



TAX news



Grants & Incentives news

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Introduction of digital tax in the Czech Republic

The Ministry of Finance has presented a legislative draft of the taxation of income from digital services, a so-called "digital tax", and it has sent it for external consultation.

As has already been mentioned in our previous [article](#), the Ministry of Finance brings a proposal of a digital tax rate in the record amount of 7% for selected internet services provided in the Czech Republic. The newly taxed services will include:

1. Placement of targeted advertising on the internet;
2. Digital mediation services; and
3. Sale of user data.

Based on the current wording of the act, companies meeting the following two conditions will be subject to the tax from mid-2020:

1. The company has consolidated income exceeding EUR 750 million; and simultaneously
2. The aggregate amount of payments for the taxed services provided in the territory of the Czech Republic exceeds CZK 50 million.

The purpose of the digital tax is clear from the [statement](#) of reasons and it has been confirmed by the [Ministry](#) of Finance itself. The objective is the fair taxation of large technological companies that are not based in the Czech Republic. Typically, they are large technological giants that operate social media, internet search engines, mediators of goods or services, etc. The term 'not based' is absolutely essential in this case. However, the choice of terminology in the draft bill does not lead to a clear definition and at present,

the obligation to pay digital tax would concern even entities of multinational companies which are properly registered in the Czech Republic and pay corporate income tax. Should the wording of the draft bill remain unchanged, these companies would suffer a significant disadvantage compared to their domestic competitors and it could even lead to a decrease in the economic activity of these companies (which was certainly not the original intention).

The tax base is composed of sales of selected digital services attributed to Czech users. The nationality of users should be determined based on IP addresses, which the companies will newly be required to track. At present, it is not clear from the draft bill what should be done in the event that it is not possible to determine the state where the user is located based on the IP address and at the same time the user's address is not known. The draft bill does also not take into consideration the possibility of manual software changes of the IP address.

The consultation proceedings brought many other questions relating to the practical application of this new type of tax. Deloitte takes an active part in the consultation and we will continue to keep you up to date on the resolution of the comments and any potential changes.

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Investment Incentives and their End for the Manufacturing Industry?

Are you planning investments in production in the coming months? If so, it is a good time to consider whether to apply for an investment incentive now. If you file an application before the amendment to the Act on Investment Incentives becomes effective, the existing conditions will apply.

On Wednesday, 24 July 2019, the Senate approved the governmental proposal of an amendment to the [Act on Investment Incentives](#). The amendment can be expected to come into force approximately in October 2019.

Investment incentives will have new rules

The amendment to the Act on Investment Incentives is **expected to limit investment incentives** for other than "supported regions" with higher unemployment. Support will be directed primarily to projects with higher added value (projects with the condition of a higher ratio of employees with higher salaries and university education, by cooperation with universities and research organisations, or investments in research and development projects).

Government approval will be needed

An important new aspect of the system of awarding investment incentives is the condition of the government's approval of all the applications with respect to the benefit brought to the region by the investment. A positive change concerns the cancellation of the condition of creating job openings for investments in manufacturing, and the halving of the limits of general conditions for small and medium-sized enterprises. Technological centres and centres for strategic services will attract more intensive support in the form of cash support of job openings in all regions or by decreasing the limits for new job openings for strategic investments.

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News round up

Amendment to the VAT Act

During July, the Senate rejected an amendment to the Act on Electronic Sales Records. Consequently, the presented motion to amend will be returned to the Chamber of Deputies for another vote. The amendment also proposes a decrease in VAT rates for selected supplies (draught beer, restaurant services, electronic books, household cleaning services etc.). The proposed changes have a postponed effect on the first day of the seventh calendar month following the date of publication in the Collection of Laws (the amendment is thus anticipated to take effect no earlier than in the first half of 2020).

Information of the General Financial Directorate

After several months of preparation, the General Financial Directorate (GFD) has issued Information concerning new rules for the issuance and distribution of vouchers. Aside from a description of one-purpose/multi-purpose vouchers as such, the Information also specifies the rules for voucher distribution, explains the arrangement for gratuitous voucher issuance, describes the impacts of subsequent complaints about goods (services), defines situations when a voucher has not been used at all and draws attention to situations when a supply is paid by a voucher with a nominal value higher than the cost of supply.

The GFD has issued Information that is significant primarily for taxable entities not based in the Czech Republic. The Information provides a summary of the rules for registering these entities to VAT and other selected tax liabilities.

CJEU's judgments

As part of case **C-242/18 UniCredit Leasing**, the Court of Justice of the European Union (CJEU) provided its opinion on the rules for the VAT treatment of damages in the event of a premature termination of lease agreements. The compensation of unrealised revenues that would have been generated by the lessor if the lease agreement had not been terminated prematurely is, according to the CJEU, a component of the tax base of the lease and is thus subject to VAT. This conclusion is likely to affect the practice of lease companies operating in the Czech Republic. Concurrently, the CJEU further explained the application of the rules for a VAT decrease in the event of bad debt, which are part of the VAT directive.

Judgment **C-388/18 "B"** terminated disputes as to whether, in the event of sales that are subject to a specific VAT margin scheme, the turnover for mandatory VAT registration is calculated based on aggregate revenues generated by these sales or only from a sum of margin values. The CJEU opines that it is necessary to add up the aggregate revenues from individual sales and after the threshold value for VAT registration has been exceeded, it is necessary for the seller to become a VAT payer.

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What Is the Future of Electronic Sales Records?

During June, the Chamber of Deputies approved in the third reading an amendment to the Act on Sales Records. As such, the voting lasted several days because of more than 800 motions to amend. During July, the amendment was considered by the Senate, which dismissed it. The proposed amendment will thus be returned to the Chamber of Deputies.

The effective date of the amendment, or more precisely of its core part providing for extending the duty to record sales to the remaining payers, is postponed to the first day of the 7th calendar month following the date of the amendment being published in the Collection of Laws. The nearest ordinary meeting of the Chamber of Deputies is scheduled to take place in September 2019. Therefore, the question is when and in which wording the amendment is to be approved.

The current wording of amendment provides for the following:

- Introducing the duty to record sales for the remaining payers (sale of own products, provision of services);
- Ruling out the duty to record sales generated outside the Czech Republic;
- New sales records exceptions for social services, visually impaired entrepreneurs, sale of freshwater fish from 18 to 24 December, pre-paid telephone cards as well as sales generated by air transportation and gambling;
- Re-introducing the duty to include the tax ID number on receipts unless it includes the payer's birth certificate number; and
- Payers with annual sales up to CZK 600,000 may apply for recording sales in a paper form using a receipt block provided by the tax administrator.

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International taxes in brief

Slovakian government approves draft law implementing ATAD 2

On 29 May 2019, the government approved a draft law introducing changes to the Income Tax Act including measures to implement the provisions of the EU Anti-Tax Avoidance Directive 2 (ATAD 2) as regards hybrid mismatches with third countries.

CJEU rules on cross-border use of losses

On 19 June 2019, the Court of Justice of the European Union (CJEU) issued its decision in two Swedish cases, further clarifying the application of the Marks & Spencer decision on the deduction of foreign subsidiary losses.

French parliament approves legislation creating digital services tax

On 11 July 2019, the French parliament approved draft legislation introducing a 3% digital services tax (DST) from 2019.

Austrian court rules use of Luxembourg holding companies is not abuse of parent-subsidiary directive

In a recently published decision of 27 March 2019, the Supreme Administrative Court ruled on the application of the EU parent-subsidiary directive to an interposed Luxembourg holding company concluding that the abuse of law is not relevant in this particular case.

Italian Supreme Court rules on tax residence of holding company

In a 28 May 2019 ruling, the court held that a foreign holding company cannot be deemed to be tax resident in Italy if the board of director and shareholder meetings are held in the foreign country, and the company has suitable premises in that country from which to manage its participations.

Netherlands establishes commission on taxation of multinationals

On 25 June 2019, the State Secretary for Finance announced the establishment of a commission that will make an inventory of measures that broaden the corporate tax base while also ensuring that the Netherlands remains attractive for head offices of multinational companies.

Slovenia proposes corporate tax rate increase

Proposals announced on 18 June 2019 include an increase in the standard corporate income tax rate from 19% to 20% as from 1 January 2020 and the introduction of a 7% minimum rate.

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Tax liabilities – September 2019

September

Monday, 2	Real estate tax	Tax maturity of 1st tax payment (tax payers engaged in agricultural production and fish farming with tax greater than CZK 5,000)
	Income tax	Payment of special-rate withholding tax for July 2019
Monday, 9	Excise tax	Tax maturity for July 2019 (excluding excise tax on alcohol)
Friday, 13	Intrastat	Submission of statements for intrastat for August 2019, paper form
Monday, 16	Income tax	Quarter tax advance payment
Tuesday, 17	Intrastat	Submission of statements for intrastat for August 2019, electronic form
Friday, 20	Income tax	Monthly payment of deducted advance payments on personal income tax from employment
Tuesday, 24	Excise tax	Tax maturity for July 2019 (only the excise tax on alcohol)
Wednesday, 25	Value added tax	Tax return and tax for August 2019 EC Sales List for August 2019 VAT control statement for August 2019
	Energy taxes	Tax return and tax maturity on gas, solid fuels and electricity for August 2019
	Excise tax	Tax return for August 2019 Tax return for claiming of refund of excise tax, for example on fuel oil, other petrol (benzine) for August 2019 (if applicable)
Monday, 30	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 2019



Tax liabilities – October 2019

October

Thursday, 10	Excise tax	Tax maturity for August 2019 (excluding excise tax on alcohol)
Monday, 14	Intrastat	Submission of statements for intrastat for September 2019, paper form
Tuesday, 15	Road tax	Advance payment of tax for 3rd quarter 2019
Wednesday, 16	Intrastat	Submission of statements for intrastat for September 2019, electronic form
Sunday, 20	Value added tax	Tax return and maturity of the MOSS VAT
Monday, 21	Income tax	Monthly payment of deducted advance payments on personal income tax from employment
Friday, 25	Gambling tax	Submission of statement for advanced payment on deduction from lotteries and other similar games and payment of advanced for 3rd quarter 2019
	Value added tax	Tax return and tax due date for 3rd quarter and September 2019
		EC Sales List for 3rd quarter and September 2019
		VAT control statement for 3rd quarter and September 2019
	Energy taxes	Tax return and tax maturity on gas, solid fuels and electricity for September 2019
	Excise tax	Tax maturity for August 2019 (only the excise tax on alcohol)
		Tax return for September 2019
		Tax return for claiming of refund of excise tax, for example on fuel oil, other petrol (benzine) for September 2019 (if applicable)
Wednesday, 30	Energy taxes	Submitting a notification about meeting the obligation to ensure minimum amount of biofuels and maturity of the related security
Thursday, 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 2020
	Income tax	Payment of special-rate withholding tax for September 2019



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Ministry announced new calls

During June, the Ministry of Industry and Trade of the Czech Republic announced several calls for projects. Below we provide more detailed information on some of the currently announced calls.

Fifth call of programme Energy savings

Call V of the Energy Savings Programme supports projects aimed at reducing the energy demands of a company. Supported activities include, for example, reconstruction and modernisation of energy production facilities for own consumption, distribution system of electricity, gas and heat in order to increase efficiency, modernisation of lighting systems of buildings and industrial sites, reducing energy demands of production and technological processes, modernisation and implementation of measurement and control systems, installation of RES for the company's own consumption.

- **Who can apply for a subsidy:**
 - Small, medium-sized and large businesses.
- **What the subsidy covers:**
 - Tangible fixed assets;
 - Intangible fixed assets required for operating tangible fixed assets;
 - Energy assessment;
 - Project documentation;
 - Expenditure on the organisation of a selection procedure; and
 - Engineering activity.
- **Subsidy amount per project:**
 - CZK 500 thousand – EUR 15 million; and
 - Financial aid for an energy assessment, project documentation, organisation of selection procedures and engineering activities is provided under the *de minimis* regime.
- **Aid amount per project:**
 - Maximum 50% of eligible expenditure for small businesses;
 - Maximum 40% of eligible expenditure for medium-sized businesses; and
 - Maximum 30% of eligible expenditure for large businesses.
- **Aid amount for an energy assessment, project documentation, organisation of selection procedures and engineering:**
 - Maximum 50% of eligible expenditure for small businesses;
 - Maximum 40% of eligible expenditure for medium-sized businesses; and
 - Maximum 30% of eligible expenditure for large businesses.
- **Receiving applications:**
 - 16 September 2019 – 30 April 2020.

It is a continuous call. The project must be executed in the Czech Republic, outside of the capital city of Prague; the actual place where the project is executed is decisive.

Second call of programme Energy Savings - Energy Efficient Buildings

The second call of the Energy Savings Programme - Energy Efficient Buildings supports projects aimed at reducing the energy demands of a company. Supported activities include, for example, the construction of new energy-efficient buildings and the construction of superstructures and extensions with higher energy standards to existing buildings.

- **Who can apply for a subsidy:**
 - Small, medium-sized and large businesses.
- **What the subsidy covers:**
 - Tangible fixed assets (additional costs for construction of buildings with a higher energy standard up to CZK 3,000 per sq. m. Of energy related area);
 - Energy assessment;
 - Investor technical supervision;
 - Project documentation;
 - Blower-door test.
- **Subsidy amount per project:**
 - CZK 200 thousand – EUR 200 thousand;
 - Financial aid for energy assessment, project documentation, investor technical supervision and blower-door test up to CZK 350 thousand.
- **Aid amount per project:**
 - Maximum 80% of eligible expenditure for small businesses;
 - Maximum 70% of eligible expenditure for medium-sized businesses;
 - Maximum 60% of eligible expenditure for large businesses.
- **Aid amount for energy assessment, project documentation, investor technical supervision and blower-door test:**
 - Maximum 80% of eligible expenditure for small businesses;
 - Maximum 70% of eligible expenditure for medium-sized businesses;
 - Maximum 60% of eligible expenditure for large businesses.
- **Receiving applications:**
 - 16 July 2018 – 15 January 2020.

It is a continuous call. The project must be delivered in the Czech Republic, outside of the capital city of Prague; the actual place where the project is executed is decisive. The building must meet the parameters of an almost zero-energy building pursuant to Decree No. 78/2013 Coll., as amended.



Fifth call of programme Renewable energy sources

Call V of the Renewable Energy Sources Programme aims to support projects using renewable energy sources for energy production and distribution. Supported activities include, for example, construction of wind power plants, installation of electric and gas heat pumps, installation of solar thermal systems, construction and reconstruction of sources of cogeneration of electricity and heat from biomass and heat transfer to a heat exchanger station, construction and reconstruction of small hydroelectric power stations or heat transfer from existing electricity generating plants.

- **Who can apply for a subsidy:**
 - Small and medium-sized businesses.
- **What the subsidy covers:**
 - Tangible fixed assets; and
 - Intangible fixed assets required for operating tangible fixed assets.
- **Subsidy amount per project:**
 - CZK 500 thousand – up to the planned allocation of the given activity.
- **Aid amount per project:**
 - Maximum 50 - 80% of eligible expenditure for small businesses, according to the type of activity; and
 - Maximum 45 - 70% of eligible expenditure for medium-sized businesses, according to the type of activity.
- **Receiving applications:**
 - 2 September 2019 – 31 March 2020.

It is a continuous call. The project must be executed in the Czech Republic, outside of the capital city of Prague; the actual place where the project is executed is decisive.

Tenth call of programme Technology

Call X of the Technology Programme supports projects aimed at digital transformation through the acquisition of new machines, technology equipment and the integration of these technologies through autonomous duplex communication into the production process. The aid is not intended for a simple renewal of existing machines with zero innovation.

- **Who can apply for a subsidy:**
 - Small and medium-sized businesses.
- **What the subsidy covers:**
 - Tangible fixed assets;
 - Intangible fixed assets (for example, acquisition of patent licences).
- **Subsidy amount per project:**
 - CZK 1 million – CZK 40 million.
- **Aid amount per project:**
 - Maximum 45% of eligible expenditure for small businesses; and
 - Maximum 35% of eligible expenditure for medium-sized businesses.
- **Receiving applications:**
 - 23 September 2019 – 16 December 2019.

It is a continuous call. The project must be executed in the Czech Republic, outside of the capital city of Prague; the actual place where the project is executed is decisive.

In the Real estate programme announced two calls

Two calls were announced in the Real Estate Programme: Call IV - Tourism and Call V - Coal Regions.

- **Who can apply for a subsidy:**
 - Small and medium-sized businesses.
- **Aid amount per project:**
 - Maximum 45% of eligible expenditure for small businesses; and
 - Maximum 35% of eligible expenditure for medium-sized businesses.
- **What the subsidy covers:**
 - Expenses for tangible fixed assets such as land improvement, reconstruction of buildings, modernisation, construction changes, construction or removal of a structure, utilities, roads to construction sites; and
 - Other construction-related costs that will be included in tangible fixed assets (such as studies, project activities and engineering activities).

Tourism

Supported activities include reconstruction of technically unsatisfactory buildings or reconstruction of brownfields into an object designed for business activities in the specific CZ NACE codes for tourism. Projects executed in the regions of Central Moravia, Northwest, Central Bohemia, Moravia-Silesia, Northeast, Southeast and Southwest will be supported. The condition for obtaining the subsidy is the creation of jobs, which is associated with the amount of eligible expenditure, which is as follows:

Number of jobs created	Maximum amount of eligible expenditure
1 job	CZK 10,000,000
2 jobs	CZK 20,000,000
3 jobs	CZK 30,000,000, etc.

- **Subsidy amount per project in call IV Tourism:**
 - CZK 1 million – CZK 100 million.
- **Receiving applications in call IV Tourism:**
 - 16 September 2019 – 31 March 2020.

It is a round call. The project must be executed in the Czech Republic in one of the 57 defined municipalities; the actual place where the project is executed is decisive. There can only be one execution place per project. Each applicant (one corporate ID) can submit a maximum of three projects.

Coal regions

Supported activities include the reconstruction of technically unsatisfactory buildings or the reconstruction of brownfields into an object designed for business activities in the specific CZ NACE codes. Projects executed in the Karlovy Vary, Ústí nad Labem and Moravian-Silesian regions will be supported.

- **Subsidy amount per project in call V Coal Regions:**
 - CZK 1 million – CZK 70 million.



- **Receiving applications in call V Coal Regions:**
- 16 October 2019 – 16 March 2020.

It is a continuous call. The project must be executed in the Czech Republic, in the Karlovy Vary, Ústí nad Labem or Moravian-Silesian regions; the actual place where the project is executed is decisive. There can only be one execution place

per project. Each applicant (one corporate ID) can submit a maximum of three projects. All pieces of real estate within the submitted project must be registered in the National Brownfields Database.

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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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