing – one step closer

The [EU Commission's \(EC\) Proposal](#) has been published on 28 January 2009 for amending the VAT Directive so that electronic and paper invoices are treated equally. This proposal is based on a [Study of VAT invoicing rules, carried out by PricewaterhouseCoopers](#) for the EC. The aim of the study was to look at the four principal areas of invoicing:

- requirement to issue an invoice
- content of an invoice,
- electronic invoicing and
- storage of invoices.

Besides other changes, the Proposal aims to end any legal barriers to e-invoicing contained in the VAT Directive by treating the transmission of an invoice, whether by paper or by electronic means, equally. Thus, reference to the fact that the e-invoice should be signed by advance e-signature or by EDI (electronic data interchange) is removed. Further information about these changes will be included in our next VAT Flash.

If you need information about electronic invoicing now, contact:

**Martin Diviš**  
Tax and Legal Services  
[martin.divis@cz.pwc.com](mailto:martin.divis@cz.pwc.com)  
+420 251 152 574

### EU VAT Package - new VAT rules for services

As of 1 January 2010 the Czech Republic is obliged to implement the changes introduced by so the called EU VAT Package into the national legislation. The Czech Ministry of Finance has, therefore, started to work on the VAT Act amendment that will bring significant changes to the taxation of services provided to businesses and final consumers. The primary aim of the amendments is to simplify the application of VAT on services provided across the EU Member States.

In accordance with the EU VAT Package, the amendment of the Czech VAT Act will introduce the obligation to report the provision of the services to a recipient in other EU Member State, similarly as is currently required for intra-Community supplies of goods (i.e. EC Sales List). The EU VAT package and respectively the VAT Act amendment also introduces electronic submission of applications for refunds of VAT paid in other EU Member States.

This amendment of the VAT Act will bring about a revolution for businesses supplying and receiving services cross-border. They may have to reconfigure their accounting systems to ensure the services are correctly taxed and recorded for VAT.

We will bring further information regarding the changes introduced by the EU VAT package in special VAT Flashes coming soon. You may obtain more information from:

**Martin Diviš**  
Tax and Legal Services  
[martin.divis@cz.pwc.com](mailto:martin.divis@cz.pwc.com)  
+420 251 152 574

**Alena Balážová**  
Tax and Legal Services  
[alena.balazova@cz.pwc.com](mailto:alena.balazova@cz.pwc.com)  
+420 251 152 708

## Contents

- Electronic invoicing – one step closer
- EU VAT Package - new VAT rules for services
- Proposed renewal of duty suspension on LCD monitors
- Changes and news in regulation to the accounting for entrepreneurs
- Input VAT deduction for the purchase of passenger cars – updated information
- Remuneration must be paid for the discharge of the office of the statutory body or its member, if not expressly agreed otherwise
- CEO Confidence Plummets to New Low and Most Top Executives Expect Slow Turnaround
- European real estate industry 'hunkering down' for 2009
- Managing tomorrow's people

## Contacts

**Lenka Mrázová, Director**  
[lenka.mrazova@cz.pwc.com](mailto:lenka.mrazova@cz.pwc.com), +420 251 152 553

**Petr Hájek, Manager**  
[petr.hajek@cz.pwc.com](mailto:petr.hajek@cz.pwc.com), +420 251 151 246

**Prague office**  
Katerinská 40, 120 00 Praha 2  
+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

[www.pwc.com/cz](http://www.pwc.com/cz)

## Proposed renewal of duty suspension on LCD monitors



The European Commission has made a revised proposal for duty suspension for some LCD monitors. Under this proposal some colour LCD monitors up to 22 inches and some monochrome LCD monitors up to 30.5 inches should be subject to duty suspension for the period from 1 January 2009 to 31 December 2010. Unfortunately, the most widely used LCD monitors of the 16:9 size do not fall within the proposal.

This means that after the proposal is accepted by the EU Member States (probably in mid 2009) importers of qualifying LCD monitors will be entitled to reclaim duty paid in the interim period from 1 January 2009.

If your company imports LCD monitors into the Czech Republic, or into another EU Member State, and the revised proposal is accepted, we will be pleased to discuss with you how you can claim back any overpaid duty. PricewaterhouseCoopers has a wide network of customs specialists who will be pleased to assist you in any EU Member State with a duty reclaim.

Will the proposed changes affect your company? Can these changes be beneficial to your business? If you are interested in obtaining more information about customs tariffs, please contact:

**Hana Krausová**  
Tax and Legal Services  
hana.krausova@cz.pwc.com  
+420 251 151 575

**Nora Grymová**  
Tax and Legal Services  
nora.grymova@cz.pwc.com  
+420 251 152 629

## Changes and news in regulation to the accounting for entrepreneurs

As we already informed you in the January Tax & Business News, the amendment to the executive regulation for entrepreneurs using double-entry accounting<sup>1</sup> was promulgated effective from 1 January 2009. The amendment contains the following changes and news:

1. Accounting units can use **the component approach** to depreciate assets for the first time in the accounting period commencing on or after 1 January 2010. Under this method, each part of an asset (component) whose useful life is significantly different from the useful life of the asset as a whole and whose carrying amount is material relative to the carrying amount of the asset as a whole, can be depreciated independently as a component. Accounting units can also use the component approach to depreciate assets that were already in use as at the effective date. Total asset cost and total accumulated depreciation needs to be divided into components and component depreciation needs to be started from the net carrying amount<sup>2</sup>.
2. Accounting units can already use a new concept - **residual value** - in the accounting period commencing on or after 1 January 2009 when updating their depreciation plan. The anticipated residual value is the estimated amount that the reporting entity is likely to receive at the moment of anticipated asset disposal, e.g. upon sale, less costs associated with the disposal. In practice, this means that the reporting entity is not forced to anticipate zero value upon disposal when creating their depreciation plan<sup>3</sup>.
3. The Amendment addresses the accounting treatment for **cross-border mergers**, where a foreign company is one of the parties involved and can be wound up or can be a continuing company as a result of the merger. The provisions relating to cross-border mergers are effective as at 1 January 2009; however, due to the absence of Czech legal regulations applicable to this area, they may serve as appropriate guidance for 2008 transactions as well<sup>4</sup>.
4. The Amendment prescribes the criteria to reducing the scope of companies that are required to disclose **information in the notes to the financial statements**<sup>5</sup>. It concerns disclosure of the financial impact of off balance sheet transactions that are material for the assessment of the company's financial position and disclosure of related party transactions, if material and if they have not been carried out at normal market conditions. The decisive criteria requiring disclosure of the information mentioned above are the same quantitative criteria as those applicable to the conditions giving rise to the obligation to prepare consolidated financial statements. The provision is effective for the financial statements prepared after 1 January 2009 namely the majority of financial statements with the balance sheet date as at 31 December 2008.



## Input VAT deduction for the purchase of passenger cars – updated information

The proposed changes to the Czech VAT Act, which allow claiming input VAT for the purchase of passenger cars, about which we have already informed you in the last edition of the VAT Flash, passed at the beginning of February 2009 through the second reading. Subsequently the Members of the Parliament returned the amendment back to the second reading. On 20 February 2009 no changes were made during the repeated second reading of the relevant amendments concerning claim of the input VAT for the purchase of passenger cars. The third and final reading of the amendment to Czech VAT Act will take place on 3 March 2009. We will keep you informed about the future development of this matter.

If you would like to learn more about changes in VAT deduction for the purchase of passenger cars, contact:

**Petra Šafková**  
Tax and Legal Services  
petra.safkova@cz.pwc.com  
+420 251 152 552

You can read more details on the changes mentioned at [www.pwc.cz/accounting](http://www.pwc.cz/accounting) or you can contact:

**Milan Zelený**  
Audit Services  
milan.zeleny@cz.pwc.com  
+420 251 152 088

**Pavel Kulhavý**  
Audit Services  
pavel.kulhavy@cz.pwc.com  
420 251 152 046

## Remuneration must be paid for the discharge of the office of the statutory body or its member, if not expressly agreed otherwise

If a company does not expressly agree with the statutory body or its member (the „statutory body“) that he/she will discharge his/her office free of charge, the discharge of this office is payable based on law. This is one of the conclusions stated by the Supreme Court when dealing with the situation when an agreement on the amount of the remuneration was not concluded between a limited-liability company and its executive.

The decision is based on the fact that the relationship between the company and the statutory body is reasonably governed by the provisions of the Commercial Code on Mandate Agreement. This agreement determines remuneration for the performance of the activity of a mandatory, i.e., a statutory body in this case. If gratuitousness of the discharge of the office is not expressly agreed, the statutory body is entitled to the remuneration of a usual amount.

In its result, this means that if somebody enforces the remuneration for the discharge of the office of the statutory body, he/she must prove only that he/she was a statutory body of the company in the relevant period, and the amount of the remuneration to which he/she is entitled. On the contrary, a party that would question an obligation to pay remuneration to a statutory body must prove the existence of the agreement on gratuitousness of the office.

In relation to the approval of the remuneration by a general meeting the court deduced that the approval of the general meeting was not a necessary assumption for the payment of the remuneration under relevant circumstances. The reason is that if the general meeting did not discuss the amount of remuneration or refused to award it, the remuneration would be withheld from the statutory body entitled to it by law.



**i** Do you need to find out more about remuneration paid for the discharge of the office of the statutory body or its member? For more information contact:

**Klára Valentová**

Ambruz & Dark associated law firm with PricewaterhouseCoopers

[klara.valentova@ambruzdark.com](mailto:klara.valentova@ambruzdark.com)

+420 251 152 929

## CEO Confidence Plummets to New Low and Most Top Executives Expect Slow Turnaround

The majority of CEOs expect a slow recovery of the economy. Pessimism prevails across all geographic regions, business sectors and levels of economic development. Despite the financial crisis, CEOs focus on key factors of long term growth.

Battered by recession, CEOs' confidence about future prospects for business has plummeted and executives expect a slow, gradual recovery over the next three years, PricewaterhouseCoopers 12th Annual Global CEO Survey has found. CEO confidence plunged to its lowest level since 2003, when PwC began tracking CEOs' forecasts. Worldwide, just 21% of CEOs said they were very confident of revenue growth in the next 12 months, down from 50% in last year's survey. And more than a quarter of CEOs said they were pessimistic about prospects for the coming year.

CEOs worldwide were also gloomier about longer term growth, predicting a slow recovery. Illustrating the changing mood, CEOs' confidence worsened over the course of the survey period (from September to November 2008) as negative economic news unfolded.

**i** More information about the Survey is available at [www.pwc.com/ceosurvey](http://www.pwc.com/ceosurvey).

## European real estate industry 'hunkering down' for 2009

A recent survey reveals that the real estate industry is set to face a 'Torrid Time' in the year ahead as sentiment falls across Europe. Central European markets held their own, despite a generally gloomy outlook for European real estate market in 2009, according to the report [Emerging Trends in Real Estate® Europe 2009](#), a report published annually by the Urban Land Institute (ULI) and PricewaterhouseCoopers. The report covers 27 markets in countries throughout Europe and is based on surveys and interviews with nearly 500 of the industry's leading authorities.

The survey shows a strong "hold" recommendation for all sectors in the Prague market. Despite this being a substantial shift from a strong "buy" recommendation in 2008, the global financial crisis and the resulting lack of debt financing have taken less of a toll here than in some other markets. The city continues to have reasonable supply/demand equilibrium, and with developers holding back on a lot of projects, at least this offers some grounds for hope for an eventual recovery.

**i** [Emerging Trends in Real Estate® Europe 2009](#) is the sixth report focused on the European Real Estate Market. You can obtain more information about the findings of the Survey at our web-site: [www.pwc.cz/RESurvey](http://www.pwc.cz/RESurvey).

## Managing tomorrow's people

According to a new global report published by PricewaterhouseCoopers, the perception that the new generation of workers, the 'millennials', are disloyal and will completely reject traditional work practices is a myth. Findings of the survey reveal that global opportunities and robust corporate responsibility are critical to the millennials. Young graduates also expect to be predominantly office-based in combination with home office, work regular office hours with elements of flexible working and have a small number of future employers. The research therefore suggests that some companies should re-assess their efforts to attract and retain younger workers to ensure they are channelling their investment effectively, particularly in light of current cost pressures.

**i** Report "Millennials at work" as well as other information about this area is available at [www.pwc.com/managingpeople2020](http://www.pwc.com/managingpeople2020).

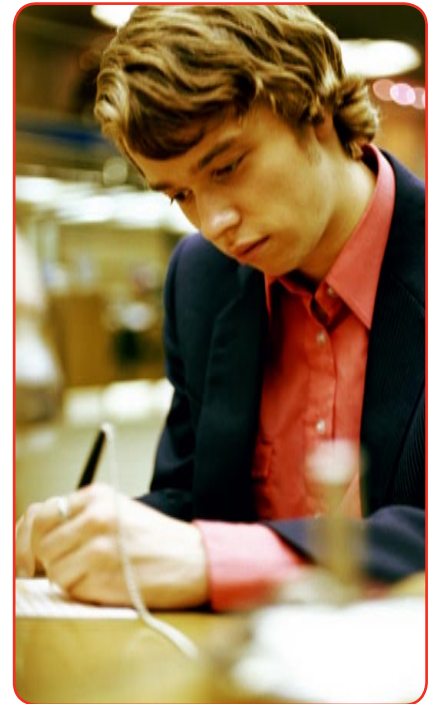
# Capitalisation of borrowing costs - are you in line with IFRS?

From 1 January 2009 there has been a significant change in IAS 23 covering how companies should report their borrowing costs.

The Business Academy is offering a **new seminar** to explain the impact of these key changes and provide practical examples of how these **IFRS** fundamentals will be applied in practice.

## The Seminar will cover:

- An explanation of the changes and impact on your business and reporting.
- An explanation of the basic concept of the revised standard IAS 23.
- Hints and tips on how to do the calculations.
- What categories of costs should be capitalised?
- What assets are subject of capitalisation?
- How to measure costs eligible for capitalisation?
- What are the rules in the transitional period of the revised standard IAS 23?
- Exchange rate differences.
- Consolidation issues.
- How does it compare to Czech accounting?



## Seminar Capitalisation of borrowing costs - are you in line with IFRS?

Date: Friday 17 April, 2009

Time: 8:30 — 13:00

Place: PwC Business Academy, Kateřinská 40, Prague 2

Price: CZK 4500

Language: Czech

Please express your interest in this seminar on [business.academy@cz.pwc.com](mailto:business.academy@cz.pwc.com)

More information on  
[www.pwc.cz/academy](http://www.pwc.cz/academy)

**Business Academy**

by **PRICEWATERHOUSECOOPERS** 

### Tax & Business News, Czech Republic, 2 March 2009

This Tax & Legal Alert is produced by PricewaterhouseCoopers' tax department in co-operation with Ambruz & Dark, advokáti, v.o.s., a Law Firm associated with PricewaterhouseCoopers.

Legal Disclaimer: The material contained in this alert is provided for general information purposes only and does not contain a comprehensive analysis of each item described. Before taking (or not taking) any action, readers should seek professional advice specific to their situation. No liability is accepted for acts or omissions taken in reliance upon the contents of this alert.

© 2009 PricewaterhouseCoopers Česká republika, s.r.o. All rights reserved. "PricewaterhouseCoopers" refers to the Czech firm of PricewaterhouseCoopers Česká republika, s.r.o. or, as the context requires, the network of member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.