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Tax

Uncertainties about gratuitous revenues resolved

The Coordination Committee of the General Financial Directorate (GŘ) and tax advisors suggested solutions for the uncertainties relating to gratuitous income.

GŘ, for example, confirmed that there is no non-cash income from interest-free loans under normal circumstances, neither for the company nor the companion.

It was also confirmed that, if the taxpayer uses gratuitous income to achieve the taxable income and there is an entitlement to a corresponding reduction of the tax base next to the items that are increasing the tax base also, the entitlement must be proportionally cut if the "deemed" income is used in relation to, e.g. exempt income. In the case of interest-free loans, the taxable income tests on the principal amount and not the amount of "deemed" interest.

In a separate post, the issue of formation of non-cash income to a corporation whose statutory authorities carry out their duties free of charge was discussed. Tax advisors suggested confirming that the corporate income does not arise. GŘ however argued that the "deemed" income does not arise only when the

statutory function is conducted by a companion. Full entitlement to a corresponding reduction in the tax base should therefore only be for those companies that achieve only taxable income. Other companies would have to reduce their entitlement to the reduction.



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Czech Republic and Monaco will exchange tax information

The agreement between the Czech Republic and the Principality of Monaco for the exchange of tax information specifies the type of information that both countries are obliged to provide in the event of a request. The agreement also sets out the procedural requirements under which the exchange will take place.

At the issuing of the request, the information that is deemed relevant for determining, assessing and collecting taxes on corporate and personal income, property taxes, secure payment of these taxes or information for an investigation

and prosecution of tax offenses may be provided.

Information will be provided on the basis of a formal request addressed to the other country, regardless of whether the conduct for which the information is requested is considered criminal or not in the country receiving the request.

However, the party receiving the request can also refuse to provide the information in the case that it would reveal confidential communications relating to the provision of legal advice between a client, an attorney, solicitor or other recognised legal representative.

The agreement, which is valid from the beginning of March, may also be applied to facts arising prior to the agreement taking effect.



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Increase in the tax benefits for children is approved

Increase in the tax benefits for 2016 which can be applied by individuals with dependent children who live with them together in a common household has been approved.

The amount of the tax benefit for the second child is increased from the previous CZK 15,804 to CZK 17,004 per year and for the third and each additional child from the original CZK 17,004 to CZK 20,604. The higher tax credit can be applied for the first time in the settlement of wages for May.

The amount of the tax benefit for one child remains unchanged and amounts to CZK 13,404 per year. The maximum amount of the tax bonus does not change either.

The increase in the tax benefits will apply retroactively from January 2016. The difference in the amount of tax benefits in the first months of this year will be settled after filing a tax return for the year 2016 or in the annual settlement at the beginning of 2017.



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Tax

Electronic evidence of revenues will start in December 2016

The first sales bills must be collected electronically starting in 1 December 2016. In the first wave, the electronic registration of sales will be obligatory for providers of accommodation and catering services; in the next wave from 1 March 2017, for wholesales and retailers.

The introduction of the electronic evidence of sales also relates to a reduction in the rate of VAT from 21 to 15% for catering services and drink servings (except for alcoholic beverages and tobacco).

If you are interested in this issue, we would like to invite you to a specialised seminar that we are organising for Tuesday, 31 May 2016, in the premises of PwC Czech Republic. The Act on the evidence of sales and related supporting laws were published in April 2016 in the Collection of Acts.



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Law

The forthcoming legislative amendment will fundamentally change the audit of public interest entities

The Government has recently submitted a draft to the Chamber of Deputies of the amendment to the Act on auditors.

It introduces:

- A mandatory rotation of audit firms of PIEs after ten years, which may be extended for another ten years through a tender.
- Other significant restrictions in permitted non-audit services for PIEs and their parent and controlled entities. All enabled services will have to be pre-approved by the audit committee.

The amendment also allows for the providing of tax and valuation services, if they do not have a direct or have only an insignificant impact on the financial statements.

This proposed amendment represents a fairly fundamental change in the audit of public interest entities and affects other audits only marginally.

If the current proposal is accepted, it could become applicable this year in mid-June. In the same period, the EU regulation on audit of public interest entities also becomes effective. The amendment and the regulation both apply to the financial year beginning after 17 June 2016. In the case of the calendar year, both apply to the year 2017.



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New legal regulation will simplify the prosecutorial system

The Government in April approved a paragraph version of the new law on public prosecution strengthening the independence and accountability of prosecutors. Starting in January 2017, the new legislation should also simplify the system of public prosecutors on three levels and annul both of the chief prosecutor's offices.

The establishment of a Special Public Prosecution for corruption and serious economic crime is also proposed. This government proposal is still in the being discussed.

Supreme Court: Even the annex of the contract of equity interest must have officially verified signatures

The Supreme Court resolved the dispute of the clear determination of the purchase price. As the Business Corporations Act requires the validity of the contract of the transfer of interest in writing form and with notarized signatures, the court ruled that even the annex containing the purchase price must be implemented in this clause.

According to the court decisions the purchase price is a necessary part of the contract of the transfer of interest, and therefore the annex containing the agreement of the purchase price

must fulfill the formal requirements imposed in that contract.



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Employees and Study

India introduced an electronic travel visa, Canada eTA permits

Since this February, Czech citizens can travel to India based on electronic visas. Those who travel to India for short business trips or tourist adventures does no longer need to undergo the expensive and time-consuming procedures of issuing visas at an Indian Embassy in Prague.

People traveling to Canada should have completed the electronic authorisation called eTA for their journey. Canada moved closer to the United States with this step, as a similar system of travel authorisation was already introduced in the US several years ago.



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Global corporations are going to invest over 900 billion dollars annually in the Industry 4.0 until 2020

Over the next five years, top Global companies intend to invest more than US 900 billion dollars annually to the industry 4.0. This follows the process of innovation and digitalisation of production, associated with the correct evaluation of the data

from the manufacturing processes.

Industry 4.0 represents time savings, increased efficiency and flexibility of companies. The innovative approach connects all the products, equipment, rooms and other parts of the company, which have their own part of the overall simple or complex intelligence. This allows for them to be remotely controlled and managed, for example, via the Internet. An important role is already being played by cloud storages, 3D printing, remote monitoring, smart warehouses, etc.

The average return on these investments takes roughly two years. The investment also ensures increased competitiveness in the local and global markets. Already, an investment in the amount of 5% of turnover allows companies to extend their units of measurement, interconnect their environments and also allows adequate staff training needed to keep up with rapid technological developments.

However, companies need to address the issue of the lack of qualified professionals and the need to ensure the cybernetic security of these new technologies.

More information about the survey which PwC conducted among 2,000 businesses across sectors from 26 countries can be found at <http://www.pwc.com/gx/en/industries/industry-4-0.html>.



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PwC

PwC Czech Republic showed its appreciation for the NGOs and their exemplary work with technology

More than 130 representatives of NGOs from all over the Czech Republic met on Thursday, 14 April in the conference centre at PwC Czech Republic on the Day for non-profit organisations. Among the participants were organisations active in the field of ecology, social services and advocacy.

The program included, among others, the official announcement of the winners of the Microsoft NGO Awards – Technology helps.

In each category, these following organisations won:

- Office in the cloud – winner - Centre for Social Services Ostrava for the story: "Office Colleague 365"
- The technology for each day - winner - Bona Foundation for the story: "Leisure time club of the Bona foundation"
- Processes and Infrastructure – winner SVR - Society for Developmental Rehabilitation for the story: "Rehabilitation with remote video management"

The winners will receive a prize from PwC in the form of professional advice on data processing and analysis. Advisory will be provided by our colleague Martina Miskloczi from the department of Data Analytics and Petra Fremutová from the department of Knowledge Management.



In the photo, Martina Miskloczi (right), a senior consultant in the department of data and analysis, Martina Bulánková from Microsoft, Filip Vrbický from Bono Foundation and Lenka Čábelová from Microsoft.



New mentors will advise winners of the young entrepreneurs competition – Social Impact Award

Signing in for the fifth annual Social Impact Award competition for young entrepreneurs has been completed and PwC Czech Republic is slowly getting ready for the summer acceleration program for the finalists.

Young people who have started a socially responsible business will be supported by PwC for the fifth time through professional mentoring. Our employees, who sign up for the voluntary mentoring, will advise starting entrepreneurs on tax and legal issues.

In the past, our mentors advised the Third parent platform, project Sharygator, JAPŮ and Czechitas. At the launch of this year's Social Impact Awards, the exhibition "We help you to do business differently" was held at the main offices of PwC Czech Republic, which presented all the successful projects of the competition. More information at: socialimpactaward.cz.



Mentors from last year, Michal Jekielek from legal department, Zdeněk Czerný from advisory department, Jaroslav Rummler, senior manager in advisory department.

The Academy

Unique courses led by the Shaolin monks: Self-Empowerment

We invite you to attend unique courses led by the Shaolin monks, a unique experience on the Czech market. You can attend the first training course on Self-Empowerment in June, which in the tradition of Shaolin culture means understanding and acceptance of one's own limits. Thanks to the techniques, tools and other acquired knowledge, you will learn how to determine your own limits, how to overcome them and how to improve the quality of your (not only professional) life. Training will also teach you how to move away from infertile ideas and how to develop your mind creatively and freely. The courses are developed especially for top management, directors and CEOs.

Date: 21 June 2016

Venue: PwC, Hvězdova 1734/2c, Prague 4

Price: CZK 14 900 + VAT

Language: English

Certified Internal Auditor: Part III - Internal Audit Knowledge Elements

In five days we will guide you through the topics of CIA - Part 3 exam which includes areas: governance and business ethics; risk management; organizational structure, including business processes and risks; communication; management and leadership principles; information technology and business continuity; financial management and the global business environment.

Date: 8 – 10 June 2016 + 14 – 15 June 2016

Venue: PwC, Hvězdova 1734/2c, Prague 4

Price: CZK 18 000 + VAT
(CZK 16 000 + VAT for ČHIA members)

Language: English

How to book a place?

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

Advanced data analysis and visualisation

The main topics of this practically oriented seminar are: business metrics for data-driven companies, advanced data analysis in Excel, processing large volumes of data in SQL, browsing, visualisation and presentation of data in Qlik Sense and separate projects. On the first day the participants will focus mainly on data processing. The theory will be complemented by plenty of practical examples. The second day is optional, participants will focus on the processing of individual projects under the guidance of experienced mentors from PwC or to their own data.

Date: 13 – 14 June 2016

Venue: PwC, Hvězdova 1734/2c, Praha 4

Price: 1. day 4 400 CZK + VAT

When attending second optional day, discounted price 7 800 CZK + VAT in total for both days.

Language: Czech

We invite you



Date	Name	
19.-20.5.	<u>Workout and Restructuring 2016</u>	PwC is the partner of this conference
26.5.	<u>ASA European Valuation Conference</u>	PwC is the partner of this conference

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