TAX NEWS

KSB Tax Services

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Deadline for Online Filing of 2021 Tax Returns and Exempt Income Notices Is Approaching

If you have not yet filed your 2021 personal income tax return and you are about to do so online, the return must be filed by 2 May 2022.

In addition, individuals who received tax-exempt income in excess of CZK 5 million in 2021 must file an exempt income notice by 2 May 2022. Most often, this type of income comes in the form of gifts within a family, inheritances, income from the sale of shares in a company or securities after the time test has been met. Exempt income generated when a person sells or acquires real estate need not be notified.

The extended filing deadline of 1 July 2022 applies to tax returns that are to be filed by tax advisers under a power of attorney or if the taxpayer is subject to a statutory audit. In justified cases, an extension of up to 3 months may be requested.

Employers Subject to New Reporting Duty as of 1 April 2022

As of 1 April 2022, employers are required to disclose new information on the Employment Commencement Notice (Employment Termination Notice) form.

Employers who notify the Czech Social Security Administration that a particular employee's employment has been terminated are now also required to include the following information on the form:

- type of employment;
- duration of employment;
- the period of pension insurance;
- the amount of average or probable monthly net earnings to be determined in line with applicable legislation;
- the amount of severance pay, redundancy pay and other similar redundancy payments that are due to be paid, including whether or not they have been paid; and
- the manner of and reason for terminating the employment;

within 8 calendar days following the date the employment is terminated.

To make the notification, employers may use the new form made available by the Czech Social Security Administration on its website.

2022 VAT Rate for Contact Lenses

The amendment to the VAT Act, which took force on 1 January 2022, also amended Annex 3 – the List of goods subject to the first reduced tax rate. In response, the Czech General Financial Directorate issued a guideline that provided that contact lenses are medical devices under the legislation governing medical devices; as such, contact lenses will be subject to the first reduced VAT rate.

Therefore, the supply of contact lenses remains subject to the reduced tax rate as long as the lenses are a medical device. Cosmetic lenses, on the contrary, are subject to the standard VAT rate.

Electronic Sales Registration (EET) May Be Abolished as of 1 January 2023

The Chamber of Deputies is discussing a bill drafted by the Ministry of Finance to abolish electronic sales registration (EET) as of 1 January 2023.

The government committed to abolishing EET in its programme statement. It claims that EET is unnecessary because it brings too much administration and annual costs for operating and updating cash registers. In addition, apparently mainly due to the covid situation, cashless payments have increased and this trend is expected to continue.

Currently, businesses record their sales in the EET system voluntarily. According to the draft bill, this will no longer be possible as of 1 January 2023.

End of Road Tax and Support for Electric Cars

The Chamber of Deputies will discuss a package of laws to counter rising fuel prices due to the emergency caused by Russia's aggression against Ukraine.

For income tax, it is proposed to reduce the taxable income of employees from vehicles that they can use free of charge for business and personal purposes. The new taxable

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income will be 0.5% of the acquisition price of the vehicle (including VAT) for each calendar month, compared to the current 1% of the acquisition price. The change will only apply to electric, hybrid or natural gas vehicles. For other vehicles, 1% of the acquisition price (including VAT) of the vehicle will remain taxable.

It is also proposed to reduce the depreciation period for electric vehicle charging equipment from 10 to 5 years. This will allow the acquisition costs of these devices to be recovered faster.

For road tax, the changes to the legislation are more significant. The changes will affect both the subject matter of the tax and the annual tax rates. In effect, the road tax on vehicles with a maximum permissible weight of up to 12 tonnes will be abolished. For vehicles over 12 tonnes, a reduction in the annual tax rates is proposed. In view of the fact that the new regulation will be applied retroactively for 2022, the Minister of Finance has waived all taxpayers' advance payments of this tax, which are due on 19 April 2022, 15 July 2022, 17 October 2022 and 15 December 2022. The waiver of the advances is intended to prevent their unnecessary payment and subsequent refund.

The new rules will apply as early as this year. However, for charging equipment or technical improvements thereto which was put into use before the act takes force, it only will be possible to change the depreciation class starting in 2023.

VAT Payments Deferred for Transport Operators

The Minister of Finance will waive late payment interest and interest on the VAT-related overdue amount for the period February 2022 to August 2022, or for the first to second quarters of 2022. The waiver is subject to:

- the fact that the majority of the taxpayer's income for the tax periods in question is generated from a transport business;
- the VAT will be credited to the tax authority’s account no later than on 31 October 2022; and
- the taxable person notifies the tax authority of this fact when it files its regular or additional VAT return.

Please note, however, that the waiver applies only to late payment interest. The tax return for the tax periods referred to above must be filed by the statutory deadline. Penalties will apply to tax returns filed late.

Government’s Support for Aid to Ukraine

In the context of the war in Ukraine, the arrival of refugees to the Czech Republic and the monetary and non-monetary aid provided by taxpayers in support of Ukraine, the Chamber of Deputies is debating a bill aimed at supporting taxpayers' charitable activities in the tax area.

The bill proposes the possibility to reduce the 2022 tax base by the value of donations to support the defence efforts of Ukraine and to legal entities and individuals based or domiciled in Ukraine. Alternatively, it will be possible to claim these expenses as tax effective.

It is also proposed to exempt employers from income tax on accommodation they provide free of charge to their employees’ family members who reside in Ukraine.

The limit for claiming donations will also be increased to 30% of the 2022 tax base.

The text of the bill has been modified since it was first disclosed. To address potential interpretation difficulties, the General Financial Directorate has published an updated version of the draft bill, including FAQs and several illustrative examples.

The changes should be applicable retroactively for the entire year 2022. The Ministry of Finance has claimed that the tax authorities will comply with the proposed changes now, even though the law has not yet been approved and has not yet taken effect.

The tax authorities have also commented on the employment of Ukrainian citizens through the guidelines that are available here, which outline the obligations of employers if they employ citizens of Ukraine who took refuge in the Czech Republic due to the war.

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Every employee has the right to submit a declaration to their employer for personal income tax on employment income. This declaration can be used to claim tax allowances or child tax allowances. However, it is also important whether the employee is a Czech tax resident or a non-resident for claiming tax allowances. If the particular party is a non-resident Czech taxpayer, the employer can only claim the basic taxpayer discount and the student discount during the year. Everything else, if any, can only be claimed after the end of the tax year.

Taxation of Cryptocurrency Transactions

As the current rules do not contain any special taxation arrangements for cryptocurrencies, the GFD has published Information on the subject. The Information introduces taxpayers to the obligations that may arise from cryptocurrency-related operations such as:

- cryptocurrency mining;
- buying and selling goods/services with cryptocurrency;
- exchange of cryptocurrency for fiat currency and other transactions.

Individual cryptocurrency operations are assessed from the perspective of VAT and personal and corporate income tax.

Reduced Excise Duty on Diesel and Petrol

The Government supported the amendment to the Excise Duties Act submitted by the Ministry of Finance whereunder excise duty on diesel fuel, unleaded petrol and similar mineral oils will be reduced by CZK 1.50 per litre. The reduction will be temporary and will apply to commodities put into free fiscal circulation in the Czech Republic during the period from 1 June 2022 to 30 September 2022.

The changes will also affect excise duty refunds on so-called "green diesel". For a period of 3 months, the tax refund rate will be reduced by CZK 1.20, or from CZK 8.50 to CZK 7.30 per litre of diesel fuel consumed in the operations concerned. Specifically, the reduction in the refund will apply if the following are involved:

- livestock production;
- combined crop and livestock production with a high proportion of livestock production; and

crop production with a high proportion of cultivation of so-called "sensitive crops".

If you need more details or would like to know more about specific issues, please contact a KŠB tax advisor. We would be pleased to provide you with more information on any of the issues above.

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