



## Information for clients No. 2

Czech Republic  
March 2014

*Obligations of natural persons in connection with the solidary increase in tax, amendment to the accounting decree for entrepreneurs.*

### Personal income tax in 2014

#### ■ Extension of the scope of persons obliged to lodge a tax return

The obligation to lodge a personal income tax return for 2013 applies also to those employees whose income from dependent activities, even in a single month, e.g. on the grounds of bonuses or severance pay, exceeded the amount of CZK 103,536 and was thus subject to the solidary tax increase in the amount of 7%. Up to now, the annual accounting for advances on their salaries could be performed by the employer. Now, however, every employee is obliged to lodge a return. In case of failure to do so, a fine may be assessed of up to five per cent of the total tax obligation. To claim the tax-free amounts of the tax base, discounts and tax reliefs, the employee will be obliged to submit the corresponding documents, e.g. confirmation of the amount of insurance paid, interest on mortgage loans, etc., even if the employee has already lodged the required documents with the salary accounting department. The deadline for lodging the tax

return is 1 April 2014 and an extended deadline of 1 July 2014 applies to those taxpayers who use the services of a tax advisor.

#### ■ What remains unchanged for 2014 and what are the changes for natural persons?

- The “supergross” wage continues to apply (under the applicable laws it should be cancelled as of 1 January 2015).
- The solidary tax increase in the amount of 7% continues to apply, newly on income exceeding CZK 103,768 per month or CZK 1,245,516 per year.
- It continues to apply that no ceiling is determined for health insurance.
- The new ceiling for social insurance is CZK 1,245,516.
- The income tax rate of 15% continues to apply.

### Amendment to the tax decree for entrepreneurs

The amendment to the accounting decree for entrepreneurs which was published in the Collection of Laws under No. 467/2013 Coll. responds to the changes in the Civil Code and the Corporations Act.

Some of these changes are outlined below:

#### ■ Definition of technical improvements

The decree newly contains a definition for technical improvements; until now, references were only made to the Income Tax Act. The limit was CZK 40,000. Under the new provision, this limit also applies to technical improvements, i. e. expenses up to this limit are accounted for in costs while they must be activated when the limit is exceeded. This, however, is applicable only when the company has not set a lower limit for





activation of the expenses on technical improvements in an internal guideline.

#### ■ Land, structures

A fundamental change in the Civil Code with respect to real estate consists in the rule that “the surface yields to the ground” (*superficies solo cedit*), i. e. structures become part of the land on which they stand. However, in relation to taxes it is necessary to continue distinguishing between real estate which is subject to depreciation (structures) from that which is not (land). Land also continues to be separated from structures in accounting records.

#### ■ Right of superficies

The “right of superficies” is a new term in the Civil Code:

- In accounting records, the right of superficies will be displayed as part of the valuation of a built structure.
- If this is not the case, it must be registered as a separate asset.
- Where these assets are intended for further sale, they are included in stocks.

#### ■ Funds from profits, dividends

The Corporations Act has repealed the obligation to create a reserve fund by allocation from the available profits. If the company subjects itself to the new Act to the full extent, the reserve fund may be cancelled, obviously while observing the Memorandum of Association and the conditions given by the new Act.

It is also newly possible to pay advances on dividends, subject to compilation of interim financial statements.

These regulations are completely new in the life of corporations. We expect significant developments to occur in this area in the future both in terms of interpretation of the law and possible amendments to legislation. ■

**Ing. Marta Prachařová**  
Head of the Tax Department  
T: +420 224 800 458  
marta.pracharova@auditor.eu



**AUDITOR**  
Audit ■ Tax ■ Accounting

*For more than 20 years  
on the Czech market.*

#### Contact details

Mag. Georg Stöger

**International tax structures**

Marie Haasová

**Czech accounting issues**

Ing. Irena Pospíšilová

**Audit, IFRS**

Ing. Marta Prachařová

**Czech tax issues**

**Prague Office**

Haštalská 6

110 00 Praha 1

T: +420 224 800 411

**Brno Office**

Dominikánské nám. 4/5

602 00 Brno

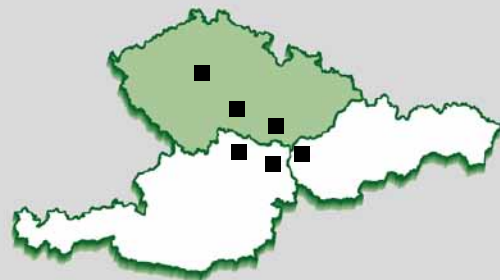
T: +420 542 422 601

**Pelhřimov Office**

Masarykovo nám. 30

393 01 Pelhřimov

T: +420 565 502 502



**More information at [www.auditor.eu](http://www.auditor.eu).**

Data presented in this publication is informative in character and does not replace legal, economic or tax consultancy. Consultancy requires knowledge of particular cases and assessment of all relevant facts. We claim no responsibility for decisions that the user makes based on this material.

AUDITOR is an auditing and tax consulting company with an international focus that has been providing services for more than 20 years in **audit, 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.

[www.auditor.eu](http://www.auditor.eu)

**An independent member of UHY International, an association of independent accounting and consulting firms**