



TAX news



Grants & Incentives news

dReport: October 2018

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Tax changes in the taxation of investment funds

In the June issue of dReport, we informed you about the amendment included in the planned change in the taxation of basic investment funds. On 19 July 2018, an act was adopted (with effect from 1 January 2019) which includes a narrowing of the definition of a basic investment fund, and removes from the definition those funds whose shares are admitted to trading only on the European regulated market and do not fulfil the other conditions enumerated by law. These funds will now be subject to the standard corporate rate of 19% and not the current rate of 5%.

As we have reported before, the reason for the change was the Senate's effort to remove from the definition of the basic investment funds the funds that are only registered on a regulated market without actually performing investment activities. Pursuant to the amendment, the benefits of lower taxation can only be drawn by the funds that are active in making investments on financial markets.

The adopted amendment stipulates that the **basic investment funds include the funds listed for trading on a European regulated market with no corporate income taxpayer having any investment of 10% or more in the registered capital of the relevant investment fund**; in order to meet

the condition, investments of related parties that are corporate income taxpayers are considered to be investments of a single taxpayer; the condition is considered to be met even if the permitted investment in the registered capital is exceeded over a period shorter than a half of the taxation period or a period for which a tax return is filed or a period shorter than six months if the taxation period is longer than 12 months and if the fund is not involved in a trade under the conditions stipulated by the Trade Licensing Act.

The above-specified restriction will thus relate to the funds that are only considered to be basic investment funds under the Income Taxes Act due to the fact that they are listed for trading on a European regulated market and at the same time, they are owned within a group or by a limited number of owners, whereby the share of each owner is 10% or more.

The amendment will apply to tax obligations arising after the effective date of the Act, i.e. **from 1 January 2019**.

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The flat expense charge-off for entrepreneurs will not increase

The Chamber of Deputies rejected an amendment intended to restore the cap on the flat expense charge-off ("paušální výdaje") to the past year's level, i.e. In relation to the annual income of CZK 2 million. As a result, for all income from independent activities, the flat expense charge-off remains only at CZK 1 million per year (income in excess of this amount is taxed on a gross basis). Entrepreneurs and sole

traders will need to work out properly whether a more beneficial treatment for them does not involve deducting the actual expenses incurred. Changing the treatment also requires taking into account special obligations related to the change such as additional taxation of receivables, etc.

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Currently on ATAD implementation

The proposed amendment to the Income Taxes Act (included in the government package of tax law amendments), whose primary objective is to implement the EU Anti Tax Avoidance Directive – ATAD from 1 January 2019, is awaiting debate in the Chamber of Deputies in the first reading. A question mark is therefore beginning to appear regarding whether or not the proposed amendment will be able to go through the whole legislative process by the year end.

Given the complexity of the new provisions of the implemented directive (especially the definition and calculation of deductibility of interest and financial

expenses arising from loans, CFC rules etc.), the Financial Administration is working to prepare methodology to describe the procedures according to the new provisions and definitions in more detail including illustrations on specific examples. At present it is unclear what form the methodology will have or when the Financial Administration should publish it.

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Amendment to the VAT Act

The technical amendment to the VAT Act, which should substantially revise rules in various areas (voucher taxation, issuance of corrective tax documents, possibility of correcting tax imposed on bad debt etc) has not yet been debated by the Chamber of Deputies. The effect of the amendment will likely be postponed by several weeks (or months).

A similar scenario may also be expected with respect to the amendment to the Electronic Sales Records Act. The amendment should extend the application of the reduced tax rate to other supplies (draught beer, household cleaning services etc).

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Judgments of the Court of Justice of the European Union

In two cases (C-422/17 Scarpa Travel and C-552/17 Alpenchalets Resorts), the Advocate General of the Court of Justice of the European Union (CJEU) defines the taxation of services when the special regime for travel services is applied. The Advocate General infers that advance payments should also be subject to tax (this requirements is not included in the Czech VAT) and, furthermore, substantially extends the definition of travel services (it is debatable how the CJEU will respond to the Advocate General's controversial opinion and how this opinion could affect the interpretation of the Czech VAT Act).

Other interesting interpretations of the Advocate General may be found in case C-502/17 C&D Foods relating to the sale of a share in a subsidiary which was so far only passively held by the parent holding company. The Advocate General indicates that, under specific circumstances, a claim for the VAT deduction may also be considered for received supplied relating to the sale (in particular, advisory services provided to the holding company).

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News round up

BEPS Action 15: Multilateral Instrument

Australia, the Czech Republic, Kazakhstan, Kuwait, Switzerland and Panama approved the multilateral instrument (MLI) in recent days. Namely, in the Czech Republic the Ministry of Finance submitted a draft bill to ratify the MLI to both chambers of parliament on 29 August 2018. The OECD maintains an up-to-date list of signatories to the MLI that also indicates jurisdictions that have ratified the MLI and the date on which the MLI enters into force for those jurisdictions. The list is available [here](#).

Belgium: Questions and answers to deduction on innovation income

On 26 July 2018, the Belgian tax authorities published frequently asked questions (FAQ) on the application of the innovation income deduction (IID) regime, which replaced the previous patent income deduction. Under the IID regime, qualifying taxpayers may deduct 85% of qualifying net innovation income from the company's taxable base.. The main highlights of the FAQ are: the intellectual property (IP) for which the IID will be applied must be booked as an immaterial fixed asset on the company's balance sheet. R&D expenses that are not directly related to the IP right may not be deducted from the gross innovation income. This includes interest expenses, building costs, as well as any other costs not directly related to the IP.

Implementing of ATAD in Croatia

Croatia's Ministry of Finance has initiated a consultation on several draft tax bills that would, among other things, bring domestic legislation in line with the EU anti-tax-avoidance directive (ATAD), effective 1 January 2019. Proposed new rules for interest expenses incurred on loans granted by both related and unrelated parties would apply in tandem with the existing thin capitalisation rules for interest expenses incurred on loans granted by related parties. The draft measures would also introduce controlled foreign corporation rules covering passive income (including dividends, interest or other income from financial assets, fees for licences or any other intellectual property income, and income from finance leasing) that is taxable in a foreign low-tax jurisdiction. Moreover, another draft bill would extend the 20 percent withholding tax rate levied on remuneration paid for services rendered by non-resident suppliers in non-cooperative jurisdictions (based on the EU list) to interest, dividends, and other similar payments to those persons, provided that there is no tax treaty in force between Croatia and the non-cooperative jurisdiction.

Luxembourg: Access to anti-money laundering information gazette

The bill implementing the EU directive on tax authorities' access to anti-money-laundering information was published on 6 August 2018. The bill, which applies from 10 August 2018, provides amendments to the following laws: the law on administrative cooperation in the field of taxation, the law relating to the Common Reporting Standard (CRS) and the law on country-by-country (CbC) reporting.

Malta updates notional interest deduction guidelines

Malta's revenue commissioner released an updated version of the Notional Interest Deduction (NID) Guidelines on 8 August 2018. The guidelines pertain to the Notional Interest Deduction Rules, 2018, which are effective from fiscal year 2018. For the purpose of calculating the NID, the reference rate must be determined by reference to the risk-free rate published by the Central Bank of Malta for the end of the quarter falling on the same day as the end of the relevant undertaking's accounting period. Further, the NID may be claimed only if it is demonstrated that all shareholders or partners of the undertaking approve the claim for the deduction for the particular tax year.

Poland: New tax measures

Poland's Ministry of Finance released a draft bill proposing preferential tax treatment for income from intellectual property rights and lower corporate tax on small and medium-sized enterprises. The tax measures are expected to take effect on 1 January 2019. The proposed patent box regime would introduce a reduced tax rate of 5 percent for income derived from qualifying IP rights. The preferential tax regime would cover cases in which a taxpayer conducts research and development activities related to the development, creation, or improvement of a qualifying IP right. The draft measures would also introduce a reduced corporate income tax rate of 9 percent for SMEs with annual turnover of no more than €1.2 million and a notional interest deduction, subject to an annual cap of PLN 250,000. An exit tax would also be implemented in accordance with the EU anti-tax-avoidance directive.

Guernsey and Jersey: New rules for demonstration of economic substance

Guernsey and Jersey are consulting on proposals to apply for accounting periods beginning on or after 1 January 2019, requiring tax resident companies to demonstrate they have sufficient substance. The proposed substance requirements, outlined in detail in the Jersey consultation paper, include several relevant activities that companies operating in the specified fields will need to detail on their tax returns. Those include the amount and type of gross income, type of expenses and assets, details about physical premises, and number of full-time employees. Companies must also demonstrate that they are directed and managed in their tax-resident jurisdiction, and the Jersey consultation provides different ways for companies to do so.

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New framework for resolving international tax disputes

The Ministry of Finance has presented a draft Act on International Cooperation in Tax Dispute Resolution for consultation. It is a new act designed to transpose Council Directive (EU) 2017/1852 of 10 October 2017 on tax dispute resolution mechanisms in the European Union (“DRM Directive”). It should also be applied to resolve disputes with countries with which the Czech Republic has concluded a Double Taxation Treaty. The principles of the new regulation are therefore **based on existing mechanisms** stipulated by international treaties, and the provisions codify the existing mechanisms, clearly determine the course of the process of international tax dispute resolution, the competencies of individual participants and the deadlines for the intermediate steps.

The new provisions should be applied with respect to **all contracting states**. With respect to the member states of the European Union, certain **additional institutes** will apply, such as the possibility to access tax arbitration (which can, however, also arise from international treaties). In addition, they contain

so-called control mechanisms which allow summoning an **advisory body** (composed of representatives of the competent authorities and experts) in certain stages of the proceedings for an independent and unbiased assessment of the dispute. The advisory body can **assess the admissibility of the request as such** (if there is a disagreement between the states as to whether or not the request is admissible) or it can **perform tax arbitration** – material assessment of the question in dispute if the competent authorities do not reach an amicable resolution of the case **within a two-year period**.

Large entities will file requests for the questions in dispute in all of the affected countries, smaller entities and natural persons should be able to use a simplified filing system. The process is expected to result in achieving an agreement, or issuing a decision on the question in dispute that the taxpayer may use during specific proceedings with the tax authority.

The proposed effective date of the new act is 30 June 2019.

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Imposition of sanctions by the Financial Administration

The Financial Administration has recently published information about its activities in 2017 including statistical data concerning specifically tax administration. Based on comparison with the data of previous years, we can observe particularly a trend of increases in sanctioning taxable entities for breaches of their obligations.

The Tax Code regulates a variety of sanction instruments for breaches of obligations of a taxable entity during tax administration. Aside from sanctions for breaches of obligations of a taxable entity of non-monetary nature, a taxable entity can be subject to fines especially for the breach of obligations in the area of filing tax returns and in the area of payment.

In practice, it is no exception that due to the existence of a long-lasting tax audit and appellate proceedings, sanctions can reach almost the same amount as the additionally assessed tax liability. The strictness of the sanctions is exacerbated by the fact that they usually represent a non-tax deductible expense. After the imposition of a sanction, a taxable entity should therefore consider the use of remedies or the possibility of sanction remission, since in recent years it has been possible to obtain at least partial remission of selected sanctions.

Which fines predominate according to the Financial Administration's statistics?

Fine for late tax return

As in previous years, a very frequently imposed sanction pursuant to the Tax Code in 2017 was the fine for late filing of the tax return. This fine was imposed in a total of 273,000 cases, which is 55,000 cases more than in the previous calendar year.

A taxable entity becomes obliged to pay the fine for late tax return if its filing of the tax return is delayed by more than five business days of the end of the period for filing the tax return. The fine is imposed automatically as required by law and the tax administrator has no possibility of administrative reasoning. In this respect, it should be emphasised that this sanction applies even if the taxable entity delays in filing an additional tax return or accounts and reports. The amount of the fine depends on the amount of tax and the period of default. The amount of this fine is set by law as equal to 0.05% of the assessed tax or the assessed tax deduction, or 0.01% of the assessed tax loss for every day following the day of default, but no more than 5%; however, the fine for late tax return simultaneously cannot exceed CZK 300,000. If the taxable entity files a tax return within 30 days of the end of the period for filing the tax return and if the taxable entity was not in default with another tax return in the same calendar year, only half of the amount of the fine is imposed. This fine cannot be remitted in any way.

Penalty

If additional tax is assessed after a tax audit, an additional penalty of 20% of the assessed tax is imposed. If the additionally assessed tax is paid, up to 75% of the penalty may be remitted based on an evaluation of the taxable entity's cooperation.

Default interest

The highest item in the total volume of the recorded additional tax charges imposed for 2017 was default interest imposed in the event of late payment of tax, amounting to CZK 14 billion and it therefore represented 87.2% of the total value of additional tax charges. However, the state budget income from this sanction was higher in previous years (approx. CZK 19 billion in 2016, CZK 17 billion in 2015).

A taxable entity becomes obliged to pay default interest (currently in the amount of 14.5% p.a.) for each day of default starting with the fifth business day following the original due date of the tax, until the day of actual payment.

The taxable entity does not have to be automatically informed by the tax administrator about the tax arrears in any way, even though default interest may arise from just an oversight, e.g. due to the payment of tax with an incorrect variable symbol or forgetting to make prepayments. Every taxable entity should therefore regularly make sure that it has no tax debts, which can be done by filing a request for a confirmation of no outstanding payments or confirmation of the state of the personal tax account, or a request for an extract of facts from the tax file, or online using the tax information box.

Tax that has not been paid on time represents tax arrears, but the performance of this obligation to pay the outstanding amount may still be postponed. One of the possibilities is the permission to defer the payment of tax or to distribute its payment in instalments regulated by Section 156 of the Tax Code; the deferment may be permitted even retroactively. Throughout the permitted deferment, the taxable entity is not obliged to pay default interest but instead a significantly lower interest on the deferred amount (7 % plus REPO p.a.), which can even be partially remitted by the tax administrator in specific cases. In 2017, deferment was granted in 8,210 cases.

Sanctions for breaches of the taxable entity's obligations of a non-monetary nature

A frequently imposed sanction for breaches of the taxable entity's obligations of a non-monetary nature in 2017 were fines for filing a tax return or additional tax return in other ways than electronically even though the taxable entity was obliged to use the electronic method.



Other frequent fines included fines for breaching obligations related to local sales/purchases reporting ('kontrolní hlášení') pursuant to the VAT Act. The highest amount of fines were imposed by tax authorities to VAT payers that did not file the local sales/purchases report even in the substitute period after a call from the tax administrator. In such a case, VAT payers should keep in mind that one transgression per year can be remitted provided that the required conditions are met.

Tax authorities also imposed several fines pursuant to the Accounting Act, e.g. for the failure to disclose the required reports, which are, however, not disclosed by most companies in the Czech Republic according to the statistics. Sanctions were also imposed with respect to the electronic sales records.

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CbC reporting: Amended list of cooperating countries

In Financial Bulletin ("FB") No. 7/2018 of 23 August 2018, the Financial Administration published an amended list of countries exchanging country-by-country reports ("Report") with the Czech Republic. The changes concern Costa Rica, Pakistan, and Bonaire, Sint Eustatius and Saba.

The amendment to the Act on International Cooperation in Tax Administration introduced a new reporting obligation in the Czech Republic as part of the international exchange of information, so-called 'Country by Country Reporting'. This generally obliges each group of enterprises with consolidated global income exceeding EUR 750 million and with local presence to disclose to tax administrations a yearly CbC Report that summarises the financial information on this group. The Report, which is then subject to automatic exchange of information between individual countries, shall be prepared on behalf of the whole group of enterprises by:

- The ultimate parent company; or
- The surrogate parent company (i.e. The Company that was designated by the group to prepare the CbC Report e.g. because the parent company does not have the obligation to prepare it or it is based in a country that is not part of the automatic exchange of CbC Reports – refer to the published list of jurisdictions); or
- The Czech member company if the ultimate parent company or surrogate parent company are based in a non-cooperating country, see above.

On 31 January 2018, the Ministry of Finance of the Czech Republic issued a list of jurisdictions that have an active exchange of information with the Czech Republic.

On 27 April 2018, this list was updated for the first time (FB No. 4/2018) and the following countries exchanging CbC Reports for reporting periods beginning on or after 1 January 2016 were added:

- Bermuda;
- Cayman Island; and
- Pakistan.

As part of the second update of 23 August 2018 (FB No. 7/2018), the following countries exchanging CbC Reports for reporting periods beginning on or after 1 January 2016 were added to the list:

- Bonaire, Sint Eustatius and Saba; and
- Costa Rica.

In the case of Pakistan, the activation of information exchange was postponed until reporting periods beginning on or after 1 January 2018.

The complete list of countries is available [here](#).

The published list will continue to be gradually updated depending on the inclusion of additional jurisdictions in the system of CbC Report exchange with the Czech Republic and this information will be once again issued in the Financial Bulletin. In addition to this list, the CbC Report exchange takes place automatically within the European Union.

The first automatic exchange of CbC Reports for reporting periods ending 31 December 2016 took place between these countries in June 2018. This was the first period for which CbC Reports were filed worldwide. In this respect, there was a great deal of discussion about the relationship of the Czech Republic with e.g. Japan, the USA, China and Switzerland, especially regarding the valid periods for which the automatic exchange of information would be activated with these countries. The aforementioned list of cooperating states confirms that Japan and the USA exchange reports already from the taxation period of the FY 2016, so no alternative measures have to be taken with respect to them.

By contrast, China has not joined the automatic information exchange as part of CbC reporting at all so far. If a Czech company has a parent company in China, the group can either designate a surrogate parent company in one of the cooperating countries that is on the list and where the CbC Report for the group will be filed, or the Czech company has to file the CbC Report on its own in its country. This also has to be adequately indicated in the CbC notification.



Thanks to transitional provisions, these obligations are only valid from the taxation period of the FY 2017.

Switzerland will start exchanging CbC Reports from the taxation period of the FY 2018. i.e. The same situation as in the case of China applies for the FY 2017, but for the following periods, the standard situation will apply as for other countries from the amended list, including the USA and Japan.

The exchange of CbC Reports for reporting periods ending no later than 31 December 2017 will follow next in the first half of 2019. If a Czech company is obliged to file the CbC Report at the local Specialised Tax Office, it should do so within 12 months of the end of the taxation period, i.e. for the FY 2017 taxation period by 31 December 2018.

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Tax liabilities – October 2018

October

Monday, 1	Value added tax	Deadline for submission of application VAT refund from/to other member state to sec. 82 and sec. 82a VAT Act
	Income tax	Payment of special-rate withholding tax for August 2018
Wednesday, 10	Consumption tax	Tax maturity for August 2018 (except the consumption tax on alcohol)
Friday, 12	Intrastat	Submission of statements for intrastat for September 2018, paper form
Tuesday, 16	Road tax	Advance payment of tax for 3rd quarter 2018
	Intrastat	Submission of statements for intrastat for September 2018, electronic form
Monday, 22	Value added tax	Tax return and maturity of the MOSS VAT
	Income tax	Monthly payment of deducted advance payments on personal income tax from employment
Thursday, 25	Lotteries and other similar games	Submission of statement to advanced payment on lotteries and other similar games and payment of advanced payment for 3Q quarter 2018
	Value added tax	Tax return and tax due date for 3Q and September 2018
		EC Sales List for 3Q and September 2018
		VAT control statement for Q3 and September 2018
	Energy taxes	Tax return and tax maturity on gas, solid fuels and electricity for September 2018
Consumption tax	Tax maturity for August 2018 (only the consumption tax on alcohol)	
	Tax return for September 2018	
	Tax return for claiming of refund of consumption tax, for example on fuel oil, other petrol (benzine) for September 2018 (if applicable)	
Wednesday, 31	Value added tax	Last day of term for submission of application, changes or cancellation of VAT group according to § 95a based on VAT Act with effectiveness of change of group on 1 January 2019
	Income tax	Payment of special-rate withholding tax for September 2018



Tax liabilities – November 2018

November

Friday, 9	Consumption tax	Tax maturity for September 2018 (except the consumption tax on alcohol)
Wednesday, 14	Intrastat	Submission of statements for intrastat for October 2018, paper form
Friday, 16	Intrastat	Submission of statements for intrastat for October 2018, electronic form
Monday, 20	Income tax	Monthly payment of deducted advance payments on personal income tax from employment
Monday, 26	Value added tax	Tax return and tax for October 2018
		EC Sales List for October 2018
		VAT control statement for October 2018
	Energy taxes	Tax return and tax maturity on gas, solid fuels and electricity for October 2018
	Consumption tax	Tax maturity for September 2018 (only the consumption tax on alcohol)
		Tax return for October 2018
		Tax return for claiming of refund of consumption tax, for example on fuel oil, other petrol (benzine) for October 2018 (if applicable)
Friday, 30	Real estate tax	Tax maturity of 2nd tax payment (all tax payers with tax duty above CZK 5,000)
	Income tax	Payment of special-rate withholding tax for October 2018

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Announcement of the Second Public Tender under the THÉTA Programme

On Wednesday, 17 October 2018, the second public tender under the Théta programme will be announced by the Technology Agency of the Czech Republic.

This programme is designed to support applied research, experimental development and innovations and is focused on projects in the energy industry. It will support projects whose objective is the achievement of certain types of deliverables and results such as a patent, prototype or function sample.

The programme is divided into the following three sub-programmes:

1. Research in public interest.
2. Strategic energy technologies.
3. Long-term technological perspectives.

Applicants in this public tender may comprise both enterprises (small, medium-sized and large) and research organisations. The amount of the support per one project may, in the case of enterprises, attain no more than 80% of total eligible costs, depending on the size of the enterprise and the type of the activity supported. Regarding the research organisations, the amount of the support is set at 100% of total eligible costs.

Second Public Tender under the Zéta Programme

On Wednesday, 12 September 2018, the Technology Agency of the Czech Republic announced the second public tender under the Zéta programme. The support from this programme is intended for the projects of cooperation between companies and the academia, through involvement of students.

The necessary presumption of the projects is the achievement of a certain type of a result such as a prototype, function sample, software, industrial or utility design etc. Applicants in this public tender may recruit from among companies and research and knowledge-transfer organisations.

A subsidy applies to the costs such as personal costs, costs of tools and equipment, costs incurred in connection with contractual research, knowledge, patents and advisory services used for the purposes of the project and additional overhead costs incurred immediately in connection with the project.

The maximum amount of the support per one project is CZK 10 million.

Autumn Round of the Acceptance of Applications under the Rural Development Programme

The autumn, already the 7th, round of the acceptance of applications under the Rural Development Programme will take place from 9 October 2018 to 30 October 2018. The managing body is the Ministry of Agriculture of the Czech Republic.

The support will go to projects, eg. in the following areas:

- Educational events.
- Investments in agricultural enterprises.

- Processing of agricultural products and their launching on the market.
- Implementation of preventive measures in forests.
- Post-calamity restoration of forest vegetation.
- Engineering and technology for forest management.

Who can apply for a subsidy?

- According to the type of the supported area, these can be entrepreneurial entities, entities ensuring educational events, entrepreneurs in farming, groups of farmers etc.



What the subsidy applies to:

- According to the type of operation, the subsidy applies, eg, to the costs of procurement of an educational event, technologies for plant and animal production, costs of special mobile machinery for agricultural production, construction and refurbishment of buildings, investment costs leading to the increase and monitoring of the quality of products or relating to the launch of products on the market, costs of machinery and equipment for agricultural products processing, costs of studies.

Amount of the subsidy per one project:

- According to the type of operation: 25% - 85% of costs from which the subsidy is determined.

Acceptance of applications:

- 9 October 2018 – 30 October 2018.

Launching the acceptance of applications for a subsidy under the OP PIK

In late September and during October the acceptance of the applications for a subsidy will be launched in several calls of the Operational Programme Enterprise and Innovations for Competitiveness 2014–2020 whose more detailed description is provided below.

The Innovation Programme

On Wednesday, 26 September 2018, the acceptance of the applications for a subsidy under the programme **Innovation (Innovation project)** will be launched. This programme focuses on the support of projects implementing new or innovative products, technologies or services in production and on the market. Supportable activities include, eg, product innovation activities such as strengthening the technical and utility values of products, technologies and services and process innovation activities such as the increase of the effectiveness of the process of production or provision of services.

Who can apply for the subsidy?

- Small, medium-sized and large enterprises. However, large enterprises only if the presented project has a positive environmental impact.

What the subsidy applies to:

- Project documentation costs.
- Construction costs.
- Costs of the acquisition of production technologies, machinery and equipment.
- Software and data costs.
- Costs of the rights to use intellectual property.
- Costs of certification of products.
- Marketing innovation costs.

Amount of subsidy per one project:

- CZK 1 million – CZK 40 million.

Level of support per one project:

- Up to 45% of eligible costs for small enterprises.
- Up to 35% of eligible costs for medium-sized enterprises.
- Up to 25% of eligible costs for large enterprises.

Acceptance of applications:

- 26 September 2018 – 27 November 2018.

Applications accepted as part of the call are assessed on an ongoing basis. The project has to be implemented in the Czech Republic, outside the capital of Prague where the actual real place at which the project is realised is decisive. Projects that are realised in districts showing a share of unemployed persons higher than the average share per the Czech Republic receive bonification.

The Potential Programme

On Monday, 1 October 2018, the period for filing applications for a subsidy under the Potential programme that supports projects focused on the construction and development of centres for industrial research, development and innovations starts running. Support is given to the purchase of land, buildings, machinery/equipment and other equipment for the research and development centre.

Who can apply for the subsidy?

- Small, medium-sized and large enterprises. However, large enterprises only if the presented project has a positive environmental impact or the main aim of the project is cooperation of a large enterprise with a small or medium-sized one on a particular research and development project.

What the subsidy applies to:

- Costs of the acquisition of tangible fixed assets necessary for the performance of research and development activities and equipment of the research and development centre such as the purchase of land, machinery and another equipment. However, these have to be depreciable assets (except for land).
 - Costs of the purchase of land only up to 10% of total actual eligible investment costs.
 - Costs of the acquisition of building/new building up to 40% of total eligible investment costs.
- Intangible fixed assets meeting the conditions of the call, up to 50% of total eligible investment costs of the project.
- Costs of obligatory publicity.



Amount of subsidy per one project:

- CZK 2 million – CZK 30 million.

Level of support per one project:

- Up to 50% of eligible costs for all types of enterprises (in terms of size).

Acceptance of applications:

- 1 October 2018 – 15 January 2019.

Applications accepted as part of the call are assessed at once within a round. The project has to be implemented in the Czech Republic, outside the capital of Prague where the actual place at which the project is realised is decisive. Projects that are realised in districts showing a share of unemployed persons higher than the average share per the Czech Republic receive bonification.

The Property Programme

In late October, specifically on 22 October 2018, the period for filing applications for a subsidy under the **Property** programme that supports projects focused on the reconstruction of technically unsuitable buildings or readjustment of the structures of a brownfield type to the structures intended for doing business starts running.

Who can apply for the subsidy?

- Small and medium-sized enterprises.

What the subsidy applies to:

- Costs of the acquisition of tangible fixed assets such as the reconstruction, modernisation, construction or demolition of buildings, land adjustment, utility networks, roads to buildings etc.
- Other costs related to the building such as project and engineering work or studies and documents that will be included in tangible fixed assets.

Amount of subsidy per one project:

- CZK 1 million – CZK 30 million.

Level of support per one project:

- Up to 45% of eligible costs for small enterprises.
- Up to 35% of eligible costs for medium-sized enterprises.

Acceptance of applications:

- 22 October 2018 – 22 May 2019.

Applications accepted as part of the call are assessed on an ongoing basis. The project has to be implemented in the Czech Republic, outside the capital of Prague where the actual place at which the project is realised is decisive. Projects that are realised in districts showing a share of unemployed persons higher than the average share per the Czech Republic receive bonification.

Contacts

If these issues relate to your company, we would be happy to provide you with more detailed information. Feel free to contact us at any time

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