TAX news **Grants & Incentives news**

dReport: March 2019

Check out our regular TAX news, Grants & Incentives news newsletter.

Contents

The Final Version of the Tax Package has Been Approved

In general, the changes introduced by the tax package are expected to come into force on 1 April 2019; however, in certain situations, it is necessary to verify whether special effectiveness rules or transitional provisions apply or not.

On 12 March 2019, the Chamber of Deputies voted on the tax package, which had been returned to it by the Senate with a proposed amendment in January. The deputies voted down the Senate's proposal, thereby approving the tax package in the originally approved wording.

The approved amendment to tax legislation (income taxes, VAT, Tax Code, excise taxes and others) was signed by the President and will be promulgated in the Collection of Laws in the upcoming days.

What principal amendments the tax package includes?

Income Tax:

- Implementation of principles arising from the ATAD – new principles seeking to limit cross-border tax optimisation schemes. It is a new concept for calculating non-tax deductible excessive financial expenses, introducing exit tax and rules for the taxation of controlled cross-border entities and limiting the use of cross-border hybrid schemes. The Tax Code will also specifically introduce the institutes of the anti abuse rule. For details about the implementation of the ATAD, refer to our earlier article;
- Change in the upper limit of income of CZK 2 million to limit expense flat charge-off rates for the self-employed;
- Introduction of a new obligation to report payments in excess of CZK 100,000 not subject to withholding tax in the Czech Republic to the tax administrator on a monthly basis (payments that are exempt or not subject to taxation in the Czech Republic based on the applicable double taxation treaty provisions). For more details about this topic, refer to our earlier article;
- Change in the rules for preparing research and development projects – for more details refer to the article;
- Possibility of reflecting the impact of IFRS as early as for the 2019 taxation period (financial institutions); and
- Change in the withholding tax limit to the amount decisive in paying sickness insurance.

VAT – the changes are described in greater detail in the following article:

- New guidance on taxing vouchers (single-purpose and multi-purpose vouchers)
- New provisions on the date of taxable supply (ancillary supplies to leases, long-term supplies)
- New rules for delivering tax documents
- Finance lease definition (effective from 2020)
- Lease of real estate and taxation option restriction (effective from 2021)
- VAT deduction adjustment in respect of real estate repairs
- VAT deduction claim upon registration
- Determination of the place of supply on electronically-provided services

The amendment is expected to become generally effective on 1 April 2019; however, the effective date is different for some of the provisions – therefore, we recommend carefully verifying the effectiveness of amendments, if relevant.

Tereza Tomanová
ttomanova@deloittece.com

Tomáš Brandejs
tbrandejs@deloittece.com

Use of the guide value in determining the real estate acquisition tax base

For the purpose of determining the real estate acquisition tax base, a taxpayer has the possibility to choose either the price determined by an expert valuation or the so-called guide value ("směrná hodnota") as the comparative tax value. The Financial Administration has so far argued that the taxpayer can no longer change the selected option once the tax return is submitted, for example by filing an additional tax return. However, the Municipal Court in Prague has now expressed the view that the taxpayer may change its decision until the tax is assessed.

When buying real estate, the buyer is required to pay a 4% real estate acquisition tax or 75% of the so-called comparative tax value, whichever amount is higher.

According to the Senate's Ordinance No. 340/2013 Coll., on Real Estate Acquisition Tax, since 1 January 2014, taxpayers have had the option of choosing the comparative tax value either according to an expert valuation, or for selected real estate (e.g. family houses and apartments, garages or family recreation buildings), i.e. The guide value.

In the case of the expert valuation, the procedure is simple; the taxpayer compares the purchase price and 75% of the price according to the expert valuation and then calculates the tax from the higher amount and makes a payment to the tax authority within the statutory deadline.

In the case of the guide value, the procedure is different. The guide value is a form of the "market" price, which is determined by the Tax Administrator itself on the basis of prices of real estate at the place where the real estate is located, in a comparable time period, taking into account the type, location, purpose, condition, age, equipment and construction technical parameters. In the tax return, only a tax prepayment in the amount of 4% of the purchase price of the property is stated.

The Tax Administrator then makes a comparison between the purchase price and 75% of the guide value it calculates on the basis of the information provided by the taxpayer in the tax return. If the purchase price is higher, the Tax Administrator assesses the real estate acquisition tax in the same amount as the tax prepayment calculated by the taxpayer. If the guide value is higher, the Tax Administrator assesses the tax via a payment assessment notice to be paid within an alternative due date of 30 days.

If the guide value is selected, the taxpayer may have an unpleasant surprise involving the amount of the tax assessed by the Tax Administrator as the guide value may vary considerably (especially in more remote areas) from the purchase price. However, from the wording of the Ordinance, it was unclear whether the taxpayer is allowed to revisit its choice after such a finding and use the valuation price set by expert.

The Municipal Court in Prague has recently addressed this question. In the case in question, the taxpayer first selected the guide value and provided all necessary data for its determination in the tax return. Upon receipt of a payment assessment notice for a supplementary tax payment, which was determined on the basis of the guide value and which was higher than the purchase price, the taxpayer filed an appeal and requested a change of the comparative tax value from the guide value to the valuation price determined by expert. However, the Tax Administrator rejected this procedure and the Municipal Court upheld its decision. According to the Municipal Court, the purpose of an appeal is to remedy the deficiencies of the decision or procedures, not to change the procedure originally selected. Especially because the taxpayer has an opportunity to calculate the guide value on the website of the Financial Administration prior to submitting the tax return (http://smernahodnota.financnisprava.cz). Therefore, the taxpayer's request for change of the determination of the comparative tax value to the valuation price determined by expert can only be accepted until the tax is assessed.

When selecting the guide value, the assessment procedure usually takes longer, as the Tax Administrator needs to verify the information provided by the taxpayer to calculate the guide value. The length of the assessment procedure is not specified by law or by any other regulation, so it always depends on the particular Tax Administrator, the type of real estate and the information necessary for verification, and it is during this time that taxpayers still have a final opportunity to change their original decision.

Tereza Gebauer
tgebauer@deloittece.com

Catherine Slavíčková
cslavickova@deloittece.com

On Whose Part Does Gratuitous Income Arise When the Lease and Sub-Lease Agreements are Terminated at the Same Time?

In cases in which the property owner enables the lessee to perform technical improvement on the property and to subsequently depreciate the improvement made, while no compensation is provided upon the lease agreement's termination, the property owner generates gratuitous income. The property owner is obliged to tax such income as part of his/her tax base. Pursuant to the amendment to the relevant legislation effective from 1 July 2017 it was possible to perform and depreciate such technical improvements both for lessees and any authorised property users (such as sub-lessees). However, the legislation did not provide any guidance on how to treat technical improvement upon the termination of sub-lease agreements.

Pursuant to Section 28 (7) of the Income Taxes Act, under which the depreciation of technical improvements was also made possible for sub-lessees, the applicable treatment shall be similar to situations where the technical improvement is depreciated by the lessee. As such, taking into account the purely grammatical interpretation of this provision, it can be inferred that upon the termination of the lease agreement or when there is an option to depreciate technical improvement for which no compensation was provided, both the property owner and the lessee should generate non-cash income.

The issue involving simultaneous termination of the lease and sub-lease agreements was addressed by the Coordination Committee of the Chamber of Tax Advisors of the Czech Republic. They argued that the purpose of the Income Taxes Act was not to tax the same income twice, due to which it was not possible to adhere to the literal interpretation. This view has been also supported by court rulings. In addition, according to this view, in cases like this an actual increase in the tax payer's assets which he/she may dispose of needs to occur.

In the event that the lease and sub-lease agreements are terminated at the same time, the relevant property is not available for use to the lessee at all. Therefore, it is the property owner for whom the technical improvement is available. Moreover, the statement of reasons accompanying the relevant legal amendment shows that non-cash income is always generated by those tax payers for whom the entitlement to utilise the given property newly arises after the original tax payer ceases to utilise the property.

The General Financial Directorate ("GFD") expressed its agreement with the fact that the Income Taxes Act does not provide any guidance on this issue. Also, the GFD agreed that taxing the gratuitous income both on the part of the lessee and the property owner would violate both the legislative purpose and the economic substance of contractual relationships. Therefore, as long as no explicit legislative guidance is set out in the Income Taxes Act, there is no need for the lessee to tax this type of income it shall be taxed solely by the property owner.

Unfortunately, the discussion did not extend to other situations. a much more common situation is when the sub-lease agreement is terminated without the lease relationship being simultaneously ended. The GFD's indicates that the purpose of the relevant legal provision is not to tax income both on the part of the property owner and the lessee. By contrast, the purpose is to tax this type of income at least on one side. Nevertheless, the GFD's opinion did not directly state on which part, that is, either on the property owner's or the lessee's part, this contribution should be taxed. As a result, similar cases will need to be thoroughly assessed on an individual basis as they occur.

We will continuously monitor the developments in this issue.

Tereza Gebauer
tgebauer@deloittece.com

Daniela Kovalová
dkovalova@deloittece.com

Can holiday compensation be used as part of the R&D deduction claim?

Holiday compensation and its utilisation as a research and development ("R&D") deduction has been a widely debated issue in recent years. The General Financial Directorate refused for such compensation to be utilised as part of the R&D deduction; on the other hand, a strong opinion of legal experts existed upholding the legitimacy of the deduction. Therefore, it was evident that the matter had to be decided in court.

In February, the Regional Court in Hradec Králové has published a decision in favour of the plaintiff (ZVU Engineering a.s.) against an additional corporate income tax assessment for the 2011, 2012 and 2013 taxation periods. The tax was additionally assessed based on the non-recognition of the legitimacy of personnel expenses relating to employees' holiday compensation as part of the R&D deduction.

The plaintiff argued that compensation for the holiday entitlement used is, pursuant to the Labour Code, an integral and obligatory part of personnel expenses, which is why it may be considered as equal to a wage for performed work, which is generally accepted.

The tax administrator opined that a deductible item may only include expenses that have been incurred in direct relation to implementing an R&D project. This condition is not met in the event of holiday compensation and relating social security and health insurance contributions as employees are not involved in implementing R&D projects during holidays. Simultaneously, the tax authorities consider it possible, pursuant to Decree D-288, to include only employees' wages in personnel expenses.

However, the Regional Court did not agree with this argumentation, confirming that not only the costs of wages or salaries need to be incurred in respect of development employees but also other relating expenses, which also cover holiday compensation. The Court opined that the time spent by employees on holiday is necessary for employees to implement R&D projects. The costs of holiday compensation are thus considered as "costs incurred in direct relation to implementing an R&D project". What is more, the existing legal regulation of utilising R&D deduction is also rather unclear in that holiday compensation is not to be included in the deduction. For the sake of completeness, attention was also given to the fact that Decree D-288 cannot restrict taxable entities' rights beyond statutory limitations.

The authors of this article would like to note that owing to the financial implications of the respective decision, a cassation complaint is expected to be filed. Consequently, it looks likely that the question as to whether it is legitimate to utilise holiday compensation as part of the R&D deduction will only be decided by the Supreme Administrative Court.

Luděk Hanáček
lhanacek@deloittece.com

Jakub Vrkoč
jvrkoc@deloittece.com

New R&D tax relief rules apply

On Tuesday, 12 March, the Chamber of Deputies approved an amendment to the Income Taxes Act, which also amends rules for applying R&D tax relief. Amendments proposed by the Senate of the Czech Republic were not accepted. New rules will be effective from 1 April 2019.

A draft of revised provisions was created in response to the recommendations of a working group set up under the leadership of the Research, Development and Innovation Council of which we have informed you in detail, for example, in the article here. The aim of the amendment is to eliminate uncertainties for taxpayers applying R&D tax relief (hereinafter "R&D") on the one hand, while avoiding the misuse of this instrument on the other hand. Since the introduction of the possibility to apply R&D tax relief to the Income Taxes Act in 2005, these are historically the first conceptual adjustments of the whole system.

What does the R&D amendment bring specifically?

First of all, it is the introduction of the "Notification of the intention to deduct R&D tax relief from the tax base" (hereinafter the "**Notification**"). In connection with it, the entire process of deduction changes as well. On the date when the R&D Project has to be approved under the current rules, under the revised amendment it will be necessary to notify the intention to apply deduction to the relevant tax authority.

This notification obligation does not have a specific procedural arrangement, therefore, most taxpayers will probably deal with it by sending a standardised text notification through a taxpayer's data box. The content of the notification will be the name of the R&D project, describing its general focus, and basic identification data of the taxpayer.

It is important to point out that the introduction of the Notification does not invalidate the obligation to process the R&D Project. According to the amendment, it must be prepared and approved no later than the deadline for submitting a proper tax return, even if the deduction were not applied for the given period due to a low tax base or a tax loss. Procedural and content changes will apply to the R&D Project, too. In addition to the change of deadline for its approval, it will be newly terminologically referred to as the "Project Documentation" and the obligation to indicate the place of approval and the restriction that the approval can only be made by a taxpayer's statutory representative will disappear. On the contrary, it will be necessary to observe the compliance of the same project name in the Notification and the corresponding project name in the Project Documentation.

Since the new Project Documentation will usually be processed several months after the end of the taxation period, it can be expected that the tax authority will put greater emphasis on the content and sufficient concreteness of the document. In addition, according to the amendment, the taxpayer will be obliged to record changes made to the Project Documentation after its approval.

Deloitte recommendations:

- Take into account that the Name and Objectives listed in the Project Documentation cannot be changed during the project.
- Think through the name of the R&D Project mentioned in the Notification thoroughly and keep in mind that it has to be maintained also in the Project Documentation.
- Do not underestimate the start of the R&D Project. If you do not submit a Notification about a specific R&D Project to the relevant tax authority in due time, any expenses incurred after that date will not be eligible for deduction in tax returns.
- As the amendment becomes effective during the calendar year, it is necessary to pay increased attention to transitional provisions and to correctly determine whether the situation in your company is subject to the "old" conditions, the revised provisions, or you can choose between the two regimes yourself with respect to the possibility and also, if need be, the advantage in each specific situation (project).

We seek to respond to changes in legislative requirements, inter alia, through the implementation of appropriate technological solutions to ensure that we do not miss any formal or material requirement that is crucial to successful deduction. You can read more about this topic on our website R&D Calculation Tool.

Luděk Hanáček
lhanacek@deloittece.com

Jakub Vrkoč
jvrkoc@deloittece.com

News round up

Upcoming Amendment to the VAT Act – 2020

The Ministry of Finance of the Czech Republic has started working on the transposition of the EU Council's Directive and Regulation that substantially amend the terms of cross-border trade in goods within the EU. From January 2020 onwards, new terms should be in place, among others, for the exemption of intracommunity supplies of goods, and for simplifying supplies through consignment stock, and other procedures should apply in assigning transport to chain supplies of goods. In addition, the VAT treatment of advance payments received for a travel service under Section 89 of the VAT Act should be substantially revised. The proposed amendment was submitted for external consultation in March.

Judicature of the Court of Justice of the EU (CJEU)

In case C-647/17 Srf Konsulterna, the Court of Justice of the European Union (the "CJEU") upheld that in respect of the provision of multiple-day accounting courses for the general public (with the participants, however, having to meet certain professional criteria), the place of supply is the venue where the event takes place. The above does not change even if participants register in advance and it is clear that they are all taxable persons. The CJEU's ruling may modify how the determination of the place of supply of B2B services is treated.

The ruling on Case C-562/17 Nestrade clearly states that the applicant for a VAT refund may be denied the refund if its application contained certain invoices with incorrect data, if it failed to respond to the Tax Administrator's call in time and subsequently included the invoices (this time with correct data) again in another separately filed application. The CJEU accentuated the legal certainty principle and did not make it possible to claim a VAT refund if a legally effective ruling has already been issued on the first application.

In Case C-278/18 Sequeira Mesquita, the CJEU ruled on the VAT treatment of leasing agricultural land (vineyards). It addressed the aspects of the substance of a lease, the comprehensiveness of the activities performed by the lessee using the vineyard, the issue of the automated extension of a contract etc, and inferred that the given supply may be exempt from VAT.

As the CJEU inferred in Case C-17/18 Mailat, it is impossible to consider the lease of a business to be a service not subject to tax. If the key portion of the business consists of immovable property, the lease may be exempt (without being entitled to a tax deduction).

Tomáš Brandejs
tbrandejs@deloittece.com

Ground-breaking ruling of the Constitutional Court: Claiming a refund of retained undisputed amounts of excessive VAT deductions is possible

In ruling no. II. ÚS 819/18 of 22 February 2019, the Constitutional Court granted the constitutional complaint of a company that was suspected by the tax authority of being involved in a so-called "tax carousel" and the tax authority consequently retained an excessive value added tax deduction for received taxable supplies that the tax authority had doubts about, as well as for received taxable supplies that were not disputed.

The taxpayer required a limitation of the tax audit only to the disputed supplies, and a refund of the portion of the excessive deduction that had not been challenged. Although the tax authority confirmed that the audit concerns only a part of the taxable supplies and did not communicate any doubts regarding the remaining taxable supplies, it retained an excessive deduction with respect to all the taxable supplies reported in the relevant taxation period.

Subsequently, the taxpayer turned to the administrative court with an action for the protection against illegal interventions by the tax authority, which allegedly consisted in the method of performing the audit, since the tax authority had not proceeded without undue delay and performed needless acts contrary to the principle of adequacy and purposefulness. However, neither the Regional Court nor the Supreme Administrative Court accepted the argumentation and they confirmed the procedure of the Financial Administration.

The Constitutional Court's ruling

In the constitutional complaint the taxpayer objected to the disproportionate length of the tax authority's audit procedures and the lack of procedural rules, meaning that the tax authority was not limited by any deadline for performing an efficient act, which caused disproportionate and negative demands on assets, causing a breach of the constitutionally guaranteed right for the protection of ownership.

The Constitutional Court stated in its ruling that the domestic legal provision is based on EU law whose transposition in the VAT Act and interpretation and application in practice by public authorities are subject to ongoing proceedings on a preliminary ruling of the Court of Justice of the European Union (in case C-446/18 AGROBET CZ). Although the preliminary question is practically identical to the legal question that was the subject of these proceedings before the Constitutional Court, the Constitutional Court reached the conclusion that the constitutionality of the procedures of the tax authority and general courts can be separated from the interpretation of EU law. The Constitutional Court thus inferred that the requirement of constitutionality of the procedures of the tax authority and general courts is independent from the criterion of compliance with EU law.

Regarding the possibility of retaining an excessive deduction to intervene in the asset rights, the Constitutional Court stated that the intervention in the taxable entity's asset sphere consists not only in the obligation to pay tax or the related interest and charges, but also in the obligation to allow long-term retention of excessive deductions. For this reason, audit procedures must be performed while respecting the rights and legally protected interests of the taxable entity, with the intervention in these rights being subject to the proportionality test.

Constitutional Court: Unconstitutional encroachment on the taxpayer's rights

Since "the Tax Code (Section 90 (3) in connection with Section 85 (1)) allows the tax authority prior to tax assessment to examine only the portion of supplies about which there are reasonable doubts" and "it [thus] does not give the tax authority the power to retain the undisputed portion of the excessive deduction derived from the taxable supplies that cannot be the subject of examination due to being undisputed," the Constitutional Court concluded that the intervention in the taxpayer's ownership rights lacks any legal basis and the tax authority's procedure automatically represents an unconstitutional encroachment on the taxpayer's rights.

In addition, the Constitutional Court commented on the tax authority's approach conforming to the Constitution in line with the Tax Code by stating that *"the tax authority could have achieved the goal of proper tax collection even without the illegal encroachment on the plaintiff's asset rights, by dividing the amount of the excessive deduction claimed into the disputed amount, corresponding to the taxable supplies that were subject to the tax authority's investigation, and the undisputed amount, which could have been automatically adjudged and paid out to the taxable entity."* Section 134 (2) of the Tax Code can serve as a legal basis for this approach, stipulating that for the purposes of defining the subject of tax proceedings, tax is assessed either with respect to the taxation period or with respect to an individual fact.

"In other words, the Tax Code allows repeatedly (additionally) assessing tax or tax deduction not just for the entire taxation period but also with respect to specific performed taxable supplies, i.e. with respect to one business case. The tax authority's decision to assess the undisputed amount of the excessive deduction (i.e. A decision pursuant to Section 101 (1) of the Tax Code) does not in any way prevent a later assessment of tax on the examined supplies, as follows from Section 143 (1), second sentence, of the Tax Code."

Alena Dugová
adugova@deloittece.com

Changes relating to customs guarantees for temporary storage and special customs procedures – VAT will no longer be secured

On 15 March 2019, the President of the Czech Republic signed an act amending certain tax laws (the "tax package"). The package includes the long-awaited amendment to the Customs Act providing guidance on securing customs debts relating to temporary storage and special customs procedures (except for the transit procedure). The news is that the customs authorities will no longer require that the customs guarantee covers VAT.

We assume that the amendment will be effective from 1 April 2019. The new legislation also covers situations in which goods will be released on behalf of VAT non-payers. Only if the importer is an "unreliable VAT payer" or an unreliable person the customs authorities will require import VAT being secured as it has been to date.

The existing authorisations for special procedures issued before 1 May 2016 (ie under the Community Customs Code) allowing for securing related customs debts in a reduced scope should be replaced by new authorisations in compliance with the Union Customs Code as of 1 May 2019. The amendment has been approved at the last minute for the customs authorities to issue new authorisations for holders of special procedures and temporary warehouse operators so that they are less burdened with the requirement for high customs guarantees.

Petra Závalová
pzavalova@deloittece.com

Olga Kalousová
okalousova@deloittece.com

International Taxes

Austria: introduction of CFC rules

The CFC rule applies to passive income subjected to low or no taxation abroad, whether derived by a CFC or a foreign permanent establishment. An entity is considered low taxed if its actual tax burden abroad is below 12.5 percent. The CFC rules have applied in Austria since 1 January 2019.

European Commission: possible appeal in Belgian state aid case

The EU Competition Commissioner has announced that the European Commission may appeal the European General Court's 14 February 2019 judgment annulling a 2016 Commission decision that Belgium's excess profit rulings regime constitutes illegal state aid.

Cyprus: rules for the determination of interest rates for NID

The 10-year government bond yield rates on 31 December 2018 are used to determine the notional interest deduction (NID) on equity for the 2019 tax year.

France: digital service tax

On 6 March 2019, the French government released a bill that would introduce a 3% digital services tax retroactively as from 1 January 2019 and revise the trajectory of the planned progressive reduction of the corporate income tax rate.
See more information regarding digital taxation in a separate article.

Germany: introduction of R&D tax incentive

The Ministry of Finance is considering issuing a legislative proposal that would provide for the introduction of a new research and development (R&D) tax incentive equal to 25% of qualifying expenditure during the four-year period from 2020 to 2023.

Luxembourg: reduction of corporate tax rate

The budget presented on 5 March 2019 includes a proposal to reduce the standard corporate income tax rate from 18% to 17%. If approved, the reduction will apply retroactively from 1 January 2019.

Slovakia: increased of R&D superdeduction

Government proposals announced on 21 February 2019 would increase the super-deduction for companies with qualifying research and development (R&D) expenditure. If approved, the amendments will apply from 2019.

Tereza Tomanová
ttomanova@deloittece.com

Kateřina Krchnivá
kkrchniva@deloittece.com

European Union: Update of the list of non-cooperative tax jurisdictions

On 12 March 2019 EU Finance Ministers updated the EU list of non-cooperative tax jurisdictions. The update was required since many countries have changed their laws and tax systems to comply with international standards.
92 jurisdictions are assessed based on three criteria: tax transparency, good governance and real economic activity, as well as one indicator, the existence of a zero corporate tax rate. The last update of the list shows that 60 countries took action on the Commission's concerns and over 100 harmful regimes were eliminated.

The ministers blacklisted 15 countries, 5 of them (American Samoa, Guam, Samoa, Trinidad and Tobago, and US Virgin Islands) have stayed on the black list since its first adoption in 2017, the other 10 have been moved back from the grey list to the black list since they do not follow measures proposed by the Commission. These 10 jurisdictions are: Barbados, United Arab Emirates, Marshall Islands, Aruba, Belize, Bermuda, Fiji, Oman, Vanuatu and Dominica. Another 34 countries will continue to be monitored in 2019 (grey list), while 25 countries from the original screening process have now been cleared. In the near future, all 15 jurisdictions will receive a letter explaining the decision and what they can do to be de-listed.

The Commission and Member States (Code of Conduct Group) will also continue to monitor the jurisdictions that have until the end of 2019/2020 to deliver, and assess whether any other countries should be included in the EU listing process. The following screening of tax practices by the Commission will be enhanced with more compulsory transparency criteria to be respected and three G20 countries added to the next screening, Russia, Mexico and Argentina. The Commission will also continue to support Member States' work to develop a more coordinated approach to sanctions for the EU list in 2019. In addition, new provisions in EU legislation prohibit EU funds from being channelled or transited through entities in countries on the tax blacklist. More information regarding development of the EU list is available here.

Tereza Tomanová
ttomanova@deloittece.com

Kateřina Krchnivá
kkrchniva@deloittece.com

An Across-the-Board Solution for the Taxation of Digital Services Not in Sight?

The OECD's two-pillar strategy for income taxation was discussed during a Paris summit in March. At its meeting in March, ECOFIN rejected the European Commission's proposal for the taxation of income from digital services on the part of Finland, Sweden and Ireland. France, Italy and Spain are going to introduce national rules for the taxation of income from digital services in 2019.

OECD's Approach to the Taxation of Digital Services

On 29 January 2019, the OECD released an update regarding its activities in the taxation of income from digital services. The OECD seeks to reach an across-the-board agreement in the taxation of digital services by 2020. The OECD's strategy is based on two basic pillars. The first of the pillars relates to the distribution of the right to income taxation among individual states taking into account the taxable presence (the "nexus approach") and the allocation principles in respecting the rules of the arm's length principle. Therefore, as part of the first pillar, the existing rules must be revised in view of the active participation of digital services users, intangible marketing assets and the creation of value in the market economy, and the economic rather than merely the physical taxable presence that could result in a change to the definition of a permanent establishment. In turn, the second pillar places an emphasis on continuing the implementation of the BEPS rules, namely those that make it possible to additionally tax income in the recipient's country, provided the income is subject to low or zero taxation in the source country.

A whole series of proposals is being debated by the OECD countries; however, these aim to tax not only income from digital services, but also multinationals' income. The OECD's objective is to reach an agreement about a proposal that will be acceptable for both the developed and developing countries while being easy to implement. Nevertheless, in seeking consensus, it is also necessary to consider the different definitions of the tax base across individual states, differences in the tax rates, which ensure competitiveness, and the sovereignty of individual countries.

Digital services income taxation featured on the agenda of the OECD summit that took place on 11-12 March 2019 in Paris. The supporting document for discussion was the newly issued publication introducing the future concept of digital transformation. A recording of the actual debate held during the summit is also available online.

Proposals for the Taxation of Digital Services as Submitted by the European Union

As we informed you earlier in our March and December issues of dReport, on 21 March 2018, the European Commission released a draft directive on the common system of a digital services tax on revenues resulting from the provision of certain digital services (for example, income from online advertising, sales of collected user data and income from digital platforms enabling interaction among users that use these platforms to exchange goods and services). According to the proposal, income from the online sale of goods and services, and income from regular payment or financial services should not be subject to taxation. The digital services turnover tax ("DST") of 3% should only constitute a temporary solution until such time as an agreement is reached at the supranational level (namely at the level of the OECD, G7 and G20 countries), with effect from 1 January 2020.

By way of reminder, we note that the second of the proposals released by the European Commission on 21 March 2018 contained a definition of a "digital permanent establishment", the objective being to infer a "virtual" taxable presence in a country where the digital services are provided. Therefore, the institutes of the "digital permanent establishment" should introduce the right of a country to collect tax arising from digital services if the recipient of the services is based in its territory.

A digital permanent establishment of the business would be formed in the territory of the given state if at least one of the following conditions were met during the taxation period:

1. the digital technology in question has more than 100,000 users in the taxation period
2. the digital service generates revenues in excess of EUR 7 million
3. the provider has concluded more than 3,000 business contracts for the provision of the technology.

The rules for allocating income arising from digital services should be compliant with the OECD's transfer pricing guidelines – in other words, income should be taxed in the country in which the income-generating value originates: ie, according to the European Commission's proposal, in the country where the digital services' recipient is based. In its proposal, the European Commission also stated that it would seek to implement the institutes of a digital permanent establishment in the OECD's model double taxation treaty. Despite the matters outlined above, the European Union prefers a supranational solution compliant with the solution proposed by the OECD.

However, following ECOFIN's meeting of 12 March 2019, it seems that the latter of the two proposed solutions will not be implemented at the EU level either, the reason being that the implementation of the solutions requires unanimous agreement of all member states: at the most recent meeting, Ireland, Finland and Sweden, to name a few, voiced their opposition to the proposal.

Individual National Approaches to Digital Services Taxation

Given how lengthy the process of finding a unified solution for taxing digital services income is, a whole series of countries are considering a solution at a national level at least. These countries include, for example, France, Spain or Italy.

France

On 6 March 2019, France submitted a proposal for digital services income tax. According to the proposal, the tax would be imposed on income arising from online advertising, income arising from the sale of collected user data and on income arising from digital platforms enabling interaction among users that use these platforms to exchange goods and services. The French DST should apply to all businesses whose global annual turnover exceeds EUR 750 million and, at the same time, the annual turnover generated in France exceeds EUR 25 million (this is where the French DST differs from the European Commission's draft directive, which proposes the threshold of national annual turnover at EUR 50 million). However, the fact that the service takes place in France should be a necessary prerequisite for the taxation of income arising from digital services. The rules for inferring the place where the digital service is provided should be determined in relation to the location of the participants in the digital transaction or the location of the terminal through which the service is provided. France's national DST should be introduced with retrospective effect from 1 January 2019 onwards and a variable tax rate depending on the business' turnover at 5% at maximum. Income arising from digital services subject to taxation in France should be determined as a proportion of the total income that the business generates from digital services. Business should be able to prepay the tax liability in the form of two ongoing advance payments and the digital services tax paid should be tax deductible for income tax purposes.

Spain

Similarly, Spain introduced a proposal for digital services taxation on 18 January 2019. However, it is based on the digital services tax proposal as presented by the European Commission. It is assumed that the approval process will take between three to six months. If the proposal is approved, it will come into force three months following its promulgation in the national collection of laws. DST should be collected in Spain on a quarterly basis, and the obligation to tax income arising from digital services should be derived from the moment they are provided in Spain by the relevant taxable person. The 'provision of a service in Spain' refers to situations where the recipient of the service is located in Spain. Spanish DST would apply to all businesses whose global annual turnover exceeds EUR 750 million and, at the same time, the annual turnover generated from digital services in Spain exceeds EUR 3 million. The turnover generated in Spain will include all income without the possibility of excluding intercompany transactions. The tax rate should be at 3%. The Spanish proposal also anticipates that some services will not be subject to taxation (this should namely relate to regular financial services).

Italy

The introduction of digital services tax at the national level is also being considered in Italy. DST at 3% should be imposed on all payers whose global annual turnover exceeds EUR 750 million and, at the same time, annual income generated from digital services in Italy exceeds EUR 5.5 million. Italian DST is derived from the European Commission's proposal and refers to all of the above listed types of income. It should be implemented by 30 April 2019 and come into effect within 60 days from the date of its promulgation. As opposed to the Spanish version of DST, intercompany income arising from digital services should not be subject to DST.

We have been following the latest developments in this issue at the level of both the OECD and the EU on an ongoing basis and will keep you informed of the next steps on our blog or through dReport.

Kateřina Krchnivá
kkrchniva@deloittece.com

Kateřina Novotná
knovotna@deloittece.com

Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (MLI) – Current Situation (not only) in the Czech Republic

Double taxation treaties are the subject of interest for any entity generating profit in multiple countries to ensure that the entity's proceeds are not taxed in several jurisdictions. The MLI is an international instrument modifying a substantial part of those double taxation treaties and may give rise to a new tax liability.

MLI: Ratification process in the Czech Republic currently underway

In late February 2019, the Committee on Budgetary Control and a day later also the Committee on Foreign Affairs recommended that the Chamber of Deputies of the Czech Republic give its consent to the ratification of the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting ("MLI"). The Czech Republic acceded to the MLI in Paris in 2017; however, it opted for the minimum standard within the MLI, i.e. The least-stringent option. The Czech Republic reserved the right not to apply almost all of the articles amending the respective provisions in relation to the tax treaties concerned. Besides, the application of the MLI depends on the principle purpose test ("PPT"), which is one of the minimum standards identifying whether a transaction or an organisational arrangement were realised on other than solely tax-related grounds (e.g. for economic reasons). The test corresponds to the institute of law abuse, which was already passed by the Chamber of Deputies on 12 March 2019 as part of the 2019 tax package. Furthermore, the minimum standard also defines rules for the more-effective dispute resolution by agreement.

The Senate already gave its consent to ratification on 20 December 2018; therefore, the ratification process depends on the Chamber of Deputies' resolution in the second reading. However, Deputies will presumably follow the recommendation of the Committees. For example, the Committee on Budgetary Control was not asked to consider the draft and, despite that, it did so and ultimately recommended its ratification. Pursuant to the information from the reporter for this act, the second reading is to take place between May and June 2019 and, as an international presidential treaty is involved, the President's signature will be required for the treaty to take effect.

Beware, each country may pursue a different approach!

It is necessary to remember that not all countries acceded to the MLI to the same extent, which is why the MLI may have much wider impacts on tax administration in other jurisdictions in practice. In some cases, the MLI will considerably affect the wording of bilateral double taxation treaties; for example, the MLI is already effective in Poland and Slovakia but the ratification process in the Netherlands remains underway. In mid-March 2019, the MLI ratification instrument was deposited in 21 countries including, *inter alia*, Ireland in which the MLI is to take effect on 1 May 2019. Unlike the Czech Republic, Ireland will be bound by the provisions of the key Article 13 providing for the artificial avoidance of a permanent establishment based on specific exceptions to tax treaties.[1]

It looks likely that the tax administration in the Czech Republic will use the new, recently adopted tax rule to prevent law abuse. Nevertheless, the MLI as well as the EU's Anti-Tax-Avoidance Directive ("ATAD") build on the same ideological and application principles – to prevent tax evasion.

Tereza Tomanová
ttomanova@deloittece.com

Jan Kubeš
jkubes@deloittece.com

[1] Ratification in Ireland will likely be another imaginary "nail in the coffin" for the "Double Irish with Dutch Sandwich" arrangement, i.e. A structure using subsidiaries in Ireland and the Netherlands for shifting profits to jurisdictions with low or zero taxation, which is anticipated to terminate in 2020.

Lex Brexit – current status

An approved law regulating various areas of so-called hard Brexit passed the legislative process. Following the development of the situation, it will be implemented subsequent to 29 March unless a UK-EU agreement is agreed or Brexit is postponed.

Below we summarise the current situation as regards so-called Lex Brexit - act on the adjustment of certain relationships concerning the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union.

- On 29 March 2019, it will be two years since the United Kingdom of Great Britain and Northern Ireland announced its intention to withdraw from the European Union following the outcome of a referendum. On the basis of a unilateral decision of the British nation to leave the EU, Article 50 of the Treaty on European Union was triggered in March 2017 and the Union is thus facing, for the first time, a situation in which the relationship with a hitherto significant member state is being abolished.
- Part of the proposed UK withdrawal agreement is to negotiate the so-called transition period (from 30 March 2019 to 31 December 2020), during which the United Kingdom should be guaranteed a so-called third country status while simultaneously maintaining the status of a single market member.
- With regard to the existing development and UK's possible withdrawal without a proper agreement (so-called uncontrolled or hard Brexit), the government Committee for the European Union charged the Ministry of the Interior to prepare what is referred to as Lex Brexit. The government draft was approved by both chambers of the Parliament of the Czech Republic and signed on 7 March 2019 by President Miloš Zeman.
- The main objective of this temporary legislation is to adopt measures through which the Czech Republic **minimises at least some of the imminent negative impacts** that will occur in case of a missing agreement (i.e. hard Brexit).
- The recommendation issued by the Ministry of the Interior of the Czech Republic before the adoption of "Lex Brexit" is still in force and stipulates that a UK citizen who wishes to reside in the Czech Republic during the transition period should apply to the Ministry of the Interior of the Czech Republic (Department for Asylum and Migration Policy) for a certificate of temporary residence in the Czech Republic by no later than 29 March 2019.
- In order to ensure legal certainty, Lex Brexit allows UK citizens and their family members to carry out their work under the employment contract concluded before the entry into force of the transitional legislation without a work permit, employee card or blue card, legally until the end of 2020. During the transition period, these citizens will have sufficient time to settle the necessary work permits in the Czech Republic, which are usually required from so-called third country nationals.
- In terms of income tax, the taxpayer's situation needs to be assessed - in the case of Czech tax residents, Lex Brexit considers for some time the United Kingdom as an EU member state. However, it does not apply entirely to the situation of UK residents (particularly the withholding tax and tax securement, which will be applied in case of hard Brexit from 30 March 2019).
- Nevertheless, the measures cannot **be applied in the case of taxes harmonised within the EU** (VAT, excise tax) and customs duties where the rules as for third countries will apply (import-export) in the case of hard Brexit.

For tips on how to prepare for a possible hard Brexit, read our article "Brexit and its impact on your business: 10 steps to prepare for a "no deal" option". We continue to monitor the situation and will keep you informed about further developments.

Asya Verkhorubová
averkhorubova@deloittece.com

Adam Englund
aenglund@deloittece.com

Has your company's beneficial owner been registered?

Over half a million legal entities recorded in the Commercial Register had the obligation to record their ultimate beneficial owners ("UBO") in the Register of Ultimate Beneficial Owners Information ("Register") by 1 January 2019. However, at the end of the year only 65,000 of them registered their UBO.

The obligation to register the UBO is imposed on the obliged persons in relation to the amendment to Act No. 253/2008 Coll., on Certain Measures against Legitimisation of Proceeds of Crime and Financing of Terrorism, as amended **("AML Act")** and Act No. 304/2013 Coll., on Public Registers of Legal and Natural Persons, as amended.

However, many companies have left submitting the application for entry in the Register until the last moment and register courts are unable to process the submissions fast enough; as of 11 January 2019, the courts recorded more than 50,000 of such submissions. According to the estimations of the Ministry of Justice, the obligation to register the UBO has been met by approximately 25% of obliged entities as of 1 January 2019.

Given the current immense workload of register courts, the statutory 5-day period for entry in the Register since the day of delivery of the petition cannot be expected to be met. In practice, there can be delays of more than a month.

Who is the UBO?

According to Section 4 (4) of the AML Act, the UBO is a natural person having *de facto* or *de jure the* possibility of exercising direct or indirect decisive control over a legal entity, a trust fund or any other legal arrangement without the legal personality status. The UBO is always a specific natural person. The AML Act additionally states which facts may indicate the UBO. However, the fulfilment of these conditions does not necessarily mean that the person in question is the UBO. It is always necessary to assess whether this person has the possibility of exercising decisive control.

Companies are obliged to identify their UBO and to record current information for ascertaining and verifying the UBO's identity, including information on the fact that constitutes the basis for the position of UBO or another justification why this person is considered the UBO.

Entry in the Register

Legal entities recorded in the Commercial Register had the obligation to record their UBO in the Register by 1 January 2019. Other entities having the obligation to record their UBO in the Register, must comply with the obligation by 1 January 2021.

The following information on the UBO is recorded in the Register:

a. Name and address of the place of residence, domicile if applicable,
b. Date of birth and personal number, if assigned,
c. Nationality, and
d. Information on the fact constituting the basis for the position of UBO.

Information on the fact constituting the basis for the position of UBO is supported with relevant documents. These documents may include e.g. extracts from the record in a public register or foundation documents.

For entities recorded in a public register before 1 January 2018, the entry in the Register before the end of 2018 was exempt from the court fee. Since 1 January 2019, the entry of all companies has been subject to a court fee of CZK 1,000.

What are the consequences of a failure to record the UBO in the Register?

Legal regulations do not set a direct sanction for the failure to comply with the obligation to record information on the UBO in the Register; however, this may still have a negative impact on the company's business activities. Failure to record the UBO in the Register can cause the inability to participate in public tenders and to obtain grants from EU funds, or complicate the obtaining of bank financing.

According to the notification published on the website of the Ministry of Industry and Trade, the managing body of the Operational Programme Enterprise and Innovations for Competitiveness anticipates that calls announced from June 2019 will include a condition stating that an applicant for a grant in the programmes may not be an entity that has not recorded its UBO in the Register as of the date of filing the application.

Access to information in the Register

The Register is currently a non-public register. Information on the UBO is not provided together with copies of the record in a public register and it is not made public by any other means. Extract from the Register may be obtained by the person recorded and additionally, in a limited scope, by a person who demonstrates interest in relation to the prevention of the crimes of legitimisation of proceeds of crime, legitimisation of proceeds of crime due to negligence, their source crimes and the crimes of terrorism financing and support and promotion of terrorism.

The Register can be remotely accessed by courts, law enforcement authorities, tax administration authorities, the Financial Analytical Office, the Czech National Bank, other state authorities and obliged entities pursuant to the AML Act, which will be able to use the information contained in the Register as part of customer due diligence processes.

However, it can be expected that the Register will be made public in the future in accordance with Directive (EU) No. 2018/843 of the European Parliament and of the Council of 30 May 2018 amending Directive (EU) No. 2015/849 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, and amending Directives Nos. 2009/138/EC and 2013/36/EU ("5th AML Directive"), at least to the extent of information on the name, date of birth, country of residence and nationality of the UBO and on the nature and scope of the UBO's participation. These changes should be implemented into the Czech legislation by 10 January 2020.

Radek Musílek
rmusilek@deloittece.com

Tax liabilities – April 2019

April		
Monday, 1	Income tax	Submission of special-rate withholding tax settlement for February 2019
		Submission of special-rate withholding tax form settlement for tax year 2018
		Submission of tax return and payment of tax for 2018, if the taxpayer wasn´t required an audit and fills the tax return himself/herself
Tuesday, 9	Excise tax	Tax maturity for February 2019 (excluding excise tax on alcohol)
Friday, 12	Intrastat	The Intrastat statement for March 2019, paper version
Monday, 15	Road tax	Advance payment of tax for 1st quarter 2019
Saturday, 20	Value added tax	Tax return and maturity of the MOSS VAT
Tuesday, 16	Intrastat	The Intrastat statement for March 2019, electronic version
Tuesday, 23	Income tax	Monthly payment of deducted advance payments on personal income tax from employment
Wednesday, 24	Excise tax	Tax maturity for February 2019 (only the excise tax on alcohol)
Thursday, 25	Gambling tax	Submission of statement for advanced payment on deduction from lotteries and other similar games and payment of advanced for 1st quarter 2018
	Value added tax	Tax return and tax for 1st quarter and March 2019
		EC Sales List for 1st quarter and March 2019
		VAT control statement for 1st quarter and March 2019
	Energy taxes	Tax return and tax maturity on gas, solid fuels and electricity for March 2019
	Excise tax	Tax return for March 2019
		Tax return for claiming of refund of excise tax for example on fuel oil and other petrol (benzine) for March 2019 (if applicable)
Tuesday, 30	Income tax	Submission of special-rate withholding tax settlement for March 2019
	Energy taxes	Submitting a notification about meeting the obligation to ensure minimum amount of biofuels and maturity of the related security

Tax liabilities – May 2019

May

Friday, 10	Excise tax	Tax maturity for March 2019 (excluding excise tax on alcohol)
Thursday, 16	Intrastat	The Intrastat statement for April 2019, paper version
Monday, 20	Intrastat	The Intrastat statement for April 2019, electronic version
	Income tax	Monthly payment of deducted advance payments on personal income tax from employment
Monday, 27	Value added tax	Tax return and tax for April 2019
		EC Sales List for April 2019
		Tax control statement for April 2019
	Energy taxes	Tax return and tax maturity on gas, solid fuels and electricity for April 2019
	Excise tax	Tax maturity for March 2019 (only the excise tax on alcohol)
		Tax return for April 2019
		Tax return for claiming of refund of excise tax, for example on fuel oil, other petrol (benzine) for April 2019 (if applicable)
Friday, 31	Real estate tax	Full tax maturity (tax payers with tax liability to CZK 5,000; including)
		Tax maturity of 1. tax payment (tax payers with tax greater then CZK 5,000 (excluding taxpayers engaged in agricultural production and fish farming)
	Income tax	Payment of special-rate withholding tax for April 2019

Contacts

If you have any questions concerning the items in this publication, please contact your regular Deloitte Tax contact or one of the following experts:

Direct Taxes
Jaroslav Škvrna
jskvrna@deloittece.com
Zbyněk Brtinský
zbrtinsky@deloittece.com
Miroslav Svoboda
msvoboda@deloittece.com
Marek Romancov
mromancov@deloittece.com
LaDana Edwards
ledwards@deloittece.com
Tomas Seidl
tseidl@deloittece.com

Indirect Taxes
Adham Hafoudh
ahafoudh@deloittece.com
Radka Mašková
rmaskova@deloittece.com

Local Sales / Purchases Report
Jaroslav Beneš jbenes@deloittece.com

Deloitte Advisory, s. r. o.
Churchill, Italská 2581/67,
120 00 Prague 2 – Vinohrady,
Czech Republic
Tel.: +420 246 042 500

Subscribe to dReport and other newsletters.

The Latest Schedule of the OP PIK Calls

The table below presents the latest schedule of the already announced calls under Enterprise and Innovations for Competitiveness Operational Programme ("OP PIK"), including the deadlines for submitting grant applications in individual programmes.

Programme name	Programme focus	Type of call	Subsidised area	Types of recipients*	Planned date for accepting grant applications
'Property' Call III	Subsidy for modernising production premises and renovating the existing obsolete business infrastructure and brownfield sites	Ongoing	Czech Republic outside the capital city of Prague	SME	From 22 Oct 2018 To 22 May 2019
'Energy Savings' Call IV	Subsidy for activities related to final energy consumption savings	Ongoing	Czech Republic outside the capital city of Prague	SME, LE	From 2 July 2018 To 29 April 2019
'ICT and Shared Services – Establishing and Operation of Shared Service Centres' Call IV	Subsidy for establishing and operation of shared service centres	Ongoing	Czech Republic outside the capital city of Prague	SME, LE	From 28 Aug 2018 To 28 May 2019
'ICT and Shared Services – Construction and Modernisation of Data Centres' Call IV	Subsidy for modernisation and establishment of data centres	Ongoing	Czech Republic outside the capital city of Prague	SME, LE	From 31 Aug 2018 To 31 May 2019
'Energy Savings in Heat Supply Systems' Call III	Subsidy for renovating and expanding heat supply systems and increasing the efficiency of cogeneration of heat and power	Ongoing	Czech Republic outside the capital city of Prague	SME, LE	From 3 June 2019 To 27 Dec 2019
'Energy Savings' Call V	Subsidy for activities relating to final energy consumption savings	Ongoing	Czech Republic outside the capital city of Prague	SME, LE	From 2 Sept 2019 To 30 April 2020
'Technology – Industry 4.0 ' Call XI	Subsidy for non-production technologies and their integration in the production process	Ongoing	Czech Republic outside the capital city of Prague	SME	From 6 Dec 2019 To 30 April 2020
'ICT in Enterprises' Call VI	Subsidy for acquiring new technology and services in the area of IS/ICT solutions	Ongoing	Czech Republic outside the capital city of Prague	SME, LE	From 1 Nov 2019 To 1 April 2020

** SME – small and medium-sized enterprise, LE – large enterprise*

Petra Chytilová
pchytilova@deloittece.com

Postponement of the Date of Announcing the Innovation and Applications Calls

In March, the schedule of OP PIK calls for 2019 was updated. The table below presents the details of the planned calls in the Innovation and Application programmes, whose announcement date has been postponed to this autumn. A more precise date is not yet known and will be specified at a later date.

Programme name	Programme focus	Type of call	Subsidised area	Types of recipients*
'Innovation' Call VII	Subsidy for the purchase of production technology with the purpose of launching new or innovated products into production and on the market	Ongoing	Czech Republic outside the capital city of Prague	SME, LE with a connection to the environment
'Application' Call VII	Subsidy for conducting industrial research and experimental development	Ongoing	Czech Republic outside the capital city of Prague	SME, LE

Petra Chytilová
pchytilova@deloittece.com

The Ministry of the Industry and Trade will support Broadband Internet

The Ministry of the Industry and Trade of the Czech Republic has announced Call II as part of the Broadband Internet subsidy programme.Applicants may be business entities.

Activities subsidised under this call include two areas:

- Expansion and modernisation of the existing infrastructure of access networks for broadband access to the Internet provided in a fixed location so that the characteristics of NGA networks are achieved; and
- Establishment of new networks provided in a fixed location.

The condition is to provide end users with high-speed access to the Internet with the ordinarily available speed of at least 30 Mbit/s. Furthermore, by 2020, the network must provide ordinarily available speed of at least 100 Mbit/s.

The subsidy applies to the costs of building the passive network infrastructure of a high-speed Internet connection, costs of active features integrated in the high-speed Internet network, acquisition of physical and network infrastructure, and costs of construction and engineering work.

The maximum level of support per project is 75% of eligible costs.

The amount of the subsidy per project is between CZK 0.5 million and CZK 200 million.

Applications may be submitted between 8 May 2019 and 8 July 2019. The call is ongoing.

Petra Chytilová
pchytilova@deloittece.com

Applications for the Employee Corporate Education II Programme are Open for Submission

On Friday, 15 March, the Ministry of Labour and Social Affairs announced Call No. 97 'Employee Corporate Education'. The receipt of applications for the call was also commenced on the same date. Applicants for this call may include employers – both legal entities and natural persons having their own corporate identification number.

Supported activities include further employee professional education in the following areas:

- General IT;
- Soft and management skills;
- Language education;
- Specialised IT;
- Accounting, economic and legal courses; and
- Technical and other specialised education.

The subsidy applies to payroll costs of employees during their participation in training, payroll costs of an in-house lecturer and the actual educational activity in the form of outsourced educational courses. The subsidy is calculated in the form of unit costs relating to one man-hour: ie, one hour (60 minutes) per person participating in the education.

The amount of eligible costs per project is between CZK 0.5–10 million. The level of support per project is 85% of eligible costs in respect of utilisation in the de minimis regime and 50-70% in respect of utilisation in the block exemption regime, depending on the business' size.

One person may attend a maximum of 10 courses as part of the project. Projects may take place from 1 October 2019 at the earliest and their duration must not exceed two years. The latest date of project implementation is 30 June 2022.

The subsidy may be granted to projects with course participants aged 54 and above. The place of implementation of the educational activities must be in the Czech Republic excluding the capital city of Prague.

The subsidy does not apply to educational activities focusing on compulsory employee training, such as occupational health and safety, fire prevention, first aid or training for drivers using company cars other than professional drivers.

Applications may be submitted between 15 March 2019 and 15 May 2019.

Petra Chytilová
pchytilova@deloittece.com

Announcement of a National Call under the LIFE Programme

On 15 March, the Ministry of the Environment announced a national call under the LIFE programme for submitting grant applications in two sub-programmes – "The Environment" and "Climate". Under both sub-programmes, applications may be submitted not only for project co-funding, but also for the preparation of project documentation. Grant applications may be submitted by public as well as corporate entities and the projects must be implemented in the Czech Republic, including the capital city of Prague.

The objectives of the call under the Environment sub-programme include environmental protection, efficient use of resources, and environmental administration and information. The sub-programme will provide aid to projects focusing on the protection of nature and the countryside.

The objectives of the call under the Climate sub-programme relate to areas such as combating and mitigating climate change, adjusting to climate change and climate administration and information. The sub-programme will provide aid to projects focusing on the adjustment to climate change or leading to its mitigation.

The subsidy for preparing project documentation for one project is provided up to CZK 200,000 or CZK 240,000 depending on the sub-programme. The maximum level of support for co-funding one project under the national call is 20% of total eligible costs; however, no more than CZK 10 million (net of VAT). The total level of support as part of funding from EU sources is 55–75% of eligible costs.

Applications for the Environment sub-programme may be submitted until 30 April 2019.

Applications for the Climate sub-programme will be submitted in two rounds:

- In the first voluntary yet subsidised round until 14 March 2019.
- In the second compulsory round until 24 June 2019.

Petra Chytilová
pchytilova@deloittece.com

Announcement of the 5th Public Tender under the GAMA Programme, Seal of Excellence Sub-Programme 2

On Wednesday 13 March, the Technology Agency of the Czech Republic announced the fifth public tender in research and experimental development. It is intended for small and medium-sized enterprises that have been awarded the Seal of Excellence as part of the SME Instrument. The tender is part of the GAMA Programme of Applied Research, Experimental Development and Innovations.

Subsidies will be provided to projects as part of which the following activities were implemented and to which the participant committed in the H2020 project. They may include, for example, marketing studies, technical testing or the elaboration of a business plan.

The maximum level of support per project as part of this public tender is 55% of total eligible costs.

The deadline until which project proposals may be submitted is 25 April 2019, 4:30 p.m.

Petra Chytilová
pchytilova@deloittece.com

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

Grants CZ

Luděk Hanáček
lhanacek@deloittece.com

Antonín Weber
antoweber@deloittece.com

Grants and Incentives SK

Martin Rybar
mrybar@deloittece.com

Incentives

Daniela Hušáková
dhusakova@deloittece.com

Deloitte Advisory, s. r. o.
Churchill, Italská 2581/67,
120 00 Prague 2 – Vinohrady,
Czech Republic
Tel.: +420 246 042 500

Subscribe to dReport and other newsletters.

Deloitte.