



## Information for Clients No. 5

Czech Republic  
December 2017

### Dear Clients!

*The year 2018 is approaching and for AUDITOR this will be the 27th year of presence on the Czech market and the 19th year of presence on the Slovak market. As we do at every year's end we would like to look at the past for a moment.*

*The Czech Republic has been positively influenced by a considerable economic growth in the past year, which we have greatly noticed in our office as well. Thanks to the growth of our existing clients and the addition of many new clients we have increased our number of employees. Finding skilled personnel was not always easy and will surely remain a challenge in the next year for all of us.*

*In addition to our core services (accounting, payroll and tax) our growth was mainly supported by new engagements in the fields of mergers and acquisitions, due diligence, international tax optimization and transfer pricing documentation. Increasingly we are helping Czech companies during their expansion into foreign markets. Thanks to our sister companies in Slovakia and in Austria our membership in UHY International we are glad to be the ideal partner in many cases.*

*In my capacity as the honorary consul of Austria responsible for the Moravia region I was able to facilitate numerous economical as well as political contacts within the Czech Republic but also cross-border with Austria and thus provide our clients with important value-added services.*

*Our profession requirements are ever increasing. We*

*had to deal with numerous regulatory changes such as the introduction of the Electronic Cash Register, the Control Statement in the field of the value added tax, extended reporting obligations as well as a growing number of tax inspections. Going forward, we are expecting new challenges e.g. of in the field of tax harmonization and anti-dumping measures. Our people join frequently internal and external as well as international trainings to be well prepared for the respective challenges.*

*Our tax-update event in December, which is for free for our clients, has meanwhile become a highlight. We are pleased that more than one hundred people have joined this event this year.*

*As in previous years we have foregone sending Christmas cards and giving Christmas presents. Instead we have financially supported two charitable organizations.*

*Finally, we would like to warmly thank our employees for their professional commitment, for their readiness to continuing education and for their loyal collaboration. Especially we want to thank you, our clients. We very much appreciate that we have been cooperating with many of you in the Czech Republic for more than two decades.*

*We wish you all a peaceful and blessed Christmas and a lot of strength for the new challenges in the year 2018.*

Yours

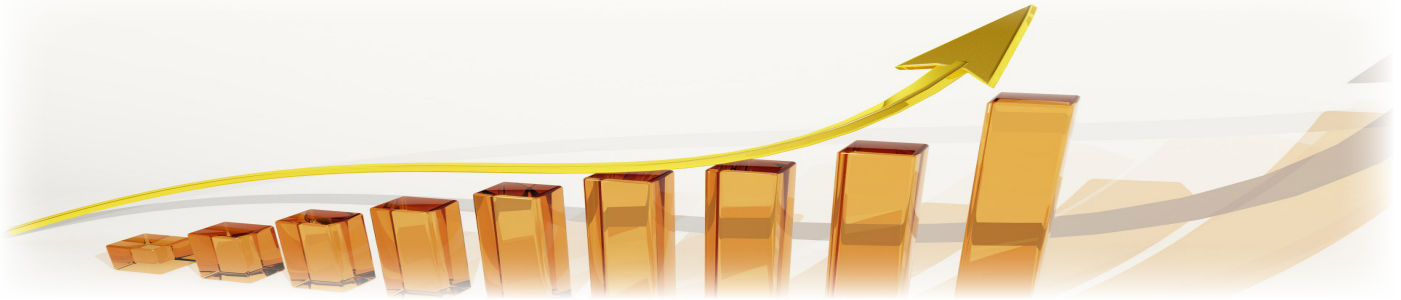


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## Tax law changes in 2017 and 2018

*By the end of 2017, no significant changes of the tax regulations are expected to be enacted. During 2017, however, several amendments to the Income Tax Act were approved that will have an impact on income taxes for 2017 or that will come into effect on 1 January 2018. We have summarized the most important changes.*



### Income Tax

#### *Tax relief for a dependent child*

A pleasant change welcomed by many individual taxpayers is the increase in the tax relief for the first dependent child from CZK 13,404 (annually valid in 2017) to CZK 15,204 per year in 2018.

We remind you that in the middle of 2017 there was an increase in the tax relief for the second child (to CZK 19,404 per year) and for the third and additional child (to CZK 24,204 per year). This change is valid retroactively for the whole 2017 tax year.

#### *Tax relief for pre-school fees*

It will be possible to claim tax relief for the placement of a child in a pre-school child care establishment in the amount of up to CZK 12,200 in the 2018 tax year.

#### *Books for employees*

The popular non-monetary benefits currently exempted from tax and insurance for employees, such as contributions to cultural or sporting events, will be enhanced by the possibility to provide employees with a non-monetary contribution for printed books from January 2018. This benefit will be considered a tax non-deductible expense for the employer.

#### *Lump sum expenses for individuals*

In the area of income tax for individuals, the maximum amount of income allowed for lump sum expenses for business and rental income has been reduced and now will be calculated from CZK 1 million. However, when claiming the lump sum expenses, it will be also possible to simultaneously apply the tax relief for the spouse and dependent children.

For 2017, the transitional provision of the Income Tax Act allows two options: Either the lump sum expenses can be applied up to a maximum income of CZK 2 million, but without the possibility of relief for the spouse and children, or the new rule for 2018 with the lower limit of lump sum expenses can be applied preserving the possibility of tax relief for a spouse and children.

#### *Tax deduction for blood donors*

The amount of the tax relief for free blood donation increased from CZK 2,000 to CZK 3,000 for the 2017 tax year. It is now also possible to deduct CZK 20,000 for a hematopoietic stem cells donation from the tax base.



## VAT

Some slight rewording will be made in the VAT Act in 2018, related to the Construction Act Amendment and the Payment Act Amendment.

## Real-estate transfer tax

There have not been any changes made nor planned in the area of Real-estate transfer tax recently. However, the decision of the Supreme Administrative Court and subsequent information issued by the state administration profoundly alters the current legal interpretation and the approach to the tax base.

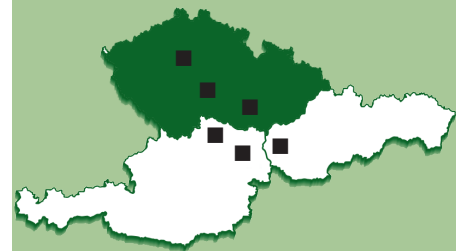
According to the original interpretation, the 4% Real-estate transfer tax was calculated from the total acquisition price, including VAT.

The new interpretation, however, states that the tax is to be derived from the acquisition price without VAT. This change applies retroactively to transfers made since 1 January 2014. If the tax has already been paid from the price including VAT, an additional tax return can be filed now and part of the tax paid can be refunded.

## AUDITOR in Central Europe

**AUDITOR** is an audit and tax consulting company with an international focus that has been providing services for 25 years in **tax consulting, personnel and payroll administration, financial accounting and business consulting.**

The company provides complex consultancy in Central European countries via sister companies in the **Slovak Republic** and **Austria** (using **Stöger & Partner** as a brand name). For solving global consultancy issues, **AUDITOR** is an independent member in **UHY International**, a network of independent consultancy companies in more than 80 countries of the world.



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