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Tax

April's change of the taxpayer is postponed

The planned change in the taxpayer for the tax on the acquisition of real estate from the seller to the buyer, which should have become effective from 1 April 2016, has been postponed.

The reason was the interruption of the discussion of this amendment by the Budget Committee of the Chamber of Deputies. The deadline for handing in amendments was set on 24 March 2016, thus the proposed effective date changed.

The draft of the amendment aside from the taxpayer changes also brings an expansion of the tax base, adding the Right to build, simplifies the taxation of utilities, or changes in the assessment of exemptions for new buildings and utilities.



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Interest in the case of VAT excess retention remains low

The forthcoming amendment to the Tax Code provides, among other things, a change in entitlements for interest on tax deductions. Interest represents compensation for a longstanding examination (and therefore the delay) of the tax deduction. Changes can be marked as rather cosmetic. The annual rate remains at the level of CNB's Repo rate plus 1 percent point; however, the period of interest is newly defined. Under current legislation the taxpayer is entitled to interest effectively after 7 months of retention of the deduction. The amendment shortens this period of time to 6 months.

Despite the proclamations that this treatment is in response to the evolution of the EU Court jurisprudence, compliance with domestic legislation seems questionable. This is, firstly, due to the interest rate, and also to the period set. EU court in its last judgment for compliance of EU legislation and Slovak treatment pointed out that a 6-month period runs contrary to the VAT neutrality principle.

Tax offices will be able to accept credit card payments

Lawmakers propose the option of paying taxes at the tax offices using credit cards. The condition should however be the disclosure of information of which types of taxes can be paid by credit cards and under what conditions. Use of credit cards is expected especially when paying administrative and court fees and fines. The amendment is currently undergoing comments proceedings.



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Law

The automatic exchange of tax decisions with EU Member States is being prepared

The amendment to the Act on International Cooperation in Tax Administration, which is in response to the EU Council Directive, introduces the automatic exchange of pre-tax decisions (i.e. Rulings – in the Czech Republic “Rozhodnutí o závazném posouzení”) and the preliminary assessment of transfer pricing (i.e. Advance Price Agreements – in the Czech Republic “Závazné posouzení způsobu, jakým byla vytvořena cena sjednávána mezi spojenými osobami”) between financial administrations of EU Member States. Only decisions related to cross-border transactions will be exchanged. Those decisions will be exchanged twice a year. In the Czech Republic the exchange will be provided by the General Directorate of Finance. Member states will also exchange information on all interim tax decisions and preliminary assessments of transfer pricing released after 31 December 2011. Czech Republic undertook to implement the above-mentioned directive by the end of the year 2016. It is therefore planned that the amendment will come into effect in early 2017.



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Legal entities will be held criminally responsible for more crimes

The Chamber of Deputies approved a draft of the amendment to the law on criminal liability of legal entities. The range of criminal offenses for which a legal entity can be held criminally responsible is widening. Criminal liability should be newly applied to all crimes or offenses listed in the Criminal Code, except for those specifically excluded by the law. A significant change is an extension which is granting the right to the legal entity to exculpate itself from a criminal offense. Until now the legal entity could be acquitted of criminal liability only in relation of the infringement of its employees, but with the new change, the entity will be able to exculpate from activities of other persons who conduct to the entity – for example, the statutory body or persons with decisive or managing influence.

A draft of the amendment to the Criminal Code, which foresees the criminalisation of the preparation of the criminal act of tax evasion, also passed the third reading in the Chamber of deputies. The damage of the act has to be at least CZK 5,000,000 or it has to be committed in connection with an organised group operating across borders. Preparation of the crime generally involves the deliberate creation of conditions for its perpetration.

Accounting

Accounting news for 2016

We have introduced major changes in the Accounting Act since January 2016. For example, changes in the definition of public interest entities (previously regulated by the Auditors Act), which was narrowed down to issuers of publicly traded securities, banks, insurance companies, pension companies and health insurance companies.

New categories of entities have been introduced, namely:

- Micro entities – not exceeding two criteria: CZK 9 mil. in assets, turnover of CZK 18 mil. and 10 employees
- Small entities – not exceeding two criteria: CZK 100 mil. in assets, turnover of CZK 200 mil. and 50 employees
- Medium-sized entities – not exceeding two criteria: CZK 500 mil. in assets, turnover of CZK 1 bn. And 250 employees
- Large entities that exceed at least two of the criteria for medium-sized entities or are listed as public interest entities.

Obligations in reporting and disclosure of accounting information are therefore adapted to the size of the entity.

Other changes:

- The obligation of large and medium-sized entities to prepare a Cash-flow statement and the statement of changes in equity.
- Concessions and simplification

for micro and small entities when preparing financial statements. Entities will be able to prepare financial statements to a reduced extent. The change also eliminates the obligation to report cash flows and changes in equity and the need to publish profit and loss statements.

- A drastic reduction in limits for consolidation: Only small entities that do not exceed two of the three criteria for small entities and are also not the subject of public interest are exempted from the consolidation duty.

- The new regulation on the evaluation and reporting of inventories and reserves: The aim was to bring the regulations closer to IFRS regulations.

- Supplementing the definition of fair value, which indicates that a fair value can also be used in value resulting from generally accepted valuation models and techniques if their objective is to estimate the market value

- Limitation of the maximum amount of dividends in cases where an entity's balance sheet has not yet been amortised for the results of their own research. Therefore, in the balance sheet, must remain some amount of retained earnings, which is at least the value of the undepreciated results of the entities' own development.

- An obligation, especially for large entities, including public interest entities in the mining and wood processing industry, to prepare and publish a report on government

payments.

- Very small entities which were not established to make profits (for example, small associations) and for which double entry accounting would be administratively and financially challenging can keep a simple accounting system.

Changes in accounting regulations were initiated particularly because of the commitment to implement the changes of European law.



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Employees

Employees working at the “under the work activity agreement” will be legally entitled to vacation

The fundamental changes will be brought by the Labour Code amendment, which is now in the comments. Employees working under the work activity agreement, should be entitled to a statutory holiday, regardless the contractual arrangement with their employer.

Holiday calculation for all employees should newly reflect the weekly worked hours, replacing the current system of calculation based on the shifts worked.

The Ministry of Labour and Social Affairs is also preparing strict rules for Home office work. Newly, the employer would have to pay costs associated with the work done outside the workplace, and such costs should not be included within the wages.

Other changes are intended mainly to increase the flexibility of essential labour relations, while strengthening the position of employees. These include changes in: the manner of distribution of working time, overtime assessment, creation of obstacles at work, transferring employees to another job, and the protection of labour rights of employees.



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Study

Two thirds of Czech companies allow their employees to work from home

Czech companies respond to the new trend of teleworking and allow employees, the nature of whose work allows it, to work from a place of their own choice. These results were shown by a PwC survey that was held in the Czech Republic among more than a hundred directors of major domestic companies. Telework is also supported by the introduction of the latest technologies through which employees anywhere can communicate between themselves and collaborate in real time.

It may not only be the case of working from home, it can also be the case of field work, working from the employees favourite cafe or from a train, explained Andrea Linhartova Palanova a Human capital expert in PwC Czech Republic.

Telework can be effective if employees meet certain requirements:

- Have a good and fast internet connection, a powerful PC or tablet and email.
- Have a secure remote connection to company data and comply with the rules for secure data handling.
- Have at least intermediate computer skills.
- Have self-discipline and motivation, not to be easily distracted, be responsible and adhere to the agreed deadlines and prove that you can work independently.

- Have a good workplace, for example, a home office or other quiet place.

However, teleworking is not for everybody. Employees working remotely should not only be very familiar with modern information technologies, but should also be separate, highly organized and have strong intrinsic motivation and the ability to find their own information for their work assignments. They should also be able to plan ahead and carry out their tasks on time.



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PwC Czech Republic analysed the International Accounting Standards for the public sector

PwC Czech Republic issued the first comprehensive comparison of the Czech Accounting Standards for the public sector and the International Standards (IPSAS). The comparison is intended mainly for professionals from the financial sector.

This pocket guide presents particular technical procedures of actual accounting standards in the Czech Republic and procedures according to IPSAS. Individual chapters discuss, for example, disclosures in the financial statements, pricing methods, accounting for assets acquired under finance leases, reporting transactions with related parties, etc.

International Accounting Standards are particularly important both in terms of accounting, reporting and also budgeting. They provide a comprehensive and comparable framework taking into account and should become a commonly used and widespread alternative to IFRS for the public sector worldwide.

Yet only half of the countries in the world present information to their citizens in a way that is common in companies - under accrual accounting. The introduction of double-entry accounting enables more the efficient management of the state and a greater interconnection of revenue and expenditure for better decision making.



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The Academy

Workshops for standards IFRS 16 and IFRS 15

IFRS 16 – Leases

The workshop will introduce the standard, which was issued in January 2016, and will be binding for the financial statements for the year 2019. Since its implementation can be very time and cost consuming, it is necessary to prepare in time. Changes will concern mainly companies operating in retail, entertainment, telecommunications, healthcare and transportation.

IFRS 15 – Revenue recognition

The second workshop focuses on the standard which will be legally binding from 1 January 2018. This standard replaces all existing international and US accounting rules governing revenue recognition. This standard will have a significant impact on all companies, but the most significant changes await companies in the areas of telecommunications, Internet provision, construction, automotive and IT.

	IFRS 16	IFRS 15
Date:	4 May	4 May
Time:	9:00 – 12:00	13:00 – 16:00
1st. Seminar cost:	CZK 1 900 + VAT	CZK 1 900 + VAT
Cost when attending both seminars:	CZK 3 400 + VAT	
Place:	PwC offices, Hvězdova 1734/2c, Praha 4	
Language:	Czech	

Consolidations

Consolidation – IFRS basics, differences compared to Czech accounting standards, accounting of transformations

The seminar walks you through the basic rules of consolidating in an existing group and accounting for acquisitions and divestitures. It covers IFRS 10, IAS 28, IFRS 3 and IFRS 5. It contains practical examples concerning basic consolidation adjustments. The seminar also addresses the difficulties of accounting for the transformations in terms of both CZ GAAP and the impact on the IFRS financial statements.

Consolidation – The complex groups, transactions under joint control, consolidated cash flow

The seminar is focused on the consolidation of complex groups of businesses and of the accounting of changes in ownership structures in the companies within the group during the year. You will get familiar with the impacts of transactions under joint control and with the issues of control which are not clearly defined by the ownership structure. The specifics of intragroup transactions or transactions with owners that are not closed at market conditions and the impacts of the capitalisation of interest costs of the group will also be discussed.

	Consolidation - Basics	Consolidation - The complex groups
Date:	16 May	31 May
Time:	9:00 – 17:00	9:00 – 17:00
1st. Seminar cost:	CZK 6 900 + VAT	CZK 6 900 + VAT
Cost when attending both seminars:	CZK 12 000 + VAT	
Place:	PwC offices, Hvězdova 1734/2c, Praha 4	
Language:	Czech	

The Academy

Project Management Professional: PMP Intensive preparation course

Course content

The course will not only make you a better project manager, but it will thoroughly prepare you for the PMP exam (Project Management Professional) by using unique games, activities, techniques and exercises that help to accelerate the process of learning and remembering new information. You will be able to pass the Exam immediately after completing the course, without greater need for self-study. The course includes study materials published by Rita Mulcahy (RMC).

Date: 23-26 May 2016

Place: PwC, Hvězdova 1734/2c, Praha 4

Time: 8:00 – 18:00

Prize: CZK 33 500 + VAT

Language: English

The price includes four days of courses and a complete set of RMC study materials. Study materials can also be purchased separately. Study materials price: CZK 8,900 + VAT.

How to book a place?

For more information about registration, please visit: www.pwc.cz/academy. If you have any questions, please don't hesitate to ask Lucie Kašparova, phone: +420 251 152 035 or send an email to: the.academy@cz.pwc.com.

PwC

PwC Czech Republic will host a conference about the use of technology in the non-profit sector.

The Prague branch of PwC Czech Republic will host a **Day held for nonprofit organizations** on Thursday,

14. 4. 2016. The program including **lectures, workshops and case studies** is focused on the use of technology in the non-profit sector.

The conference will host, for example, Aleš Špidla, an expert in IT security from PwC Czech Republic.

On the agenda the official announcement of the winners of the Microsoft NGO Awards contest – Technologies help is also addressed. **PwC Czech Republic provides the prize for the winners – Professional advisory in the field of data analysis. Advisory will be guided by our colleagues Martina Miskolczi and Petra Fremutová.**

PwC Czech Republic has been the partner of this conference for 4 years now. More information about the conference and the program can be found at www.techsoup.cz/NGOday2016

PwC Czech Republic has been helping to launch socially responsible businesses for 5 years now

PwC Czech Republic has launched its 5th year of cooperation with the acceleration program for young people – Social Impact Award.

Professional volunteers from our staff will provide individual mentoring to this year's ten finalists. During the summer acceleration program, the finalists will receive hours of advice on taxes and law so they can start their projects successfully.

With the launch of the next year of successful cooperation, PwC Czech Republic will host an exhibition at its premises of past participants in the Social Impact Award and their start-ups.

The Social Impact Award Program focuses on projects with socially responsible businesses. Young entrepreneurs just getting started can sign in with their ideas or already existing start-ups.



Last year's Social Impact Award exhibition and its mentors



Seen on the photo: Kamila Petrovská from the winning project „Třetí rodič“ (The third parent) together with the mentor Michaela Tybusová from PwC Czech Republic.

We invite you



POTIFOB Project Management Day 2016

5. 5. 9:00-17:00	Conference: POTIFOB Project Management Day 2016	Prague	Find more at: http://pmday.potifob.cz/ PwC is the partner of this conference
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7th International conference POTIFOB – Project Management Day

The 7th Annual International Conference about Project Management on **May 5th** in Prague This year's conference will give more space to the speakers from the Czech and Slovak project management industries and will also cover the topic of Agile methods in project management.

Participants will become familiar with the characteristics of individual certifications in the area of project management and the differences between them and also with the characteristics of Agile management.

PwC is a platinum partner of the event and offers you a 15% discount on admission. Please register at: <http://pmday.potifob.cz/>. (Your promotional code: PwC20160505).

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