



**Michal Radvan**

# **CZECH TAX LAW**

## **Czech Tax Law**

Michal Radvan

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## INTRODUCTION

The aim of this information package is to provide basic information on the Czech tax law and tax system used in the Czech Republic. It has been designed primarily for foreign students and LL.M. and MPA students studying tax law in the Czech Republic but, as I hope, there is a lot of information useful for any alien liable to tax in the Czech Republic. Every tax is described according to its structural items (components – object of taxation, subject liable to tax, possibilities for exemptions, tax base and the tax rate, tax administration). Many of theoretical and research problems we are discussing in the Czech Republic in given area is not the goal of this package but author offers additional consultations for the readers. For further information you can check for example Radvan, M. et al. Finanční právo a finanční správa - Berní právo. Brno: Masarykova univerzita et Doplněk, 2008. ISBN: 978-80-210-4732-7.

The Czech tax law and tax system are quite new. After the great changes in 1989 (so called “velvet revolution”) it was necessary to prepare a completely new tax system because of changing economic and social atmosphere. In 1993 former Czechoslovakia split up into two separate states– the Czech Republic and the Slovak Republic. It was necessary to prepare the tax system for the new independent Czech Republic before the end of 1992. That system was created too quickly to be without any mistakes. To tell the truth, there were many mistakes and it was necessary to amend the tax acts several times. Even so many of these acts are still too vague and there are a lot of difficulties with their application and interpretation.

In addition, in 2004 (1 May) the Czech Republic became the Member State of the European Union. The EU claims that taxes are in discretionary powers of individual states but in fact it is not true. Especially when we speak about indirect taxes, there are many EU directives binding individual Member States and we are gradually becoming aware of the EU’s intervention into direct taxation. Due to this fact, the Czech Republic must amend or make completely new tax acts, such as VAT Act or Excise Taxes Act. In the future we can expect that numerous changes in the taxation will be introduced and it will be necessary to prepare a new edition of the book dealing with Czech taxation.

Because of many changes in legal regulation of Czech tax system it is necessary to modify the last edition of the information package “Czech Tax Law”. That is why now you hold in your hands the third edition of this publication. Most information in this booklet may be referred to the acts in force as of 1 July 2010. But for example chapter on tax administration is a little bit “in advance”: the new act called Code of Tax Procedure is already valid, but it will come into force on 1 January 2011.

Brno, 7.7.2010

Michal Radvan

# 1 CZECH TAX SYSTEM

Talking about taxes, we are somewhere between economy, politics and law. There is no doubt that every government has its own ideas how to create a tax system but political aspects are very subjective and uncertain in time. Taxpayer is not only a subject with his duty to comply with the incomes incurred into the public budgets but a voter, too. We can usually say that the level of tax duties corresponds with the level of state intervention to social life. But sometimes high tax rates can be the result of a former government policy, international situation, etc. When we are thinking about an optimal level of taxation, we must respect not only political criteria but economic aspects, as well. An economic model is more important than anything else. The limits of taxation are in effectiveness of economic system.<sup>1</sup>

As we can see, not only in the Czech Republic especially the fiscal function of taxes is the most important one. Its purpose is to guarantee the incomes of the State and municipal budgets and other (public corporation) budgets because taxes are the most important incomes for these budgets. Thanks to taxes it is possible to affect activities of economic subjects because tax is an instrument for regulation of income and property distribution. The fiscal function is closely connected with the regulation function: using taxes, the State can effectively correct the incomes while transferring money between economical subjects and public funds. A good tax system can affect the effectiveness of economy. But the State must be very careful in tax rates: the tax burden must respect the tax capacity. Too high taxes do not motivate people to work, to run a business. The last one of the basic functions of taxes – the stimulation function means using tax instruments to impress an economic subject. It is executed by using several tax rates that can stimulate the development of some activities or stifle others. Other possibilities are for example the catalogue of tax reduction or exemptions from taxation.

Although there are many tax acts in the Czech Republic, they lack the definition of “**tax**”. The answer to the question what the tax is can be found just in the tax theory: a tax is an obligatory amount defined by an act with a laid down rate which is more or less regularly collected from the incomes of economic subjects to the public budgets on the irrecoverable principle.

We can find something similar to the definition of tax in the Czech legislation; in the Code of Tax Procedure (Act no. 280/2009 Sb., as amended, Section 2(3)) there is legislative shortcut of tax: tax means taxes, fees, transfers, advance payments and other assessments.

The main rule concerning taxes is included in the Charter of Fundamental Rights and Freedoms. Its Article 11(5) assigns that taxes and fees can be imposed only by acts. It means not only taxes, but as well all the fees, must be imposed by acts, not just by ordinances of municipalities or ministries.

We have the same problem with the definition of tax as with the definition of “**fee**”. The tax theory describes the fee<sup>2</sup> as an obligatory irrecoverable amount defined by an act and collected by the State or other public corporations for certain legal acts. In contrast to tax this amount is irregular (ad hoc) and the fee payor is eligible to ask for some consideration. It means that fee is very similar to the price and sometimes we can even see somebody to collect “**fee**” for baggage deposit or coat deposit (though it is not the right term).<sup>3</sup>

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<sup>1</sup> See Mrkývka, P. in: Mrkývka P. a kol. Finanční právo a finanční správa – 2<sup>nd</sup> part. Brno: Masarykova univerzita v Brně, 2004. ISBN: 80-210-3579-X. P. 7. Šíroký, J. Daňové teorie s praktickou aplikací. Praha: C. H. Beck, 2003.

<sup>2</sup> The term “**fee**” means the same as the term “**charge**”.

<sup>3</sup> See Mrkývka, P. in: Mrkývka P. a kol. Finanční právo a finanční správa – 2<sup>nd</sup> part. Brno: Masarykova univerzita v Brně, 2004. ISBN: 80-210-3579-X. P. 6.

To tell the truth, the difference between “tax” and “fee” is really more theoretical than practical. For example in a lot of municipalities the “dog charge” is in fact the “dog tax”: the holders of dogs (the taxpayers) do not get any plastic bags for the excrements, municipality does not install waste baskets, does not clean pedestrians and roads, etc. On the other hand, the “road tax” is rather “road charge” because the whole revenue must be invested by the State Fund of Transport Infrastructure to modernization of existing roads and building new ones.

All Czech legal acts dealing with taxes and fees do have very similar structure according to the basic **structural components**:

- Object of taxation is a legally relevant situation described by law that is connected with a tax duty. It is usually obvious what the object of taxation is just from the title of the tax. Incomes, possession or using property, transfers with property, consumption, etc. can be the object of taxation;
- Correction components are some possibilities for the taxpayer not to pay the tax or pay less than it is usual. Tax reduction and exemptions from taxation are most common. Sometimes but not very often, the correction components can have the opposite effect: they can increase the tax duty;
- Czech tax administration knows two types of taxpayers:<sup>4</sup>
  - a natural person or legal entity whose income, property or legal acts (legal transactions) are object of taxation (taxpayer),
  - a natural person or legal entity that has responsibility to calculate the tax, collect it or withheld it and transfer it in time to the tax administrator (payor);
- Talking about the tax base, we mean the quantity of the object of taxation. As the tax base is usually economic income (for income taxes), value (for VAT, inheritance tax, gift tax, real estate transfer tax, partly excise taxes), area (real estate tax) or something different (for example combination of weight and number of axles or engine capacity for the road tax);
- Tax rate determines the amount of the tax to the tax base. Several kinds of tax rate are distinguished:
  - fixed tax rate – fixed amount of money irrespective of the quantity of the tax base,
  - percent tax rate – tax includes several percent of the tax base and there are three possibilities for percent tax rate:
    - linear tax rate – the same percentage for a different tax base,
    - progressive tax rate – the higher the tax base, the higher the percentage,
    - degressive tax rate – the higher the tax base, the lower the percentage (this kind of tax rate is not used because of its injustice);
- Payment conditions are usually terms and fundamentals of payment. Some taxes are paid in one term, others can be paid in several part payments. Sometimes the taxpayer is obliged to pay advance payments before he knows his annual tax duty.
- We have numerous tax administrators in the Czech Republic but most often the tax administrator is the tax office. In other situation taxes can be administrated by other

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<sup>4</sup> These terms are no more in Czech legal order, but legal acts are still operating with them and using them.

public administration bodies, by courts or by customs offices. The most important task for a tax administrator is to make everything so that all the taxes will be collected in time and in the right amount;

- The budget destination is very important for all citizens; it means which of the public funds will get collected money. These are usually the state budget and local budgets (municipal budgets and region budgets).<sup>5</sup>

Tax	Municipal budget	Region budget	State budget
Personal income tax (withholding tax)	21,4 % <sup>6</sup>	8,92 %	69,68 %
Personal income tax (from business activities)	30 % <sup>7</sup>		10 %
- remaining 60 %	21,4 %	8,92 %	69,68 %
Personal income tax (from dependent activity)	21,4 % + 1,5 % <sup>8</sup>	8,92 %	68,18 %
Corporate income tax <sup>9</sup>	21,4	8,92 %	69,68 %
Real estate tax	100 % <sup>10</sup>		
Inheritance tax			100 %
Gift tax			100 %
Real estate transfer tax			100 %
Road tax			100 %
VAT	21,4 %	8,92 %	69,68 %
Excise taxes			100 %

**Table 1:** Budget Destination in the Czech Republic

There are numerous possibilities how to **classify taxes**. Some are more practical, some are less. Just two of them will be mentioned in the following text:

- Classification according to impact,
- Classification according to object of taxation.

The most typical and the most common class is the classification according to tax impact. We may distinguish between direct taxes and indirect taxes. Direct taxes are assessed to every taxpayer according to his / her incomes, property and they usually respect the personal situation of the taxpayer. The group of direct taxes includes income taxes, road tax, real estate tax, transfer taxes, etc. On the other hand indirect taxes are paid and collected in the prices of goods, service, etc. and does not respect personal situation of the taxpayer. The most important indirect taxes are VAT and excise taxes.

The other useful classification of taxes is the classification according to the object of taxation. There are:

<sup>5</sup> Vide in Pařízková, I. Finance územních samosprávných celků. Brno: Masarykova univerzita, 1998. ISBN: 80-210-1997-2. Pařízková, I. Finanční právo: finance územní samosprávy. Brno: Masarykova univerzita, 2005. ISBN: 80-210-3601-X. Marková, H., Boháč, R. Rozpočtové právo. Praha: C.H. Beck, 2007. ISBN: 978-80-7179-598-8. Netolický, M. Rozpočty obcí v naší legislativě. Brno: Tribun EU, 2008. ISBN: 978-80-7399-340-5.

<sup>6</sup> Tax incomes are distributed according to:

1. Area of the municipality,
2. Number of inhabitants in the municipality,
3. Multiples of gradations; valid for all 21,4 %.

<sup>7</sup> According to permanent address of the entrepreneur.

<sup>8</sup> According to number of employers working in the municipality.

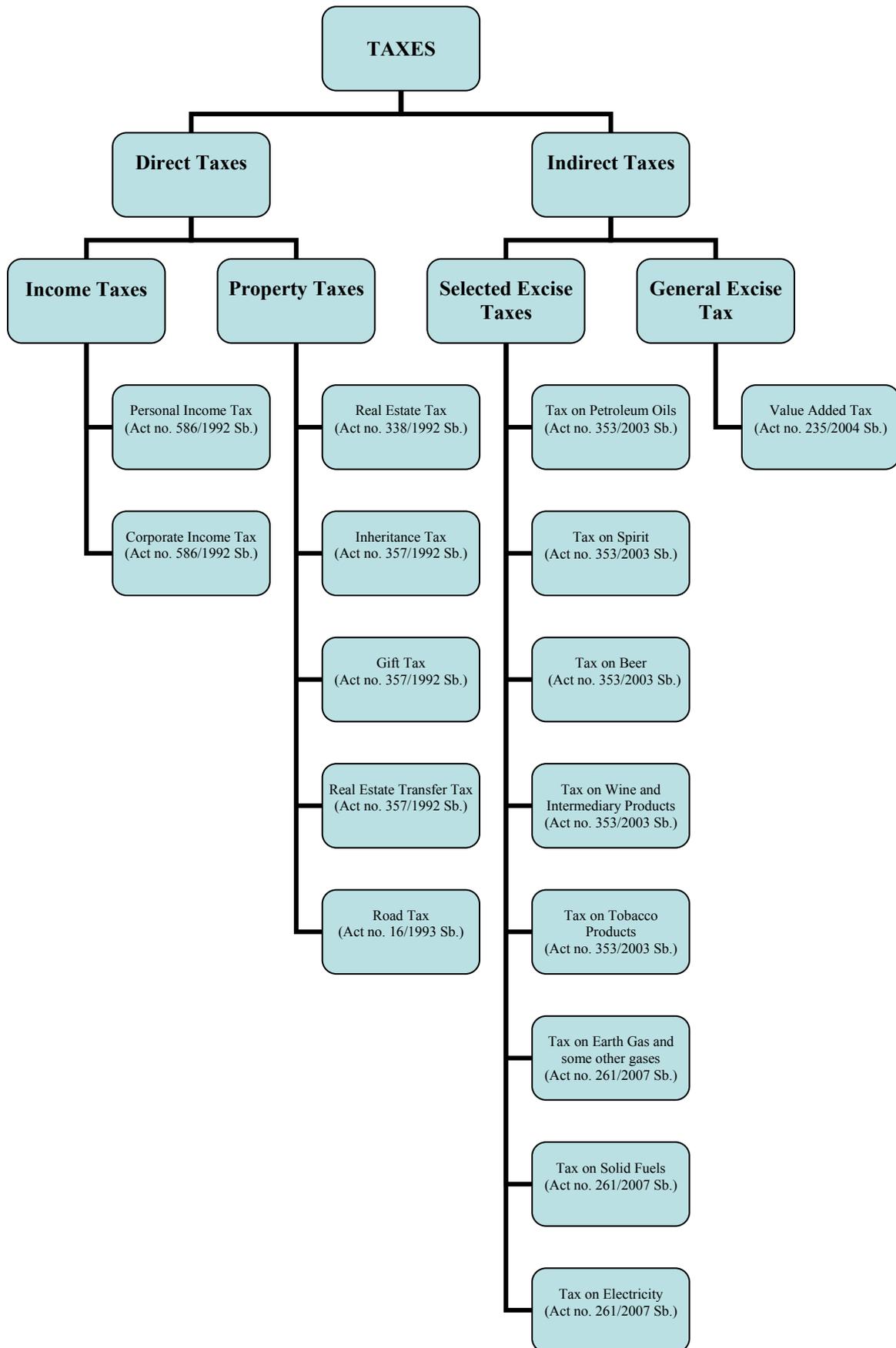
<sup>9</sup> Corporate income taxes paid by municipalities and regions are the incomes of their budgets.

<sup>10</sup> According to location of the real estate.

- Income taxes – taxes on income of natural persons and legal entities, usually not only income in money but income in kind and emoluments of office-holders, too. There are two income taxes in the Czech Republic: personal income tax and corporate income tax;
- Property taxes – taxes on ownership, holding, lease or using of property. Real estate tax and road tax are the most typical property taxes in the Czech Republic. Transfer taxes (inheritance tax, gift tax and real estate transfer tax) and several local charges such as dog charge are very often mentioned between property taxes;
- Transfer taxes are collected from transfer or transference of ownership title, the main transfer taxes are inheritance tax, gift tax and real estate transfer tax;
- Subject taxes are paid because of the existence of a subject, they do not exist any more not only in the Czech Republic;
- Turnover taxes are paid from the value added by every processor, the turnover tax is value added tax (VAT);
- Excises (excise taxes) are imposed on the consumption of selected commodities such as petroleum oils, spirit, beer, wine and tobacco products, since the beginning of 2008 on the consumption of gas, coal and electricity, too.

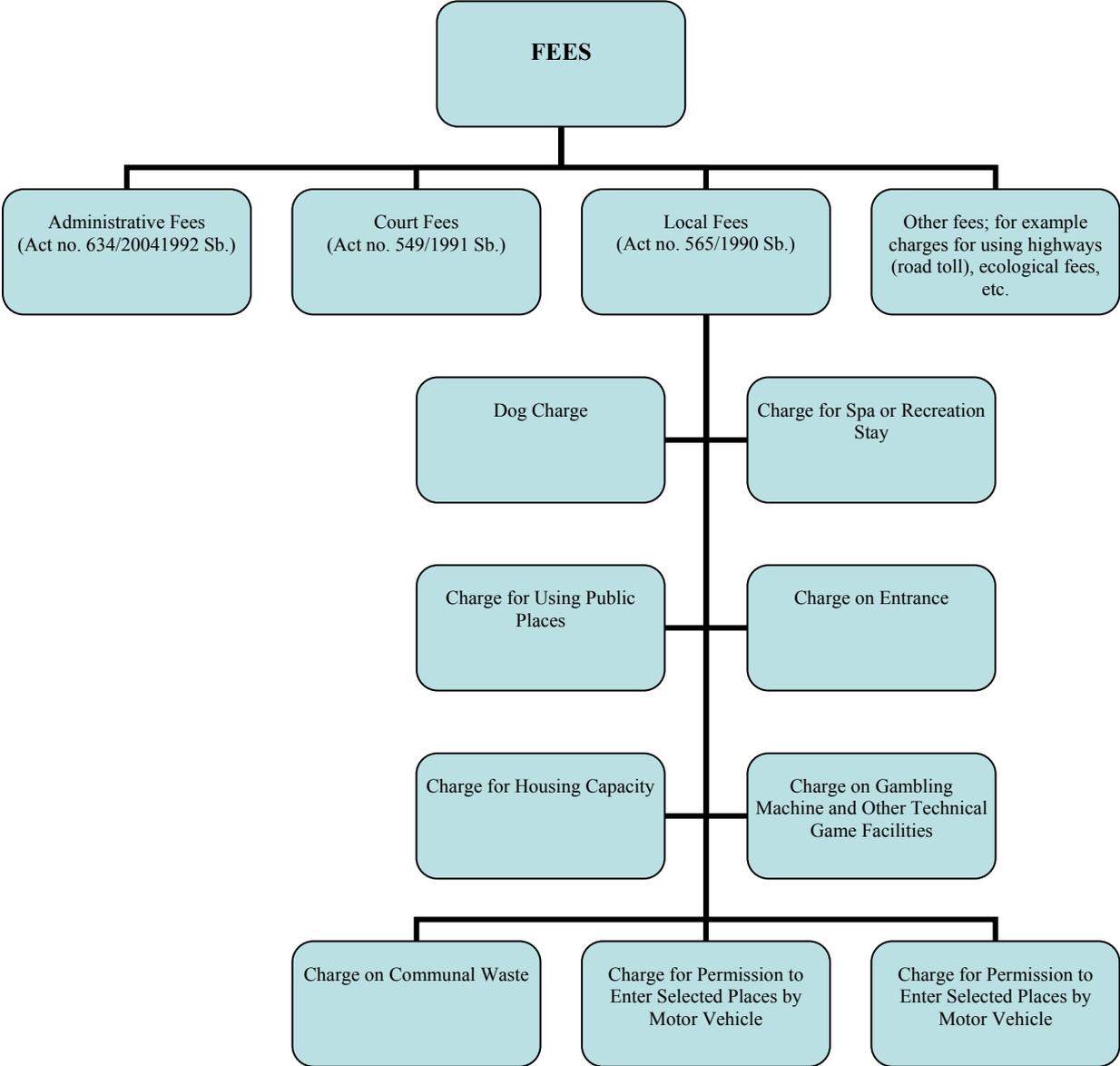
**The system of taxes and fees in the Czech Republic** is very similar to the ones in other developed European countries. To tell the truth, nowadays there is no act dealing with the tax system in the Czech Republic. There used to be Act No. 212/1992 Sb. that created the whole system of taxes in 1993. But this Act had no practical importance; there was no problem to approve some new tax acts. That is why that Act was abolished in 2003.

Nowadays the **system of taxes** in the Czech Republic looks as follows (for better orientation the classification according to impact is used):



**Graph 1:** System of Taxes in the Czech Republic

The definition of fees was mentioned above. Considering the tax system, just local fees are important but there are some other kinds of fees. In the following graph the **system of fees** is described:



**Graph 2:** System of Fees in the Czech Republic

## 2 PERSONAL INCOME TAX

In the Czech Republic, the personal income tax is regulated together with the corporate income tax by an act called Income Taxes Act (Act no. 586/1992 Sb., as amended).<sup>11</sup> This Act lies down that the objects of taxation are the following types of income (no matter if it is a monetary or a non-monetary income or the income was acquired by exchange):

- Income from dependent activity (employment) and emoluments of office-holders (function benefits);
- Income from business and from other independent gainful activity;
- Capital property income;
- Rental (lease) income;
- Other income.

Each of these incomes are described individually in Sections 6 – 10 of the Income Taxes Act and for each of these incomes it is necessary to calculate so called partial tax base and at the end every taxpayer must calculate these partial tax bases together to get the tax base.

### 2.1 *Incomes from Dependent Activities and Function Benefits*

**Incomes from dependent activities** are defined as incomes from the recent or former labor relationship, service relationship or membership relationship or a similar relationship if the taxpayer – employee – must respect the payor’s – employer’s – commands in the course of execution of work for the payor.

Besides that incomes for work of pupils and students in practice training, incomes for work done by members of co-operatives, associates and agents of limited liability companies and limited partners of limited partnerships, incomes for work of company liquidators, remunerations of members of statutory bodies and other bodies of legal entities and incomes following in connection with recent, future or former execution of dependent activity or of function regardless of whether they follow from the payor for whom the taxpayer executes he dependent activity or function or from the payor for whom the taxpayer does not execute the dependent activity or function are considered to be the incomes from dependent activities.<sup>12</sup>

The income is even 1 % (but not less than 1 000 CZK<sup>13</sup>) of the input price of a motor vehicle in each month, if the employee can use it not only for business but for himself, too.

**Function benefits** are defined as function salaries of members of the government, deputies and senators of the Parliament of the Czech Republic and salaries of chiefs of central authorities of the state administration and remunerations for execution of function in authorities of municipalities, in other authorities of territorial self-governance, state authorities, civic and professional associations, chambers and other authorities and institutions.<sup>14</sup>

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<sup>11</sup> Vide for example Pařízková, I., Radvan, M. in: Radvan, M. et al. Finanční právo a finanční správa - Berní právo. Brno: Masarykova univerzita et Doplněk, 2008. ISBN: 978-80-210-4732-7. Marková, H. Zákon o daních z příjmů. Komentář. Praha: C. H. Beck, 2007. 80-7179-474-0. Mrkývka, P. Opodatkowanie dochodu w Republice Czeskiej. in: Etel, L. (ed.). Opodatkowanie dochodu w wybranych krajach Europy Środkowej i Wschodniej. Białystok: Temida2, 2006. P. 93-128. ISBN 83-89620-17-0.

<sup>12</sup> See Section 6(1) Income Taxes Act.

<sup>13</sup> 25 CZK = 1 EUR.

<sup>14</sup> See Section 6(10) Income Taxes Act.

There are several **incomes that are not liable to tax** from dependent activity, for example reimbursements of travel expenses provided in connection with execution of dependent activity up to the sum provided by a special regulation as well as value food provided by employer in case of a work journey, value of personal protection working means, washing, cleaning and disinfection means provided in the extent provided by a special regulation including costs spent in order to maintain personal protection means and working means as well as value of provided uniform including contributions to their maintenance and value of working dress designed by the employer for the purpose of execution of work including contribution to its maintenance, sums received by the employee from the employer as an advance payment, reimbursements of wear of own tools, facilities and items necessary for execution of work granted to the employee and reimbursements of expenses provided in connection with execution of function to that a legal claim arises according to special regulations.<sup>15</sup>

Income charged or paid by the employer with its registered office or residence in the Czech Republic after corrections shall be a separate tax base for taxation under a special tax rate (15 %), if the total sum paid (gross income) by the same employer does not exceed the sum of 5 000 CZK in one calendar month.

Besides common exemption from taxation, there is rather long list of **exemptions from work taxation** and several possibilities how to “forestall taxes” should be mentioned. The reasons for exemptions are mostly social and economical and in the list of exemptions<sup>16</sup> there are for example sums spent by the employer in order to improve his employees’ professional skills or for reskilling, value of food given by the employer to the employees as a non-monetary performance, value of soft beverages given by the employer to the employees as a non-monetary performance, non-monetary performance given by the employer to the employees from a fund of cultural and social needs or from the social fund, privileges granted by the employer running public personal transportation to his employees and members of their families in the form of free or cheaper tickets, value of non-monetary gifts provided from a fund of cultural and social needs according to the relevant regulation (this exemption shall apply up to the sum of 2 000 CZK yearly for each employee), money performance for dress and food requisites given to members of armed forces and corps according to special regulations and compensations for loss of service income (salary) given to members of armed forces and corps according to special regulations, value of temporary accommodation up to 3 500 CZK monthly, money privileges following to employees in connection with provision of interest-free loans or of loans with lower than usual interest granted by the employer from a fund of cultural and social needs according to a special regulation (for flat purposes up to the sum of 100 000 CZK or in order to overcome a difficult financial situation up to the sum of 20 000 CZK), income up to the sum of 500 000 CZK granted by the employer to the employee as a social assistance in direct connection with overcoming of his extraordinarily difficult condition due to elemental disaster, environmental or industrial accident occurred in territories where a state of emergency was declared, the employer’s contribution to additional pension insurance with state contribution remitted to his employee’s account at a pension fund up to the sum of 24 000 CZK from one employer, in-kind performance and reimbursement of expenses in the sum of money value of in-kind performance granted according to special legal regulations to representatives of state power and of several state authorities and to judges, or sums as a refund of wages or salary for the period of temporary sickness leave.

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<sup>15</sup> See Section 6(7, 11) Income Taxes Act.

<sup>16</sup> See Section 6(9) Income Taxes Act.

The **partial tax base** shall be defined as income from dependent activity or function benefits increased by sums of social security insurance premium, contribution to the state employment policy and general health insurance premium that must be paid by the employer according to special regulations.<sup>17</sup> The “social security” paid by employer is very high – 34 % of the gross income.

## 2.2 *Incomes from Business Activities*

Incomes from business activities are incomes from agriculture production, forestry and fish farming, income from business (trade), shares of partners in profits of a general partnership and general partners’ shares in profits of a limited partnership. Incomes from other independent profitable activities such as the income from the use or provision of industrial or other intellectual property and from copyright, income from pursuit of an independent profession, income of an expert, an interpreter, an arbitrator, income from activity carried out by a bankruptcy trustee, etc. are ranked between incomes from business activity.

**Partial tax base** is created by the above mentioned incomes reduced by the expenses incurred to generate, assure and maintain income specified in Section 24 of the Income Tax Act. If the taxpayer does not have enough expenses, he may claim lump sum expenses:

- 80 % of the income from agricultural production, forestry and fish farming and from handicraft industry;
- 60 % of the income from other industry and trades;
- 40 % of the income from other business (for example lawyers, doctors, etc.) and other incomes like incomes from intellectual property, etc.

## 2.3 *Incomes from Capital*

The object of tax on income from capital are dividends based on ownership interest in a joint stock company, a limited liability company or a limited partnership, a silent partner’s share in profits, interests, benefits from private life insurance and benefits received from state-contributory supplementary pension insurance.

A withholding tax should be usually used for all these incomes.<sup>18</sup>

## 2.4 *Rental Incomes*

Rental incomes are the incomes from the lease of real estate or flats and the incomes from lettings of movable property except for occasional leasing (occasional leasing is the object of income tax on other incomes).

**Partial tax base** is the difference between the above mentioned incomes and expenses incurred to generate, assure and maintain income specified in Section 24 of the Income Tax Act. But the

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<sup>17</sup> Till the end of 2007 the tax base was defined as income from dependent activity or function benefits reduced by sums of social security insurance premium, contribution to the state employment policy and general health insurance premium that must be paid by the employee according to special act. The “social security” paid by employee was 12,5 % of the gross income.

<sup>18</sup> For details see Section 36 Income Taxes Act.

taxpayer does not often have any expenses at all; for this situation the taxpayer can claim lump sum expenses at 30 % of his income.

## 2.5 *Other Incomes*

All the other incomes are taxed by the tax on other incomes. Other incomes are above all:

- Income from occasional activities or occasional lease of movable assets (up to 20 000 CZK this income is exempt);
- Income from the transfer of real estate including flats and non-residential premises, movable asset or security;
- Winnings in lotteries, betting and other games of chance;
- Prizes from public competitions and sporting competitions, etc.

**Partial tax base** includes the incomes reduced by expenses which can be submitted as having been incurred in order to generate such income. But the Income Tax Act defines in particular expenses for almost every kind of other incomes.

## 2.6 *Incomes Not Liable to Tax and Exempt Incomes*

There are several **incomes that are not liable to personal income tax** in general mentioned in the Personal Taxes Act, for example the income attained by inheritance, donation, restitution, further credits and loans, the income in the amount which the Czech Republic is bound to settle as satisfaction accorded by the European Court for Human Rights, the incomes of au-pairs from abroad, etc.<sup>19</sup>

Even though some other incomes are liable to tax, the taxpayer can use **tax exemption** (they can be tax-exempt). Since there are a large number of exemptions, only several of them will be mentioned:<sup>20</sup>

- Income from the sale of a family house or a flat including the land related thereto, if the seller had his residential address there for at least two years immediately before the sale;
- Income from the sale of real estate, flats or non-residential premises (spaces), if the seller owned that property for at least five years;
- Income from the sale of movable assets;
- Compensations received for damages;
- Compensations received for restitution;
- Alimony payments;
- Social welfare benefits, state social support grants;
- Rewards paid to donors of blood and other human biological materials;
- Subsidies from public budgets, etc.

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<sup>19</sup> See Section 3(4) Income Taxes Act.

<sup>20</sup> For the whole list of exemptions see Section Income Taxes Act, and other provisions concerning tax exemption in this act, for example Section 10(3).

## 2.7 *Taxpayers of Personal Income Tax*

There are two types of taxpayers liable to personal income tax:

1. **Tax residents** – natural persons with a residential address in the Czech Republic or individuals who usually stay in the Czech Republic (it means for at least 183 days in the relevant calendar year, either continuously or intermittently); these persons are liable to tax on income arising from sources in both the Czech Republic and abroad;
2. **Tax non-residents** – natural persons not mentioned above as tax residents, student from abroad or patients staying in the Czech Republic for the purpose of medical treatment; they are liable to tax on incomes arising only from sources in the Czech Republic.

## 2.8 *How to Assess Personal Income Tax*

First of all the taxpayer must sum up all the partial tax bases to one **tax base**. This tax base is not final, it shall be reduced by so called **tax allowances** to get modified (reduced) tax base. The most common tax allowance is the value of gifts donated for charitable purpose<sup>21</sup> in case that the total value of gifts in the taxable periods does not exceed 2 % of the tax base or 1 000 CZK and the total maximum allowable deduction is 10 % of the tax base. Other tax allowances are offered to the taxpayers paying contributions to the state-contributory supplementary pension insurance scheme (sum paid within the taxable period reduced by 6 000 CZK; the maximum amount is 12 000 CZK in one taxable period) or paying private life insurance premiums (sum paid within the taxable period; the maximum amount is 12 000 CZK in one taxable period). As tax allowances are considered the amount equal to the interest paid in the taxable period on a loan provided from a housing saving scheme or the amount equal to the interest on a mortgage loan or the amount equal to the interest on a loan provided by a housing savings bank. The contributions paid by a member of a trade union organization up to 1,5 % of the taxable income (the maximum amount is 3 000 CZK in one taxable period) and remunerations for exams verifying the result of continuing education up to 10 000 CZK are the last tax allowances according to Czech law.

Besides tax allowances, the taxpayer can use **items deductible from the tax base**<sup>22</sup> to reduce his tax base, too. The most important item deductible from the tax base is a tax loss which was recorded and assessed in five previous taxable periods. There is one other important deductible item: 100 % of costs for research and development.

The **tax rate** is a percentual linear of 15 % calculated from the reduced tax base.<sup>23</sup>

The tax (gross tax) can be reduced by the **tax reductions**. The following amounts are valid per year, but 1/12 of them (with several exemptions, for example the taxpayer must sign so called

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<sup>21</sup> For details see Section 15 (1) Income Taxes Act.

<sup>22</sup> For details see section 34 Income Taxes Act.

<sup>23</sup> Till the end of 2007 the tax rate was percentual progressive between 12 – 32 %, since the beginning of 2009 it will be 12,5 %. In 2008 the withholding tax rate is at the same level of 15 %.

statement<sup>24</sup>) can be used during the calculations of advance tax payments by the payors in particular months:<sup>25</sup>

- 24 840 CZK for each taxpayer (so called basic tax reduction);
- 24 840 CZK for a spouse living with the taxpayer in one household (but the spouse's own income may not exceed 38 040 CZK in the taxable period), if the spouse is the holder of ZTP/P card, the amount is double;<sup>26</sup>
- 2 520 CZK for the beneficiary of a disability pension (1<sup>st</sup> and 2<sup>nd</sup> grade of disability);
- 5 040 CZK for the beneficiary of a disability pension (3<sup>rd</sup> grade of disability);
- 16 140 CZK for the ZTP/P card holder (very handicapped person with a guide);
- 4 020 CZK for the student up to 26 years or Ph.D. student up to 28 years.

Other tax reductions can be used if the taxpayer employs disabled employees.<sup>27</sup>

People with children living in their household have right to use so called **tax preferences for children**. For each child one parent can deduct as the tax reduction an amount of 11 604 CZK in a year (or 1/12 in a month). If the tax after this reduction would be in minus, the tax preference is divided into two parts: tax reduction up to zero tax and tax bonus. If the taxpayer is economically active, the tax bonus (up to 52 500 CZK) should be paid him back!

#### **a. Structure of assessing the advance tax payment and net wage**

Gross wage

+ Social security and health insurance paid by employer (34 % of gross wage<sup>28</sup>)

Tax base (rounded up to whole hundreds)

Advance tax payment brutto I (15 % of the tax base)

- Tax reductions (1/12)

Advance tax payment brutto II  $\geq 0$

- Tax preferences for children

Advance tax payment netto / Tax bonus

Gross wage

- Social and health insurance paid by employee (11 % of gross wage)

- Advance tax payment / + Tax bonus

**Net wage**

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<sup>24</sup> In the statement there are information for the employer about tax reductions and tax preferences; the employee can sign the statement only for one employer and if he does not do that, he has no right for tax reductions and tax preferences.

<sup>25</sup> See Section 35ba Income Taxes Act.

<sup>26</sup> This amount can be used only after the end of taxable period.

<sup>27</sup> 18 000 CZK for every disabled employee, 60 000 CZK for every severely disabled employee. Closer see Section 35 Income Taxes Act.

<sup>28</sup> 35 % in 2011.

## **b. Structure of assessing personal income tax from dependent activity**

Gross wage / wages  
+ Social security and health insurance paid by employer (34 % of gross wage<sup>29</sup>)  
Tax base  
- Tax allowances  
Modified tax base (rounded down to whole hundreds)  
Tax brutto I (15 % of the tax base)  
- Tax reductions  
Tax brutto II  $\geq 0$   
- Tax preferences for children  
Tax netto / Tax bonus  
- / + Advance tax payments / Tax bonuses  
After payment / Over payment

## **c. Structure of assessing personal income tax**

Partial tax base § 6  
+ Partial tax base § 7  
+ Partial tax base § 8  
+ Partial tax base § 9  
+ Partial tax base § 10  
Tax base  
- Tax allowances  
Modified tax base (rounded down to whole hundreds)  
Tax brutto I (15 % of the tax base)  
- Tax reductions  
Tax brutto II  $\geq 0$   
- Tax preferences for children  
Tax netto / Tax bonus  
- / + Advance tax payments / Tax bonuses  
After payment / Over payment

### *2.9 Personal Income Tax Administration, Conditions of Payment and Budget Destination*

The **tax administrator** is the Financial Office determined by the residential address of the taxpayer.

The taxpayer must submit his **tax return** before 31 March following expiry of the taxable period. If the tax return is prepared and submitted by the tax advisor or barrister, the tax return shall be filed latest six months following expiry of the taxable period but before unextended due date expires (31 March), a power of attorney authorizing such representation must be submitted.

In the tax return the taxpayer must state all necessary information relevant to the control of his tax duty and he himself must calculate the tax.

There are just two possibilities given by tax acts, when the taxpayer does not have to submit his tax return:

- His incomes are lower than 15 000 CZK in the taxable period;

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<sup>29</sup> 35 % in 2011.

- His only income comes from employment at one employer or consecutively at more employers. In this situation the taxpayer signs so called tax statement and his employer will prepare annual account of tax advances.

It is very usual to pay tax **advance payments** not only in the Czech Republic. No tax advances are paid by taxpayers whose last known tax liability did not exceed 30 000 CZK and in some cases, if he has incomes from dependent activity. In other cases the taxpayer is obliged to pay advance payments and their amount and frequency depends on the last known tax liability:

- Taxpayer with the last known tax liability between 30 000 CZK and 150 000 CZK must pay two advances in the amount of 40 % by 15 June and 15 December;
- Taxpayer with the last known tax liability over 150 000 CZK must pay four advances in the amount of 25 % by 15 March, 15 June, 15 September and 15 December.

The **revenue** from personal income tax **is distributed** between municipal budget (21,4 %), region budget (8,92 %) and state budget (69,68 %).<sup>30</sup>

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<sup>30</sup> Closer see Chapter 1.

### 3 SOCIAL SECURITY

Even there are quite low taxes in the Czech Republic, one of the worst problems we have to solve in the future is very high social security and health contributions.

Czech or foreign employers or Czech branch offices of foreign employers, all foreigners who work for a Czech employer or are on the payroll of a branch office of a foreign company participate in the Czech Republic social security system.

Most Czech legal entities must also make a contribution to an insurance fund for work-related accidents and illness.

Here is the table of social security and health insurance rates for 2010 and 2011:

	Employee (%)	Employer (%) 2010	Employer (%) 2011	Total (%) 2010	Total (%) 2011
<b>Health insurance</b>	<b>4,5</b>	<b>9,0</b>	<b>9,0</b>	<b>13,5</b>	<b>13,5</b>
<b>Social security</b>	<b>6,5</b>	<b>25,0</b>	<b>26,0</b>	<b>31,5</b>	<b>32,5</b>
- pension		21,5	21,5		
- sickness		2,3	3,3		
- unemployment		1,2	1,2		
<b>Total</b>	<b>11,0</b>	<b>34,0</b>	<b>35,0</b>	<b>45,0</b>	<b>46,0</b>

**Table 2:** Social Security and Health Insurance Rates in the Czech Republic

## 4 CORPORATE INCOME TAX

The second (but not the second in importance) income tax is the corporate income tax regulated together with the personal income tax in the Income Taxes Act (Act no. 586/1992 Sb., as amended).<sup>31</sup> There are five types of corporations in Czech legal system: general partnership (shares of partners in profits are liable to personal income tax), limited partnership (general partners' shares in profits are liable to personal income tax, too, while limited partners' shares in profits are liable to corporate income tax), limited liability company, joint-stock company and cooperative. Beside those we should mention silent partnership, too.

### 4.1 *Object of Corporate Income Tax and Exemptions from Taxation*

Income from all activities and from the management of all types of property is **liable to tax**. There are just several exceptions (incomes that are not liable to corporate income tax) like incomes obtained by inheritance or donation of real estate or movable asset or property rights, or income in the amount which the Czech Republic is bound to settle as satisfaction accorded by the European Court for Human Rights, etc.

Although almost all the incomes are liable to personal income tax, some are exempt. The list of **exemptions** is very extensive, so at least several examples.<sup>32</sup>

- Membership fees;
- Income from collections in churches;
- Income of state funds;
- Income of the Children's and Youth Fund;
- Income from the operation of lotteries and similar games of chance;
- Interest on mortgage bonds;
- Income in the form of interest received due to tax overpayments caused by the tax administrator;
- Income in the form of interest received on overpayments caused by the social security authorities;
- Incomes of the Central Bank of the Czech Republic, etc.

### 4.2 *Taxpayers of Corporate Income Tax*

Defining the taxpayers of corporate income tax is not very easy because there is merely negative definition in the Income Taxes Act ("*Taxpayers liable to corporate income tax are those who are not natural persons...*"). The taxpayers are entities such as companies (limited

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<sup>31</sup> Vide Pařízková I., Radvan, M. in: Radvan, M. et al. Finanční právo a finanční správa - Berní právo. Brno: Masarykova univerzita et Doplněk, 2008. ISBN: 978-80-210-4732-7. Marková, H. Zákon o daních z příjmů. Komentář. Praha: C. H. Beck, 2007. 80-7179-474-0. Mrkyvka, P. Opatkowanie dochodu w Republice Czeskiej. in: Etel, L. (ed.). Opatkowanie dochodu w wybranych krajach Europy Środkowej i Wschodniej. Białystok: Temida2, 2006. P. 93-128. ISBN 83-89620-17-0.

<sup>32</sup> All the exemptions and other conditions are mentioned in Section 19 Income Taxes Act.

partnerships,<sup>33</sup> limited liability company, joint-stock company and cooperative), civil corporations, political parties, interest corporations, foundations, municipalities, state corporations, banks, insurance companies, exchanges, investment corporations and investment funds, state funds, pension funds, churches, organizational components of the State, etc.<sup>34</sup>

There is the same rule for corporate income tax as the one that was mentioned in the part dealing with taxpayers of personal income tax: there are two types of taxpayers liable to corporate income tax:

1. **Tax residents** – entities having their seat or head office in the Czech Republic are liable to tax on income arising from sources in both the Czech Republic and abroad;
2. **Tax non-residents** – entities not having their seat or head office in the Czech Republic are liable to tax on incomes arising only from sources in the Czech Republic.

#### 4.3 *How to Assess Corporate Income Tax*

The taxpayer can read the **economic income** (it means incomes reduced by the expenses incurred to generate, assure and maintain income specified in Section 24 of the Income Tax Act) from the bookkeeping. This is the **tax base** which is not final, it shall be reduced by **items deductible from the tax base**.<sup>35</sup> The most important items deductible from the tax base are a tax loss which was recorded and assessed in five previous taxable periods and 100 % of costs for research and development.

The tax base reduced by items deductible from the tax base is called modified tax base and this amount should be taxed by a linear percentual **tax rate**. This rate decreases year by year: in 2003 the rate was 31 %, in 2004 28 %, in 2005 26 % and in 2006 and 2007 24 %. In 2008 it was only 21 %, next year it went down to 20 % and it finish at 19 % for this year (2010) and following ones.

This tax is not final; the taxpayer can use several kinds of **tax reductions** (tax relieves):<sup>36</sup>

- 18 000 CZK for every disabled employee;
- 60 000 CZK for every severely disabled employee;
- One half of the tax if the taxpayer employs at least 25 employees and more than 50 % of them are disabled employees or severely disabled employees.

#### 4.4 *Corporate Income Tax Administration, Conditions of Payment and Budget Destination*

The **tax administrator** is the Financial Office determined by the location of the registered office of the taxpayer.

Other information concerning tax administration and conditions of payment are very similar to the personal income tax: the taxpayer must submit his **tax return** at the latest three months following expiry of the taxable period (usually 31 March). If the tax return is prepared and submitted by the tax advisor or barrister, the tax return shall be filed latest six months

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<sup>33</sup> Only limited partners' shares in profits are liable to corporate income tax, while general partners' shares in profits are liable to personal income tax.

<sup>34</sup> See Pařízková I. in: Mrkývka P. a kol. Finanční právo a finanční správa – 2<sup>nd</sup> part. Brno: Masarykova univerzita v Brně, 2004. ISBN: 80-210-3579-X. P. 167.

<sup>35</sup> For details see section 34 Income Taxes Act.

<sup>36</sup> For details see section 35 Income Taxes Act.

following expiry of the taxable period but before unextended due date expires, a power of attorney authorizing such representation must be submitted.

There is one exception: the taxpayer of corporate income tax can choose, whether he will use a calendar year or an economic year (which must begin on the first day of any month and must be twelve months long) as a **taxable period**.

The taxpayer must state all necessary information relevant to the control of his tax duty and he himself must count the tax in the tax return.

Paying **advance payments** is much more usual dealing with corporate income tax but the rules are the same as for personal income tax: no tax advances are paid by taxpayers whose last known tax liability did not exceed 30 000 CZK. In other cases the taxpayer is obliged to pay advance payments and their amount and frequency depends on the last known tax liability:

- Taxpayer with the last known tax liability between 30 000 CZK and 150 000 CZK must pay two advances in the amount of 40 % by 15 June and 15 December;
- Taxpayer with the last known tax liability over 150 000 CZK must pay four advances in the amount of 25 % by 15 March, 15 June, 15 September and 15 December.

The **revenue** from corporate income tax **is distributed** between municipal budget (21,4 %), region budget (8,92 %) and the state budget (69,68 %) and every attentive reader can see that there is no difference between personal income tax and corporate income tax.

## 5 REAL ESTATE TAX

The most common property tax not only in the Czech Republic is the real estate tax. Its profitability is not very good and there are a lot of discussions whether to abolish this tax or not. In fact, this tax can be very useful especially for municipalities as the beneficiaries of real estate tax: a return from this tax is stable and there is hardly any tax evasion. We can expect that the citizens paying real estate tax will try to use their property in the best way they can (lease, reconstruction, land cultivating, etc.) if they are obliged to pay this tax.

The real estate tax is regulated by the Real Estate Tax Act (Act no. 338/1992 Sb., as amended).<sup>37</sup> There are two, respectively three parts of real estate tax: land tax, buildings tax, and flats and non-residential premises (space) tax as a part of building tax.

This distinction is necessary because assessing of these taxes is individual (different taxpayers, different tax base and tax rate). But the total sum of these taxes creates one real estate tax written down in one tax return.

The following text is divided into three parts with regard to particular real estate taxes.

### 5.1 Land Tax

Since the 18<sup>th</sup> century there has been the Real Estate Cadastre (land register) in the Czech lands (Czech Republic) and it has been used as well for the definition of the object of land tax: the **object of land tax** is created by the lands in the territory of the Czech Republic registered in the land register. But the **land tax is not imposed on** some lands; they are although registered in cadastre:

- Lands within the area of the ground plan of building which is built on;
- Woodlands, if they involve preventive forests and forests of special determination;
- Water-covered areas, except ponds used for commercial fish-farming;
- Lands used for defense of the state.

All the other lands are **liable to tax**:

- Agricultural lands like arable land, hop-fields, vineyards, gardens, orchards and permanent grass growth;
- Commercial forests;
- Ponds used for fish-farming;
- Built-up areas and courtyards;
- Development lands;
- Other areas (playing fields, bathing places, cemeteries, etc).

Although numerous kinds of lands are liable to land tax, they can be **tax-exempt**. There are a lot of reasons and many conditions for lands to be exempt from taxation. The most common

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<sup>37</sup> Vide Radvan, M. in: Radvan, M. et al. Finanční právo a finanční správa - Berní právo. Brno: Masarykova univerzita et Doplněk, 2008. ISBN: 978-80-210-4732-7. Radvan, M. Theoretical Aspects of Real Estate Tax. in: Sovremennye problemy teorii nalogovogo prava – The Modern Problems of Tax Law Theory. Voronezh: Voronežskij gosudarstvennyj universitet, 2007. P. 439-446. ISBN 978-5-9273-1340-2. Radvan, M. Zdanění majetku v Evropě. Praha: C. H. Beck, 2007. ISBN 978-80-7179-563-6.

condition is not to use the land for running business. The legislator was motivated especially by public interest, ecological aspects and international treaties in creating exemptions. In several cases the tax return does not have to be filed. This concerns lands owned by state, municipalities, regions and diplomatic representatives. Other claims for exemptions must be set up in the tax return. This rule concerns the lands owned by churches, schools and universities, museums and galleries, hospitals, etc. All these lands are tax-exempt permanently. Other lands are exempt just for several years:

- Agricultural lands for five years following the year when they were returned to use in agriculture after reclamation;
- Woodlands for 25 years following the year when they were returned to use in forestry after reclamation;
- Lands affected by a natural disaster for a period up to five years to eliminate consequences of natural disasters (this tax exemptions depends on opinion of municipality);
- Agricultural lands except gardens, if the municipality decides so.

In most cases the **taxpayer** of the land tax is the owner of the land. Sometimes the leaseholder of the land can be the taxpayer. This rule is used especially for the lands registered in the Real Estate Cadastre in the facile way, administered by the Czech Republic's Land Fund or the Administration of State Material Reserves, or transferred to the National Property Fund. Even the user of the land can be the taxpayer of land tax. This can happen, if the owner of such land is unknown or if the boundaries of the lands came into being in the terrain after such lands were handed over as compensation for the original lands which were consolidated. If two or more people should be the taxpayers of one land in co-ownership, they usually pay the tax jointly and severally. If one of them pays the tax, the tax duty of the other is fulfilled. But one of them can file his tax return only for himself, for his part of land. In this situation, the tax office counts the tax for other co-owner(s) and every co-owner must pay a minimum tax at 50 CZK.

To be able to **set up the tax**, every taxpayer must know the tax base and the tax rate; he must multiply the tax base by the tax rate.<sup>38</sup>

The system of assessment of the tax base and tax rate is different for every kind of land:

- The tax base of **agricultural lands** such as arable land, hop-fields, vineyards, gardens, orchards and permanent grass growth is the price of land determined as a multiple of the actual area of the land in square meters and the average price per square meter of the land laid down in a decree. The tax rate is different: lower (0,25 %) for permanent grass growth (they have lower productivity), higher (0,75 %) for the other agricultural lands.
- Assessing the tax base of **commercial forests and ponds used for fish-farming**, the taxpayer can choose, what is better for him: whether to use the price of the land as determined pursuant to the price regulations valid on 1 January of the taxable period or the actual area in square meters multiplied by 3,80 CZK. The tax rate is just one – 0,25 %.
- The tax base of other lands (**built-up areas and courtyards, development lands and other areas**) is the actual area of the land in square meters, as ascertained on 1 January of the taxable period. The tax rate per square meter is different for built-up areas and courtyards and other areas (0,20 CZK) and for development lands (2 CZK). Development land has another value depending on the fact whether it is in a small

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<sup>38</sup> The tax base and the tax must be rounded up to CZK.

village or in a city. That is why the tax rate of 2 CZK is not final and it is regulated (multiplied) by a coefficient called location rent according to the number of inhabitants (municipality can increase or reduce a basic coefficient by a generally binding ordinance):

Number of inhabitants / Municipality	Coefficient				
	Basic	Reduced			Increased
≤ 1 000	1,0	–	–	–	1,4
> 1 000 ≤ 6 000	1,4	–	–	1,0	1,6
> 6 000 ≤ 10 000	1,6	–	1,0	1,4	2,0
> 10 000 ≤ 25 000	2,0	1,0	1,4	1,6	2,5
> 25 000 ≤ 50 000	2,5	1,4	1,6	2,0	3,5
> 50 000 + Františkovy Lázně, Luhačovice, Mariánské Lázně, Poděbrady	3,5	1,6	2,0	2,5	4,5
Prague	4,5	2,0	2,5	3,5	5,0

**Table 3:** Coefficients Used for Land Tax on Development Lands

The final tax (with the exception for agricultural lands) can be multiplied by the local coefficient at 2, 3, 4 or 5 assessed by a generally binding ordinance. This resolution depends on the municipality.

## 5.2 Buildings Tax

Both buildings for dwelling and buildings used for business **are liable** to buildings tax. The objects of taxation are the buildings in the territory of the Czech Republic connected to the land with fixed foundations. These buildings must have an acceptance certificate. There is a group of several more buildings that are liable to tax:

- Buildings that are used even if there is no acceptance certificate (but it should be);
- Buildings that are used even if there is no acceptance certificate but the building owner has a permission to use them;
- Buildings for which the acceptance permission was not necessary but now it is.

Other buildings, especially small-sized buildings, are **not liable to buildings tax**, so that the land under them is liable to land tax. Some other buildings are not levied as buildings, as well as the land under them is not levied on lands. These are:

- Buildings including flats or non-residential premises (they are liable to flats and non-residential premises tax);
- Water dams and other structures used to regulate water flows, water conduits and sewerages, city waste water treatment plants;
- Energy distribution structures;
- Public transport structures (roads, highways, railways, airports, ports, etc).

There are a large number of buildings that are liable to buildings tax but they are **tax-exempt**. The reasons and conditions are very the same as the ones mentioned for the land tax. The most common condition is not to use the land for running business. The legislator was motivated especially by public interests, ecological aspects and international treaties in creating exemptions but we can see motivations for economics, too.

Sometimes the tax return can not be filed. This rule is applied for buildings owned by state, municipalities, regions and diplomatic representatives or used in public passenger transport.

Other claims for exemptions must be set up in the tax return. For better understanding it is useful to create two parts of these exemptions:

- Buildings those are tax-exempt permanently. This rule concerns buildings owned by churches, schools and universities, museums and galleries, hospitals, etc;
- Other lands are exempt just for several years:<sup>39</sup>
  - Cultural monuments for eight years after the year following the year when a building permit was issued for alterations undertaken by the owner;
  - Buildings affected by a natural disaster for a period up to five years to eliminate consequences of natural disasters (this tax exemptions depends on the opinion of municipality), etc.

In general, the **taxpayer** of the buildings tax is the owner of the structure. If the structure is managed by the Czech Republic's Land Fund or the Administration of State Material Reserves or transferred to the Czech Republic's National Property Fund, these entities are the taxpayers. But if these structures are leased, their lessees should pay the buildings tax. (This rule is not used for residential buildings, where the above mentioned entities are the taxpayers.) If two or more people should be the taxpayers of the land, they must pay the tax jointly and severally. If one of them pays the tax, tax duty of the others is fulfilled. But one of them can file his tax return only for himself, for his part of structure (in 2011 for the first time). In this situation, the tax office counts the tax for other co-owner(s) and every co-owner must pay a minimum tax at 50 CZK.

The **tax base** is the same for all kinds of buildings and it is defined as built-up area in square meters as on 1 January of the taxable period. The **tax rate** is different for separate kinds of buildings:

- The standard tax rate for **residential buildings** is 2 CZK per square meter of a built-up area. This rate shall be increased by 0,75 CZK per each additional above-ground floor (so called increased tax rate). This standard rate or increased rate shall be multiplied by a location rent – a coefficient according to the number of inhabitants (the municipality can increase or reduce a basic coefficient by a generally binding ordinance):

Number of inhabitants / Municipality	Coefficient				
	Basic	Reduced			Increased
≤ 1 000	1,0	–	–	–	1,4
> 1 000 ≤ 6 000	1,4	–	–	1,0	1,6
> 6 000 ≤ 10 000	1,6	–	1,0	1,4	2,0
> 10 000 ≤ 25 000	2,0	1,0	1,4	1,6	2,5
> 25 000 ≤ 50 000	2,5	1,4	1,6	2,0	3,5
> 50 000 + Františkovy Lázně, Luhačovice, Mariánské Lázně, Poděbrady	3,5	1,6	2,0	2,5	4,5
Prague	4,5	2,0	2,5	3,5	5,0

**Table 4:** Location Rent

<sup>39</sup> Exemptions for newly-constructed residential buildings and flats in newly-constructed residential buildings (for 15 years) and for structures where the heating system was converted from use of solid fuels to more ecological fuel (for 5 years) were abolished in 2009.

- The standard tax rate for **other structures that provide facilities for residential buildings** is 2 CZK per square meter of a built-up area, too but only for the area which is in excess of 16 square meters. This rate shall be increased by an increased tax rate (0,75 CZK per each additional above-ground floor). This standard rate or increased rate shall be multiplied by a location rent.
- The standard tax rate for **houses and family houses used for individual recreation** is 6 CZK per square meter of a built-up area. This rate shall be increased by an increased tax rate (0,75 CZK per each additional above-ground floor) and by so called municipal coefficient (1,5 – assessed by a generally binding ordinance). If such houses are located in national parks or first-category protected countryside zones, there is another coefficient of 2,0 that shall be used.
- The standard tax rate for **other structures that provide facilities for houses and family houses used for individual recreation** is 2 CZK per square meter of a built-up area and this rate shall be increased by an increased tax rate (0,75 CZK per each additional above-ground floor), by a municipal coefficient (1,5) and if such structures are located in national parks or first-category protected countryside zones, the coefficient at 2,0 shall be used.
- The standard tax rate for **garages** constructed separately from residential buildings is 8 CZK per square meter of a built-up area. This rate can be multiplied by a municipal coefficient (1,5).
- The standard tax rate for **structures for business activities** depends on the type of business activities:
  - 2 CZK per square meter of a built-up area for structures used for primary agricultural production, forestry and water management,
  - 10 CZK per square meter of a built-up area for structures used for industrial production, civil engineering, transport, power and other agricultural production and for other business activities.

The standard tax rate shall be increased by an increased tax rate (0,75 CZK per each additional above-ground floor) and by a municipal coefficient (1,5).

- For **other structures** the standard tax rate is 6 CZK per square meter of a built-up area. It can be increased by an increased tax rate (0,75 CZK per each additional above-ground floor).

The final tax can be multiplied by the local coefficient at 2, 3, 4 or 5 assessed by a generally binding ordinance. This resolution depends on the municipality.

In fact, knowing or even finding a correct tax rate in the Act is very difficult, so it might help you to look at the following table:<sup>40</sup>

Object of buildings tax	Standard tax rate (CZK/m <sup>2</sup> )	Increases tax rate (additional above-ground floor)	Multiplied coefficients			Local coefficient
			According to number of inhabitants	Municipal	National park	
<b>Residential buildings</b>	2	+ 0,75 CZK/m <sup>2</sup> *	x 0,3 – 5,0	–	–	2,3,4 or 5
<b>Other structures that provide facilities for residential buildings (over 16 m<sup>2</sup>)</b>	2	+ 0,75 CZK/m <sup>2</sup> *	x 0,3 – 5,0	–	–	2,3,4 or 5
<b>Houses and family houses used for individual recreation</b>	6	+ 0,75 CZK/m <sup>2</sup> *	–	none / 1,5	x 2,0	2,3,4 or 5
<b>Other structures that provide facilities for houses and family houses used for individual recreation</b>	2	+ 0,75 CZK/m <sup>2</sup> *	–	none / 1,5	x 2,0	2,3,4 or 5
<b>Garages</b>	8	+ 0,75 CZK/m <sup>2</sup> *	–	none / 1,5	–	2,3,4 or 5
<b>Structures for business activity – primary agricultural production, forestry and water management</b>	2	+ 0,75 CZK/m <sup>2</sup> **	–	none / 1,5	–	2,3,4 or 5
<b>Structures for business activity – industrial production, civil engineering, transport, power and other agricultural production and for other business activity</b>	10	+ 0,75 CZK/m <sup>2</sup> **	–	none / 1,5	–	2,3,4 or 5
<b>Other structures</b>	3	+ 0,75 CZK/m <sup>2</sup> *	–	–	–	2,3,4 or 5

\* If the area of a built-up additional above-ground floor exceeds two-thirds of the built-up area

\*\* Always

**Table 5:** Buildings Tax Coefficients

### 5.3 Flats and Non-Residential Premises Tax

The flats and non-residential premises tax is a special category of the building tax. This tax includes proportionate shares in common areas of the building such as laundries, hanging rooms, corridors, etc. related to the flats and non-residential premises. Only flats and non-residential premises registered in the Real Estate Cadastre are liable to tax. Buildings, in which flats and non-residential premises are objects of taxation, are not liable to buildings tax.

**Exemptions** from flats and non-residential premises tax are the same as the exemptions from building tax.

<sup>40</sup> The tax must be rounded up to the whole CZK.

The definition of the **taxpayer** of flats and non-residential premises tax is the same as the definition of the taxpayer of buildings tax; it means the owner of the flat or non-residential premise is usually the taxpayer of this tax.

The **tax base** of flats and non-residential premises tax is so called adjusted floor area, it means the floor area of the flat or non residential premise in square meters as on 1 January of the taxable period, multiplied by a coefficient of 1,20.

The **tax rate** is different for flats and for non-residential premises:

- The standard tax base for **flats** is 2 CZK per square meter of the adjusted floor area. This standard rate shall be multiplied by a coefficient according to the number of inhabitants (a location rent).
- There are usually some businesses activities run in **non-residential premises**. For this situation the taxpayer must set his standard rate according to the business activity:
  - 2 CZK per square meter of the adjusted floor area for flats and non-residential premises used for primary agricultural production, forestry and water management,
  - 10 CZK per square meter of the adjusted floor area for flats and non-residential premises used for industrial production, civil engineering, transport, power and other agricultural production and for other business activity.

These standard rates shall be multiplied by the municipal coefficient of 1,5.

- If the non-residential premise is used as a garage, the standard tax rate is 8 CZK per square meter of the adjusted floor area. This standard rate shall be multiplied by the municipal coefficient of 1,5, too.
- If the non-residential premise is used for anything else, the standard tax rate is 2 CZK per square meter of the adjusted floor area and it can be multiplied by a location rent.

The final tax can be multiplied by the local coefficient at 2, 3, 4 or 5 assessed by a generally binding ordinance. This resolution depends on the municipality.

#### *5.4 Real estate Tax Administration, Conditions of Payment and Budget Destination*

The **tax administrator** is the Financial Office, in whose district such real estate is situated.

The **tax return** must be filed by the taxpayer by 31 January of the **taxable period** (the calendar year). The real estate tax is assessed according to the situation as on 1 January of the calendar year of which it is assessed.

In fact, the tax return is not necessary to be filed every year; usually if the tax return was filed in any of the previous taxable period and there are no changes, the taxpayer does not have this duty. Even if there are changes in the tax rate, in the average price of land, in the coefficients, etc., there is no duty to file the tax return.

Every year the Financial Office sends the assessment with the tax duty to every taxpayer. If the annual real estate tax does not exceed 5 000 CZK, it shall be **payable** in one payment no later than 31 May of the current taxable period. If the tax exceeds 5 000 CZK, it shall be payable in two equal installments no later than 31 May and 30 November. The taxpayers engaged in farming and fish-farming have to pay the tax in two installments no later than 31 August and 30 November.

The **revenue** from the real estate tax is the income of the municipality in whose district is the real estate situated.

## 6 INHERITANCE TAX

One of the transfer taxes – the inheritance tax – is regulated by the Act no. 357/1992 Sb., Inheritance Tax, Gift Tax and Real Estate Transfer Tax Act, as amended. The difference between these three taxes is in fact, whether the transfer of the property is realized for money (real estate transfer tax) or whether it is gratuitous (inheritance tax and gift tax). In the case that transfer is gratuitous, it is necessary to know whether the transfer is *inter vivos* (gift tax) or *mortis causa* (inheritance tax).<sup>41</sup>

Any acquisition of property (immovable asset, movable things, securities, receivables, property rights, etc.) by inheritance is **liable to inheritance tax**. There is the difference of property liable to tax depending on the citizenship and permanent address of the decedent and kind of property:<sup>42</sup>

- If the decedent was a citizen of the Czech Republic and he had his permanent address in the Czech Republic, the tax is payable on the entire movable property (both property located in the Czech Republic and abroad);
- If the decedent was a citizen of the Czech Republic and he did not have his permanent address in the Czech Republic, the tax is payable only on the movable property located in the Czech Republic;
- If the decedent was not a citizen of the Czech Republic, the tax is payable on the movable property located in the Czech Republic;
- Irrespective of the citizenship or permanent address of the decedent, the tax is payable on every real estate located in the Czech Republic and no tax is payable on real estate located abroad.

The most useful **exemptions** from taxation are the acquisitions of property by inheritance concerns persons included in the first and in the second categories. There are several other exemptions like:

- Acquisition of movable property belonging to individuals, if the value of such property does not exceed 20 000 CZK and acquisition of deposit in bank accounts, money (financial means), securities, if the total amount of all these values does not exceed 20 000 CZK in respect of persons included in the third category. Tax is collected only on that part of the values by which the above mentioned limits are exceeded;
- Acquisition of movable assets, if a decedent was a person enjoying diplomatic privileges and immunities;
- Acquisition of property by the Czech Republic, self-governing local area units, etc.;
- Acquisition determined for financial facilities and events relating to culture, science and education, health care, social care, environment, physical education and sports, fire protection, etc.;
- Acquisition of property by churches, political parties and foundations, etc.

The **taxpayer** of inheritance tax is an heir who acquires an inheritance on the basis of a testament or by operation of law or on both such legal grounds. The person of the taxpayer is

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<sup>41</sup> Vide Radvan, M. in: Radvan, M. et al. Finanční právo a finanční správa - Berní právo. Brno: Masarykova univerzita et Doplněk, 2008. ISBN: 978-80-210-4732-7. Radvan, M. Zdanění majetku v Evropě. Praha: C. H. Beck, 2007. ISBN 978-80-7179-563-6.

<sup>42</sup> International agreements can provide for otherwise.

always set out in the final decision concluding inheritance proceedings issued by the competent authority.

For the purpose of transfer taxes including the inheritance tax the **persons** are **divided into three categories** according to the relationship of the taxpayer (in this case) to the decedent:

- The first category includes direct relatives and spouses;
- The second category includes other relatives and persons living with the decedent in one household for at least one year before the death of the decedent and who took care of the common household or were dependent on the decedent for their support;
- The third category includes other natural persons and legal entities.

The **tax base** is the value of the property acquired by the heir (the price of the property determined in inheritance proceedings) reduced by the debts of the decedent, the value of property exempt from taxation, expenses related to the decedent's funeral and remuneration to the notary.

The **tax rate** is progressive and depends on the relationship of the taxpayer to the decedent and on the value of the property. It is necessary to use the same proceedings as the ones used for the gift tax<sup>43</sup> and the final tax should be divided by two to calculate the inheritance tax.

The taxpayer must file a **tax return** with the competent Financial Office (the one in whose district the decedent had his residential address or where he mostly stayed) within 30 day of the day when court's decision by which inheritance proceedings were completed became final. The tax return shall not be filed on acquisition, if it is fully exempt. The taxpayer must state only necessary information in the tax return. The Financial Office calculates the tax using the data in the tax return and final ruling on inheritance sent by court.

The tax (if it is more than 100 CZK) **must be paid** within 30 days since the delivery of the order of tax payment (tax assessment).

The **revenue** of the inheritance tax is the income of state budget.

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<sup>43</sup> See Chapter on Gift Tax.

## 7 GIFT TAX

Another transfer tax – the gift tax – is regulated by the same act as the other transfer taxes, by the Act no. 357/1992 Sb., Inheritance Tax, Gift Tax and Real Estate Transfer Tax Act, as amended. This tax is the same as the inheritance tax (the object of taxation is gratuitous acquisition of property on the basis of an act in law) but dealing with the gift tax, this is the transfer of the property *inter vivos*, not *mortis causa* (because of the decedent's death). The main purpose of this Act is to guarantee that decedents will not evade inheritance tax (will not give gifts to the heirs during their life).<sup>44</sup>

Gift tax is imposed on the gratuitous acquisition of property (real estate, movable property, other benefits) on the basis of an act in law (*inter vivos*), other than by a decedent's death (*mortis causa*). There are many acts in law that can be used for donation but the most common is the contract of donation.

The object of taxation is donation of movable property from abroad to a presentee in the Czech Republic or from the Czech Republic to a presentee abroad, too. The tax will be also collected on movable property which is donated abroad or acquired abroad from the means donated to a presentee abroad, if the donated or acquired movable property was imported by a presentee to the Czech Republic. The donation of real estate located in the area of the Czech Republic is always liable to gift tax.

There are several situations when the gratuitous acquisition of property is not liable to gift tax. The gift tax shall not apply to benefits or gratuitous transfer of property on the basis of a duty laid down in a legislative act, pension benefits, subsidies, contributions and supports, financial means provided from the European Union's budget or the National Fund, etc.

There are a lot of exemptions used for the purpose of gift tax. At least several of them will be mentioned in the following text.

The most important are exemptions of the acquisitions of property by inheritance concerns persons included in the first and in the second categories. Other common exemptions are:

- Acquisition of movable property belonging to individuals, if the value of such property does not exceed 20 000 CZK and acquisition of deposit in bank accounts, money (financial means), securities, if the total amount of all these values does not exceed 20 000 CZK in respect of persons included in the third category. The tax is collected only on that part of the values by which the above mentioned limits are exceeded;
- Occasional free-of-charge acquisition of movable asset and another property benefit, if the value of this benefit does not exceed 3 000 CZK;
- Acquisition of movable assets, if a taxpayer was a person enjoying diplomatic privileges and immunities;
- Acquisition of property by the Czech Republic, self-governing local area units, etc.;
- Acquisition determined for financial facilities and events relating to culture, science and education, health care, social care, environment, physical education and sports, fire protection, etc.;

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<sup>44</sup> Vide Radvan, M. in: Radvan, M. et al. Finanční právo a finanční správa - Berní právo. Brno: Masarykova univerzita et Doplněk, 2008. ISBN: 978-80-210-4732-7. Radvan, M. Zdanění majetku v Evropě. Praha: C. H. Beck, 2007. ISBN 978-80-7179-563-6.

- Acquisition of property by churches, political parties, foundations, etc;
- Free-of-charge transfer of flats, family houses, garages from housing co-operatives' ownership to ownership of such housing co-operatives' members (natural persons), etc.

Usually the **taxpayer** of the gift tax is the presentee (donee, transferee). The donor is the tax **surety** (guarantor). However, when a gift is donated to someone abroad, it would be very hard to get the tax from abroad for the Czech Financial Office; that is why in these situations the donor is the taxpayer of the gift tax.

If two or more persons are obliged to pay the gift tax, each of them has to file the tax return and each of them has to pay his part of tax.

The **tax base** of the gift tax is defined as the price of the property<sup>45</sup> reduced by debts and the value of other liabilities pertaining to the object of tax, the value of tax-exempt property and customs and taxes paid on the importation of movable things donated or imported from abroad.

To evade tax, many of the taxpayers are trying to divide the gift into parts. The Act remembers these situations and sets that the price of gift from the same donor to the same donee within two subsequent calendar years shall be added together and the sum of the prices is the tax base. If the tax was paid in the first year, in the second year it will be credited against the tax assessed on the subsequent acquisition of property.

As it was mentioned above, for the purpose of transfer taxes (including gift tax) the **persons** are **divided into three categories** according to the relationship of the donee (in this case) to the donor. It would be useful to repeat this division at this place again:

- The first category includes direct relatives and spouses;
- The second category includes other relatives and persons living with the donee in one household for at least one year before the death of the decedent and who took care of the common household, or who was dependent on the decedent for his/her support;
- The third category includes other natural persons and legal entities.

The **tax rate** is progressive and depends on the value of the property:

Tax base from (mil. CZK)	Tax base to (mil. CZK)	Tax rate for persons incl. in the third category (CZK + % from the tax base exceeding lower bound)
	1	7,0
1	2	70 000 + 9,0
2	5	160 000 + 12,0
5	7	520 000 + 15,0
7	10	820 000 + 18,0
10	20	1 360 000 + 21,0
20	30	3 460 000 + 25,0
30	40	5 960 000 + 30,0
40	50	8 960 000 + 35,0
50		12 460 000 + 40,0

**Table 6:** Tax Rates of Gift Tax

The taxpayer must file a **tax return** with the Financial Office in whose district the real estate is situated (donation of real estate) or the one in whose district the taxpayer has his residential address or registered office (donation of movable property) within 30 day of the day when the

<sup>45</sup> Price ascertained under Act no. 151/1997 Sb., as amended, Act on Property Valuation.

donation of a movable asset or some other property benefit took place or a contract on free-of-charge transfer of ownership title to specific real estate with a clause confirming its registration to Real Estate Cadastre was served on the taxpayer. A tax return shall be accompanied by a certified copy of the contract or other document by which ownership relations to specific real estate are confirmed or certified. The taxpayer must enclose an expert's valuation of the price, too.

The taxpayer must state only necessary information in the tax return and the Financial Office calculates the tax using the data in the tax return. The tax (if it is more than 100 CZK) **must be paid** within 30 days of delivery of the order of tax payment (tax assessment).

The **revenue** of the gift tax is the income of state budget.

## 8 REAL ESTATE TRANSFER TAX

The last (but not least) transfer tax is the real estate transfer tax, regulated again by Act no. 357/1992 Sb., Inheritance Tax, Gift Tax and Real Estate Transfer Tax Act, as amended. The aim of this Act is to draw a part of purchase price obtained from the sale of real estate. Since the acquisition of property is not gratuitous, the tax rate is lower than for other transfer taxes.<sup>46</sup>

Real estate transfer **tax is payable on** the transfer of ownership title to the real estate for consideration and the establishment of an easement without consideration upon the acquisition of real estate by donation. Even in the cases, when this transfer is cancelled and the cancellation renders the contract null and void from its inception, the transfer of ownership title to real estate for a consideration is liable to the real estate tax. Exchange of real estate is considered as a single transfer. The tax will be collected on the transfer of real estate with higher tax.

The only important **exemption** is the exemption of the first transfer for consideration of ownership title to a newly-constructed building, if such a building has not been used yet or to a flat in a new building, if such a flat has not been used yet, on condition that the transferor is a natural person or legal entity and such a structure is transferred in connection with a business activity of the transferor, or if the transferor is municipality.

The real estate tax is **paid mostly by** the transferor (the seller). In this case the person acquiring the real estate becomes the **surety**. In other cases the taxpayer is the beneficiary from an easement or another benefit similar to an easement. Talking about the exchange of real estates, both the transferor and the transferee are liable to pay the tax; both of them are obliged to pay the tax jointly and severally.

The **tax base** is usually the price ascertained pursuant to the Act no. 151/1997 Sb., Property Valuation Act, as amended, and valid on the day of acquisition of the real estate. But if the negotiated price of real estate is higher than the price ascertained pursuant to the Property Valuation Act, this negotiated price must be used as a tax base. The tax base can include as well the price of an easement established without consideration, the price ascertained pursuant to the Property Valuation Act and valid on the day of the acquisition of the real estate on the basis of the relevant financial lease contract, the price from auction, etc.

The **tax rate** is percentual linear and it is 3 % of the tax base.

The taxpayer must file a **tax return** with the Financial Office in whose district the real estate is situated latest by the end of the third month following the month when registration of such transfer was made in the Real Estate Cadastre. A tax return shall be accompanied by a certified copy of the contract or other document by which ownership relations to specific real estate are confirmed or certified. The taxpayer must enclose an expert's valuation of the price, too. The taxpayer must state all necessary information in the tax return and calculate the tax. If the real estate transfer tax stated in the tax return corresponds to the real estate transfer tax assessed, the tax administrator does not need to notify the taxpayer of such assessment.

Tax **must be paid** within the time-limit for filing the tax return.

The **revenue** of the real estate transfer tax is the income of the state budget.

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<sup>46</sup> Vide Radvan, M. in: Radvan, M. et al. Finanční právo a finanční správa - Berní právo. Brno: Masarykova univerzita et Doplněk, 2008. ISBN: 978-80-210-4732-7. Radvan, M. Zdanění majetku v Evropě. Praha: C. H. Beck, 2007. ISBN 978-80-7179-563-6.

## 9 ROAD TAX AND OTHER CHARGES ON USING ROADS

A lot of motorists have to pay for using motorways and highways not only in the Czech Republic. Nowadays there are three types of charges: the road tax, time charge and electronic toll. The income of these charges is (even together with other sources of money, for example part of excises) not enough to repair existing roads and to build new ones.<sup>47</sup>

### 9.1 Road Tax

The road tax is one of the direct taxes collected in the Czech Republic. The main purpose of this tax is the taxation of using roads by motor vehicles. The tax base and the tax rate depend on how the vehicle damages the roads. The road tax has been in operation since January 1<sup>st</sup>, 1993 and it is adjusted in the Road Tax Act (Act no. 16/1993 Sb., Road Tax Act, as amended).

The **objects of the road tax** are all motor vehicles registered and operated in the Czech Republic<sup>48</sup> and used for running business. Vehicles of the total weight over 3,5 tons, registered in the Czech Republic and determined solely for the freight transport are always liable to tax (if they are used for the business activity or not).<sup>49</sup>

Some vehicles such as special tracked motor vehicles, tractors and their trailers, vehicles with special number plate, etc. are **not liable to the road tax**.

Some operators of the motor vehicles have immunity from taxes; they do not have to pay road tax. The tax **exemption** is usually motivated by public utility (police cars, fire brigade cars, ambulance cars, army cars, breakdown service cars, road sweeping vehicles, etc.), ecological aspects (cars with electric drive, cars using LPG, intercity buses) or international treaties. Tax exemption is used for vehicles with less than four wheels (L category in a log-book), especially motorcycles.

The **taxpayer** is the operator of the vehicle (a natural person or legal entity) and his name is entered in vehicle registration papers (log-book). It means that the taxpayer is usually the owner of the vehicle. In some special cases the taxpayer can be the employer: if the employer sends his employee to a business trip and the employee uses his own vehicle, the employer is the taxpayer and he is obliged to pay the road tax.

The **tax base** differs from the type of the vehicle:

- For motor cars the tax base is the engine capacity in cm<sup>3</sup>;
- For trucks and semi-trailers the tax base is the sum of the highest admissible weights on axles in tons and the number of axles (this combination is very pragmatic because truck with more axles destroys the road less than truck with the same weight and lower number of axles).

The **tax rate** is fixed for every vehicle. The tax is paid for every vehicle separately.

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<sup>47</sup> Vide Radvan, M. in: Radvan, M. et al. Finanční právo a finanční správa - Berní právo. Brno: Masarykova univerzita et Doplněk, 2008. ISBN: 978-80-210-4732-7. Radvan, M. Zdanění majetku v Evropě. Praha: C. H. Beck, 2007. ISBN 978-80-7179-563-6.

<sup>48</sup> This rule respects the Article no. 5 of the Directive 1999/62/EC on the charging of heavy goods vehicles for the use of certain infrastructures.

<sup>49</sup> But government decree sets up several exemptions from this rule especially because of social and charitable reasons.

For motor cars the annual tax rate is:

Engine capacity	Tax rate
to 800 cm <sup>3</sup>	1 200 CZK
from 800 cm <sup>3</sup> to 1 250 cm <sup>3</sup>	1 800 CZK
from 1 250 cm <sup>3</sup> to 1 500 cm <sup>3</sup>	2 400 CZK
from 1 500 cm <sup>3</sup> to 2 000 cm <sup>3</sup>	3 000 CZK
from 2 000 cm <sup>3</sup> to 3 000 cm <sup>3</sup>	3 600 CZK
from 3 000 cm <sup>3</sup>	4 200 CZK

**Table 7:** Tax Rate of Road Tax for Motor Cars

For trucks and semi trailers the annual tax rate is:

Number of axles	Weight	Tax rate	Number of axles	Weight	Tax rate
1	to 1 t	1 800 CZK	3	to 1 t	800 CZK
	from 1 t to 2 t	2 700 CZK		from 1 t to 3.5	2 400 CZK
	from 2 t to 3.5 t	3 900 CZK		from 3.5 to 6 t	3 600 CZK
	from 3.5 t to 5 t	5 400 CZK		from 6 t to 8.5 t	6 000 CZK
	from 5 t to 6.5 t	6 900 CZK		from 8.5 t to 11 t	7 200 CZK
	from 6.5 t to 8 t	8 400 CZK		from 11 t to 13 t	8 400 CZK
	from 8 t	9 600 CZK		from 13 t to 15 t	10 500 CZK
2	to 1 t	1 800 CZK	4 and more	from 15 t to 17 t	13 200 CZK
	from 1 t to 2 t	2 400 CZK		from 17 t to 19 t	15 900 CZK
	from 2 t to 3.5 t	3 600 CZK		from 19 t to 21 t	17 400 CZK
	from 3.5 t to 5 t	4 800 CZK		from 21 t to 23 t	21 300 CZK
	from 5 t to 6.5 t	6 000 CZK		from 23 t to 26 t	27 300 CZK
	from 6.5 t to 8 t	7 200 CZK		from 26 t to 31 t	36 600 CZK
	from 8 t to 9.5 t	8 400 CZK		from 31 t to 36 t	43 500 CZK
	from 9.5 t to 11 t	9 600 CZK		from 36 t	50 400 CZK
	from 11 t to 12 t	10 800 CZK		to 18 t	8 400 CZK
	from 12 t to 13 t	12 600 CZK		from 18 t to 21 t	10 500 CZK
	from 13 t to 14 t	14 700 CZK		from 21 t to 23 t	14 100 CZK
	from 14 t to 15 t	16 500 CZK		from 23 t to 25 t	17 700 CZK
	from 15 t to 18 t	23 700 CZK		from 25 t to 27 t	22 200 CZK
	from 18 t to 21 t	29 100 CZK		from 27 t to 29 t	28 200 CZK
	from 21 t to 24 t	35 100 CZK		from 29 t to 32 t	33 300 CZK
	from 24 t to 27 t	40 500 CZK		from 32 t to 36 t	39 300 CZK
	from 27	46 200 CZK		from 36 t	44 100 CZK

**Table 8:** Tax Rate of Road Tax for Trucks and Semi Trailers

If the tax liability arises or expires during the year, then the tax is just 1/12 of the annual rate tax for every month when the taxpayer is obliged to pay the road tax. The tax liability arises as of the calendar month in which decisive conditions are met and terminates in the calendar month in which decisive conditions cease to be met.

In the case when the employer sends his employee to a business trip and the employee uses his own vehicle, the employer is obliged to pay road tax and he has the possibility to pay a special tax rate 25 CZK per day.

The Czech legislator decided to tax-prefer the operators of new vehicles (it is presumed, that they fulfill ecological standards). That is why the tax rate for vehicles is only 52 % of the basic

tax rate during the first 36 months after the first registration of the vehicle, 60 % during the next 36 months and 75 % during the next 36 months. If trucks and semi trailers of the total weight between 3,5 and 12 tons are not used for running business, it is not necessary to pay any tax. If the total weight of these vehicles is over 12 tons, the tax rate is only 52 % of the basic tax rate.

On the other hand the taxpayers are obliged to pay the tax rate increased of 25 % for vehicles registered till the end of 1989.

If using combined transport, the taxpayer can set up a claim to **tax relief** (tax reduction). Combined transport means the transport of cargo on roads combined with the transport on railroads or water roads. The distance between the place of loading or discharge and the railway station or and the port must be 150 km at maximum. The amount of tax relief depends on the number of drives made by combined transport during the year:

Number of drives	Tax relief in % from annual tax rate
vehicles used only for combined transport	100
more than 120	90
from 91 to 120	75
from 61 to 90	50
from 31 to 60	25

**Table 9:** Tax Relief for Road Tax

If the distance on the railroad or in the water road is longer than 250 km, it is calculated as two drives.

The **tax return** on the road tax must be filed by 31 January of the next year. In this tax return the taxpayer must calculate his tax liability. The **tax administrator** is the Financial Office determined by the location of the registered office of the taxpayer (legal entity) or residential address (natural person).

The **tax must be paid** by 31 January of the next year. But the taxpayer is obliged to pay **tax advances** during the year. There are four terms to pay tax advances: 15 April, 15 July, 15 October and 15 December.

The whole **revenue** from the road tax is the income of State Fund of Transport Infrastructure.

## 9.2 Time Charge

This charge is regulated by Land Roads Act (Act no. 13/1997 Sb., as amended). It is paid only by the operators of motor vehicles with four wheels or the operators of road trains using Czech motorways and highways. In other words anyone who wants to use motorway or highway must pay no matter how many kilometers he goes on the paid stage.<sup>50</sup> This system is not fair; the operator has in fact the only opportunity to choose for how long he will need to travel on the paid motorways: one year, one month, ten days or just one day. Vehicles of the total weight of at least 3,5 tons do not pay time charge, because they are liable to electronic toll.

<sup>50</sup> Charge on using motorways and highways by motor vehicles is paid on cca 750 km of roads; because of ecological aspects it is not paid on motorways serving as city traffic circuits.

The allowance of the charge is verified by the tax sticker on the front window. Land Roads Act sets up maximal level of taxation at 1.500 CZK per year.

According to the Act, shorter periods of taxation (month, ten days) are possible with sufficient value of tax stickers. Concrete value of the time charge is set up in the government decree:

Validity period	one year	one moths	ten days
Weight of vehicle			
to 3.5 t	1.200 CZK	350 CZK	250 CZK

**Table 10:** Time Charge

### 9.3 *Electronic Toll*

Electronic road tolls systems are quite modern systems replacing time charges in many European countries. The same situation is in the Czech Republic, where electronic road toll has been used since the beginning of 2007. Electronic toll is regulated by Land Roads Act, too. It is paid only by the operators of motor vehicles with four wheels or the operators of road trains of the total weight of at least 3,5 tons using Czech motorways, highways and selected other 1<sup>st</sup> class roads. Concrete value of the time charge is set up in the government decree, with respect to ecological limits, number of axles, kind of road and time:

up to EURO II						EURO III or higher					
Number of axles											
2		3		4≤		2		3		4≤	
Fri 3-9 PM	Other time	Fri 3-9 PM	Other time	Fri 3-9 PM	Other time	Fri 3-9 PM	Other time	Fri 3-9 PM	Other time	Fri 3-9 PM	Other time
2,87 CZK/km	2,26 CZK/km	5,55 CZK/km	3,63 CZK/km	8,10 CZK/km	5,30 CZK/km	2,12 CZK/km	1,67 CZK/km	4,35 CZK/km	2,85 CZK/km	6,30 CZK/km	4,12 CZK/km

**Table 11:** Electronic Toll for Highways and Motorways

up to EURO II						EURO III or higher					
Number of axles											
2		3		4≤		2		3		4≤	
Fri 3-9 PM	Other time	Fri 3-9 PM	Other time	Fri 3-9 PM	Other time	Fri 3-9 PM	Other time	Fri 3-9 PM	Other time	Fri 3-9 PM	Other time
1,37 CZK/km	1,08 CZK/km	2,70 CZK/km	1,77 CZK/km	3,90 CZK/km	2,55 CZK/km	1,00 CZK/km	0,79 CZK/km	2,10 CZK/km	1,37 CZK/km	3,00 CZK/km	1,96 CZK/km

**Table 12:** Electronic Toll for 1<sup>st</sup> Class Roads

## 10 VALUE ADDED TAX

Value added tax (VAT) is the most typical indirect tax collected not only in the Czech Republic. In fact, the Czech regulation of VAT is the same as in the other member states of the European Union. VAT is a tax on transactions or better a tax on consumption. In fact, it is the tax paid by a final consumer on the purchase of goods and services, even a lot of the consumers do not know they are paying this tax.

In the Czech Republic VAT is quite a new tax: it was first introduced on 1 January 1993. Nowadays there are a lot of changes concerning VAT in the Czech Republic because of implementation of the Sixth VAT Directive.

VAT in the Czech Republic is regulated by Act no. 235/2004 Sb., Value Added Tax Act, as amended.<sup>51</sup>

The **objects of VAT** are:

- Supply of goods for payment by a taxable person, if a place of transfer is in the Czech Republic; goods are all movable assets, heat energy, electric power, water, gas, banknotes and coins, etc.;
- Transfer or transference of real estate for consideration in an auction by a taxable person, if a place of transfer is in the Czech Republic;
- Supply of service for consideration by a taxable person, if a place of transfer is in the Czech Republic;
- Acquisition of goods from another member state of the European Union for payment;
- Import of goods with a place of supply in the Czech Republic.

Several supplies are **exempt from taxation**. In this place, several of them should be mentioned banking operations, insurance operations, postal service, radio and television broadcasting or lease of real estate (lands and buildings).

**Taxable persons** (payors) are individuals and legal entities that carry out economic activities such as trading, manufacturing activities and the provision of services in the Czech Republic. Every taxable person must be registered to VAT once the statutory requirements for registration are met. The taxable person is usually the one, whose turnover exceeded 1 000 000 CZK in the past twelve months. This person must file the registration form and transfer it to the Financial Office till the fifteenth day following after the end of a month when its turnover exceeded above mentioned sum. It becomes the taxpayer of VAT in the first day of the third month after the month when the turnover was exceeded.

Some persons use the possibility given by VAT Act to be registered voluntary. In this case they do not have to pay on all purchases and they have a possibility to reclaim the amount of VAT paid as a refund.

It is typical for VAT that it occurs in every phase of the turnover (it means for example the acquisition of raw materials, phases of manufacturing and distribution, sale to the final

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<sup>51</sup> Vide Pařízková I., Radvan, M. in: Radvan, M. et al. Finanční právo a finanční správa - Berní právo. Brno: Masarykova univerzita et Doplněk, 2008. ISBN: 978-80-210-4732-7. Kyncl, L. Value Added Tax (VAT) on electronic services in the Czech republic. in: Sovremennye problemy teorii nalogovogo prava – The Modern Problems of Tax Law Theory. Voronezh: Voronežskij gosudarstvennyj universitet, 2007. P. 365-368. ISBN 978-5-9273-1340-2.

consumer). Every phase usually adds some value and this added value is the object of taxation. The final, total sum of the tax is paid by the final consumer because every VAT payor has a right to ask for the refund of the tax but the final consumer does not have this right.

The **tax base** is a monetary amount that was received or is to be received as a consideration by a VAT payor from a person to whom the VAT payor realized a taxable supply. The tax base also comprises customs, dues and charges (fees), excise taxes (incl. energy taxes), price subsidies, accidental expenses, materials directly connected to rendered service, building and fitting works connected to the construction, etc.

There are two **tax rates** to be used for assessing VAT in the Czech Republic. The basic tax rate is 20 % and it is used both for the supplies of goods and services. The reduced tax rate is 10 % and there is a list of goods and services liable to reduced VAT rate in annexes to the Value Added Tax Act. Just several kinds of goods and services will be mentioned like foodstuffs including beverages or water, pharmaceutical products, napkins for babies, books, newspapers and journals, baby safety seats used in cars, water management, regular mass transport, cultural activities, etc.

To assess the tax, we must use this formula:  $VAT = Tax\ Base \times Coefficient$ , where  $Coefficient = Tax\ Rate / 100$ . The tax can be rounded up to the whole hellers (0,01 CZK).

There is one more formula used in the situations, when we know the whole sum including VAT:  $VAT = \frac{the\ Whole\ Sum \times Tax\ Rate}{(Tax\ Rate + 100)}$ , it means  $VAT = \frac{the\ Whole\ Sum}{1,1667}$  for 20 % VAT rate and  $VAT = \frac{the\ Whole\ Sum}{1,0909}$  for 10 % VAT rate.<sup>52</sup>

There are two possibilities of the **VAT period** and two periods for submitting the tax return depending on the VAT payor's turnover in the previous calendar year:

- For a VAT payor whose turnover in the previous calendar year was less than 2 000 000 CZK, the tax period is a calendar quarter;
- A VAT payor whose turnover in the previous calendar year was more than 2 000 000 CZK but less than 10 000 000 CZK can choose whether the tax period will be a calendar quarter or one month;
- A VAT payor whose turnover in the previous calendar year was more than 10 000 000 CZK has a monthly taxable period.

Every taxpayer must submit his **tax return** by the 25<sup>th</sup> day after the end of the relevant taxable period.

The **tax administrator** is the Financial Office determined by the location of registered office of the taxpayer (legal entity) or residential address (natural person) or customs offices in case of export.

The **tax must be paid** in the term for filing the tax return. The whole **revenue** from VAT is the income of the state budget.

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<sup>52</sup> The quotient is rounded to four decimal positions.

## 11 SELECTED EXCISE TAXES

Selected excise taxes are typical indirect taxes collected for many years not only in the Czech Republic. In fact, not all the products are liable to excise taxes, just several of them chosen by state. The states usually argue that these products are not healthy (alcohol, tobacco) or they are dangerous for nature (petroleum oils). But mostly the real reason for these taxes is money for public budgets. In fact, all these products are also liable to the value added tax that is why we can talk about double taxation.

Historically there were five selected excise taxes (excise duties) in the Czech Republic:<sup>53</sup>

- Excise tax on petroleum oils (hydrocarbon fuels);
- Excise tax on spirit;
- Excise tax on beer;
- Excise tax on wine and semi products;
- Excise tax on tobacco products.

Since the beginning of 2008 there are three new excise taxes, so called energy taxes or (more often, but incorrectly) ecological taxes. The main principles of regulation correspond to the Directive 2003/96/ES. These taxes are:

- Tax on earth gas and other gases;
- Tax on solid fuels;
- Tax on electricity.

Nowadays “old” selected excise taxes are regulated by Act no. 353/2003 Sb., Excise Taxes Act, as amended, and energy taxes are regulated by Act no. 261/2007 Sb., Public Budgets Stabilization Act, as amended.<sup>54</sup>

These selected products are the objects of the excise tax if they are produced in the territory of European Union or if they are imported to the territory of European Union.

There are two main groups of **payors** of excise taxes:

1. An individual or legal entity – the operator of the tax deposit, recipient or producer of selected products;
2. An individual or legal entity that has a duty to pay the tax in case of import.

Since there are eight different selected excise taxes, the following text will be divided into several parts. The same formula stands for all the excise taxes: Tax = Tax Base x Tax Rate.

### 11.1 Excise Tax on Petroleum Oils

Petroleum oils are all the motor petrol and aviation petrol-type fuels, medium oils and heavy gas and heating oils, waste oils, liquefied petroleum gases and compressed gases and mixtures of petroleum oils.

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<sup>53</sup> More detailed information can be found in the part dealing with tax bases and tax rates of excise taxes.

<sup>54</sup> Vide Mrkývka, P., Radvan, M. in: Radvan, M. et al. Finanční právo a finanční správa - Berní právo. Brno: Masarykova univerzita et Doplněk, 2008. ISBN: 978-80-210-4732-7. Radvan, M., Neckář, J. Ekologické daně. in: Dny veřejného práva. Brno: Masarykova univerzita, 2007. P. 86, 577-582. ISBN 978-80-210-4430-2.

The **tax base** is usually 1 000 liters of petroleum oils at the temperature of 15 °C (motor petrol and aviation petrol-type fuels, medium oils and heavy gas and heating oils, waste oils) or 1 ton (liquefied petroleum gases and compressed gases). This amount must be rounded to two decimal positions.

The **tax rate** is fixed and the tax rates are mentioned in the following table:

Description	Tax rate
Motor petrol and aviation petrol-type fuels with a lead content not exceeding 0,013 g per liter	12 840 CZK per 1000 liters
Motor petrol and aviation petrol-type fuels with a lead content exceeding 0,013 g per liter	13 710 CZK per 1000 liters
Medium oils and heavy gas and heating oils	10 950 CZK per 1000 liters
Heavy heating oils	472 CZK per ton
Waste oils	660 CZK per 1000 liters
Liquefied petroleum gases	0 – 3 933 CZK per ton

**Table 13:** Excise Tax Rates on Petroleum Oils

### 11.2 Excise Tax on Spirit

If there is more than 1,2 % of ethanol in the product, this product is liable to the excise tax on spirit.

The **tax base** is 100 liters (hectoliter) of ethanol at the temperature of 20 °C. The **tax rate** is fixed and there is one basic rate and one reduced rate for the spirit in fruit spirits, distilled by growers of fruit:

Description	Tax rate
Spirit in fruit spirits, distilled by growers of fruit	14 300 CZK per hectoliter of ethanol
Spirit in other products	28 500 CZK per hectoliter of ethanol

**Table 14:** Excise Tax Rates on Spirit

### 11.3 Excise Tax on Beer

If there is more than 0,5 % of alcohol in the product, this product is liable to excise tax on beer.

Some producers of beer are not liable to the excise tax on beer, if they produce beer just for themselves and they do not produce more than 200 liters of beer in one calendar year. They just must announce this to the tax administrator.

The **tax base** is 100 liters (hectoliter) of beer. The **tax rate** for each whole percent of the original primary brew is fixed but small independent breweries pay reduced tax rate:

Standard tax rate for each whole percent of the original primary brew (in CZK per hectoliter)					
Standard rate	Reduced rate for small independent breweries according to output in hectoliters				
	up to 10 000 hl.	10 000 – 50 000 hl.	50 000 – 100 000 hl.	100 000 – 150 000 hl.	150 000 – 200 000 hl.
32,00	16,00	19,20	22,40	25,60	28,80

**Table 15:** Excise Tax Rates on Beer

#### 11.4 Excise Tax on Wine and Semi Products

Similarly to the excise tax on beer, some producers of wine are not liable to the excise tax on wine, if they produce wine just for themselves and they do not produce more than 500 liters of wine in one calendar year.

The **tax base** is 100 liters (hectoliter) of wine. The **fixed tax** rates are as follows:

Description	Tax rate
Sparkling wines	2 340 CZK per hectoliter
Non-sparkling wines	zero-rated
Wine semi products	2 340 CZK per hectoliter

**Table 16:** Excise Tax Rates on Wine and Semi Products

#### 11.5 Excise Tax on Tobacco Products

Cigarettes, cigars, cigarillos and tobacco are liable to the excise tax on tobacco products.

There are two types of **tax base** in the Czech Republic:

1. Sale price, if the percentage tax rate is used (the sale price is directly fixed by state);
2. Units or kilograms, if the fixed tax rate is used.

The **tax rate** is a combination of a fixed and percentage tax rate. There is a minimum tax rate, too. The total tax is the sum of a fixed tax rate and a percentage tax rate but it must be at least the minimum tax:

Description	Tax rate		
	fixed	percentage	minimum
Cigarettes	1,07 CZK / unit	28 %	3,01 CZK / unit
Cigars, cigarillos	1,15 CZK / unit		
Tobacco for smoking	1 340 CZK / kg		
Other tobacco for other purposes	1 340 CZK / kg		

**Table 17:** Excise Tax Rates on Tobacco Products

#### 11.6 Tax on Earth Gas and Other Gases

Tax on earth gas is imposed on gases. The most important exemption is the one for production of heat for households. The payor is usually the supplier of gas. The **tax base** is the amount of heat and **tax rates** correspond to the using purpose. It is fixed between 0 – 264,80 CZK/MWh of heat. While gas is supplied continuously, the taxable period is one month.

#### 11.7 Tax on Solid Fuels

Tax on solid fuels is imposed on coal, briquettes, coke, semi-coke, etc. The most common exemptions are used in the production of electricity or coke. The payors are the suppliers supplying solid fuels to the final consumers. The **tax base** is the amount of solid fuels in GJ of heat. The tax rate is at the minimal level according to EU directive – 8,50 CZK per GJ of heat.

#### 11.8 Tax on Electricity

The last one of selected excise taxes is tax on electricity. Electricity produced in an ecological way (from sun energy, in water power plants, from biomass, etc.) is exempt from taxation. The

same rules are applied for the electricity produced in mounts or used for trains, tramways and trolleybuses. The payors are the suppliers of electricity to the final consumers. The **tax base** is the amount of electricity in MWh. The **tax rate** is 28,30 CZK per MWh. While electricity is supplied continuously, the taxable period is one month.

#### *11.9 Selected Excise Taxes Administration, Payment and Budget Destination*

The **taxable period** for excise taxes is one month. Every taxpayer must submit his **tax return** by the 25<sup>th</sup> day after the end of the relevant taxable period – calendar month. One tax return must be filed for every excise tax. If the goods are imported, there is no duty to file the tax return because there is another document similar to the tax return – the customs declaration. There is no tax return for the excise tax on tobacco products because the order of tobacco labels serves as a tax return. For the future the same practice is being prepared for the excise tax on spirit.

The **tax administrator** is the customs office determined by the location of registered office of the taxpayer (legal entity) or residential address (natural person).

The **tax must be paid** by the 40<sup>th</sup> day after the end of the relevant taxable period, in case of export by the 10<sup>th</sup> day after the delivery of the customs duty decree. The whole **revenue** from selected excise taxes is the income of the state budget except the revenue from petroleum oils excise tax, where the revenue is divided between the State Fund of Transport Infrastructure (9,1 %) and the state budget (90,9 %).

## 12 LOCAL CHARGES

Every municipality in the Czech Republic has a possibility to levy local charges (local fees, local taxes<sup>55</sup>). The authority for doing so is needed to be established by law. Not every municipality levies every local charge, town council has an opportunity to decide whether the municipality will levy the local charge and it can define the amount of this charge. In fact, the income from the local charges is quite important for the municipalities and paying local charges is the same duty as to pay every other taxes and charges. Local charges have (except the fiscal function) regulative and protective function, too.

Dealing with local charges, the legal regulation of these charges is very important. The Charter of Fundamental Rights and Freedoms (Act no. 2/1993 St., in current wording) in its Article 11(5) says that taxes and charges are possible to be imposed only in legal act. This act is Act no. 565/1990 Sb., Local Charges Act, as amended. In its Section 14 it contains authorization for municipalities to assess local charges by the ordinance. In this ordinance conditions for levying, charge rate, charge maturity and eventual immunity must be given. The ordinance may not exceed the conditions defined by Local Charges Act (for example absolute charge rate or varieties of charges).<sup>56</sup>

Nowadays the municipalities in the Czech Republic have an opportunity to levy following local charges:

1. Dog charge;
2. Charge for spa and recreation stay;
3. Charge for using public places;
4. Charge on entrance;
5. Charge for housing capacity;
6. Charge on gambling machines and other technical game facilities;
7. Charge on communal waste;
8. Charge for permission to enter selected places by motor vehicle;
9. Charge on evaluation of building land.

This list is complete and the municipality has no possibility to levy any other charge.

The most common charge in Czech municipalities is the **dog charge**. The taxpayer of this charge is the holder of the dog, not the owner any more (since 1 January 2004). The definition of the holder is not exact, I am afraid, because the Act just says that the holder is a natural person or corporation with the residence in the Czech Republic. This definition can cause many problems in application. A better definition is only in the explanatory note to the Act (the

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<sup>55</sup> See also Mrkývka, P. Některé úvahy o materiálním základu veřejné správy, Časopis pro právní vědu a praxi, no. 2/2003.

<sup>56</sup> Vide Radvan, M. in: Radvan, M. et al. Finanční právo a finanční správa - Berní právo. Brno: Masarykova univerzita et Doplněk, 2008. ISBN: 978-80-210-4732-7. Radvan, M. Zdanění majetku v Evropě. Praha: C. H. Beck, 2007. ISBN 978-80-7179-563-6. Radvan, M. Poplatkové právo v ČR (Charge Law in the Czech Republic). in: Current Questions of the Efficiency of Public Finance, Financial Law and Tax Law in the countries of Central and Eastern Europe (Aktuálne otázky efektívnosti verejných financií, finančného práva a daňového práva v štátoch strednej a východnej Európy). Košice: Univerzita Pavla Jozefa Šafárika v Košiciach, 2005. P. 41 + CD. ISBN 80-7097-604-7.

holder of dog is a person that takes care of this dog in the same way as the owner of the dog and there is no doubt that the dog is living with this person).<sup>57</sup>

The holders may not pay the charge for all dogs, just for the one older than three months. Some holders are exempt from paying, for example blind people, people training dogs, taking care of abandoned dogs, hunters, etc. Municipalities can extend the list of exemptions.

Every holder of the dog must pay the dog charge to the municipality covering every month in the year, if the conditions for paying are fulfilled. The same rule must be used in the situation when the holder moves from one town to another. The charge rate can run up to 1 500 CZK for a dog and a year, for pensioners 200 CZK. For the second and every other dog the charge rate can be increased by 50 %.

The taxpayers of the **charge for spa and recreation stay** are persons who stay in spas or other recreation centers because of treatment or recreation. There are some more conditions that must be fulfilled to levy the charge: the persons must stay at a spa or recreation center just for some time and have to pay some money for accommodation. Just blind people, the handicapped, young people (under 18) and old people (over 70) are exempt.

The taxpayers pay the charge together with the price for accommodation and the owner of hotel or apartment must send the charge to the municipality. Because of problems with evidence the owner has to keep the registration book with the information about his guests for six years after the last record in the book. The charge rate can run to 15 CZK for a person per day. The first day (the day of arrival) is free of charge.

The local **charge for using public place** can be levied by the municipality in the following situations:

- Positioning of temporary constructions for building or advertisement, for selling goods or services;
- Positioning of amusement parks, circuses;
- Creating and running dumps;
- Reservation of parking place;
- Using public place for culture and sport or for shooting movies;
- Pursuing site excavation.

The municipality has the possibility to levy the charge only in these situations. Only actions with charitable aims are exempt. The findings made by Constitutional Court lay down that every municipality must define, what are the public place (name of the street, square and so on). They are very important for practice because only at those place can the municipality levy the charge for using public place.<sup>58</sup>

The charge rate is 10 CZK for a square meter per day, in some cases it can be even more (sales, advertisement, amusement parks, etc.).

The **charge on entrance** is obliged to be paid by every person who organizes cultural, sport, sale or advertisement action and collects an entrance. If the action has charitable aims, the charge is not levied. For the right levying it was necessary to lay down, what the entrance is.

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<sup>57</sup> For the legal definition of the taxpayer of the dog charge it is necessary to use the definition of the possession in civil law.

<sup>58</sup> Finding of Const. Court no. Pl. ÚS 20/93 (in St. No. 141/1994 St.). In: Ústavní soud: Sbirka nálezů a usnesení – svazek 4. C. H. Beck, Praha 1996, p. 163 – 169 (č. 68 Sb. n. u. – sv. 4).

The entrance means a sum of money paid by the participant to take part in the event (without VAT). This means that the entrance charge has to be levied even if there is no official entrance but the participant has to buy a card for meal or seat reservation ticket to get to the event. There is no possibility to levy the charge for the entrance to castles and chateaux because this is not a cultural event. A cultural event means only a single cultural event such as exhibition, dance or theatre performance.<sup>59</sup>

The charge rate is 20 % from the entrance.

The **housing capacity charge** can be levied only at medical institutions, hotels and apartments, etc., where the guests are obliged to pay for accommodation. Every person that owns or leases a medical institution, hotel, apartment or something like that must keep the registration book with the information about his guests for six years after the last record in the book and must pay the housing capacity charge for every used bed. The charge rate is 6 CZK for a bed per night.

Each municipality can impose **charge on gambling machines and other technical game facilities** to every owner of a machine or game facility. Just one condition must be fulfilled: there must be the permission to run the gambling machine (municipality) or the game facility (Ministry of Finance). The charge rate has its maximum rate – 5 000 CZK and the minimum rate – 1 000 CZK. This rate is not paid per annum but quarterly. The municipality has a possibility to exempt the owner of a machine from paying.

Every person living in the town or owning a building for recreation in this town has to pay the **charge on communal waste**. The charge rate has two parts. The first one is 250 CZK for a person per year at maximum; the second one must respect real expenses of the municipality in the area of municipal garbage and can be as well 250 CZK for a person per year at maximum. It means 500 CZK for a person per year at maximum. The municipality must account for expenses for one person in the ordinance. If a person moves from or to the town or sells or buys his building for recreation, he must pay the charge just for the relevant months.

Everybody who has a permission for the access by a motor vehicle to chosen places and parts of towns (and nobody else can not get there because of a road sign) has to pay **charge for permission to enter selected places by motor vehicle**. Of course some people should be exempt from paying, for example the persons living in this part of town, persons owning real estates there, their families, the handicapped, etc. The charge rate is 20 CZK for one day at maximum.

**Charge on evaluation of building land** is paid by the owner of the lot, if he has a possibility to connect it to municipal water conduit or sewerage. The charge rate can be the difference between the prices before and after the possibility to connect the lot to water conduit or sewerage at maximum. The charge rate must be published in the ordinance.

### *12.1 Administration of Local Charges*

If somebody has a duty to pay a local tax and he fails to do it (in time or he does not pay the right amount), the municipality sends him an assessment. The amount due can be raised three times in the assessment. The municipality must make a legal act to a debtor in three years after the debtor had to pay the charge because then there is no chance to levy the charge. The maximum term is ten years after the debtor had to pay the charge.

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<sup>59</sup> Finding of Const. Court no. Pl. ÚS 14/95 (in St. No. 280/1995 St.). In: Ústavní soud: Sbirka nálezů a usnesení – svazek 1. C. H. Beck, Praha 1994, p. 245 – 250 (č. 33 Sb. n. u. – sv. 1).

The **administration office** is the municipality that levied the charge. The municipality has no more the right to reduce the charge or to exempt the charge duty or accessories to the charge from the beginning of 2011.

### 13 OTHER CHARGES

Besides local charges there are many other charges collected in the Czech Republic. We can create three groups of these fees:<sup>60</sup>

- Administrative charges;
- Court charges;
- Ecological charges.

The aim of the **administrative charges** is to contribute by the applicant (taxpayer) to the administration of the state or local government administrative body, because this activity is done in his interest and it would not be fair, if everybody should pay for these activities. The second aim is to protect administrative bodies against useless administrative actions.

Legal regulation of administrative fees is in Act no. 634/2004 Sb., Administrative Charges Act, as amended. The object of charge is the administrative proceedings and other activities of the administrative office related with state administration. The concrete activities liable to charge and the rates are in the appendix of the Act. The list of exemptions is very extensive, some exemptions concern with the taxpayers, some with the activities.<sup>61</sup> The tax rates are fixed or percentual. If the charge is not paid, the charged operation will not be done.

There are two types of **court charges**: charges for proceedings and charges for activities. Both are regulated in Act no. 549/1991 Sb., Court Charges Act, as amended. In the appendix of the Act there is a list of charges with the rates. There are many exemptions because of economic reasons and state interest in justice.<sup>62</sup> The taxpayer is usually the plaintiff. If the charge is not paid, the proceedings usually can not start. The tax base is the price of the object of proceedings in CZK; the rate is usually percentual.

We have already mentioned one type of **ecological charges** – charges on using roads. But there are several other ecological charges:

- Charges on waste-water disposal into day water;
- Charges on waste-water disposal into underground water;
- Charges on injurant exhaust in air;
- Charges on waste;
- Charges on withdrawn of land from the agricultural land fund;
- Charges on underground water take-off.

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<sup>60</sup> Vide Radvan, M. Poplatkové právo v ČR (Charge Law in the Czech Republic). in: Current Questions of the Efficiency of Public Finance, Financial Law and Tax Law in the countries of Central and Eastern Europe (Aktuálne otázky efektívnosti verejných financií, finančného práva a daňového práva v štátoch strednej a východnej Európy). Košice: Univerzita Pavla Jozefa Šafárika v Košiciach, 2005. P. 41 + CD. ISBN 80-7097-604-7.

<sup>61</sup> See Section 8 Administrative Charges Act.

<sup>62</sup> See Section 11 Court Charges Act.

## 14 TAX ADMINISTRATION

In the Czech Republic there is one very new general act dealing with the tax administration called Act no. 280/2009 Sb., Code of Tax Procedure, as amended. It comes into force at the beginning of 2011. This Act is used in the situations, when there is no special regulation in a special tax act. It defines the most important terms, the principles of tax administration, the delivery of tax decrees, the procedure of tax administration such as how to assess the tax, how to pay it, legal remedies, tax execution, etc.<sup>63</sup>

The **administration of taxes** means the right to make measures necessary for correct and complete ascertainment, determination and discharge of tax liability, it means the right to seek out persons liable to tax, to assess, collect, account for and exact taxes and to supervise the fulfillment of tax liabilities. The following text has several parts that more or less correspond with the parts of the Code of Tax Procedure.

### 14.1 Basic Terms and Principles

The first and the most important term is the **tax**. At the beginning of this paper the definition of tax was mentioned with the note that the term “tax” is defined just by the tax theory and there is no definition in the Czech law. In the Code of Tax Procedure there is so called “**legislative short cut of tax**” defined as taxes, charges (fees), customs and some other money performances which are the revenue of public budgets.

Another important term is “**subjects of tax**” (persons liable to tax); there are two types of persons liable to tax:

- Taxpayer – a person whose income, property or acts in law are directly liable to tax;
- Payor – person who has material liability to transfer collected or withheld taxes from the taxpayer to the tax administrator.

However, these two definitions are no more the part of Czech law, even both terms are used not only in tax acts very often.

Besides persons liable to tax there is a group of persons taking part in the tax proceedings (**third persons**) such as:

- Witnesses;
- Persons who hold documents;
- Experts, auditors, interpreters;
- Guarantors;
- Bankruptcy trustees;
- State authorities and local government authorities;
- Skilled consultant;

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<sup>63</sup> Vide Mrkývka, P., Radvan, M. in: Radvan, M. et al. Finanční právo a finanční správa - Berní právo. Brno: Masarykova univerzita et Doplněk, 2008. ISBN: 978-80-210-4732-7. Mrkývka, P., Neckář, J. Tax Administration in the Czech Republic. in: Sovremennye problemy teorii nalogovogo prava – The Modern Problems of Tax Law Theory. 2007. Voronezh: University of Voronezh, 2007. P. 203-212. ISBN 978-5-9273-1340-2. Kindl, M., Telecký, D., Válková, H. Zákon o správě daní a poplatků – komentář. Praha: C. H. Beck, 2002.

- Surety, etc.

The taxpayer can be substituted in the tax proceedings. There are several types of substitutions:

- Legal representative mostly for children under 18 years old or for people with no or limited capability;
- Representative established by tax administrator for people without full capability and without legal representative, for people with unknown place of residence or seat or for mentally disordered people;
- Personal representative with a warrant of attorney, mostly attorney or tax advisor;
- Common representative used if there are more taxpayers with one tax duty (for example co-ownership of real estate that is to be taxed by real estate tax);
- Holder of procuration (a special type of substitution for corporation described in Business Code).

Talking about **tax administrators**, first it is necessary to have a look into special tax acts. If there is nothing about the tax administrator in the special tax act, then the answer is in the Code of Tax Procedure. The tax administrator is usually the Financial Office determined in the case of a legal entity by the location of its registered office in the Czech Republic, in the case of a natural person by his residential address. For real estate (taxes imposed on real estate), the locally competent tax administrator is the financial office in whose district such real estate is situated. For some taxes (especially selected excise taxes and customs) the tax administrator is not the financial office but the customs office.

Tax administrators engaged in the administration of taxes must respect several **fundamental principles**. Just several of them will be mentioned:

- Principle of self-application – the taxpayer must know if and when to file the tax return, calculate the tax and pay it without any cooperation with the tax administrator;
- Principle of legality – the tax administrator shall proceed in conformity with laws and other generally binding statutory provisions;
- Principle of collaboration – the tax administrator shall proceed in close collaboration with the tax subjects, they shall select only means which cause the least inconvenience to these persons;
- Principle of non-public proceedings – tax proceedings are never made public;
- Principle of discretion – everybody except tax subjects are to maintain confidentiality in respect of everything learned during tax proceedings;
- Principle of equality – all tax subject have equal rights and duties in the tax proceedings;
- Principle of cooperation – all tax subjects have the right and duty to cooperate with the tax administrator;
- Principle of effectiveness – tax proceedings should be quick, with respect to costs of the taxpayer. All the information available for the tax administrator must be used without asking the taxpayer for it;
- Principle of foresee ability – in similar cases there should be no unreasonable differences in the decision.

For the valid decision it is necessary to **deliver** this decision to the taxpayer. The most common delivery should be by done electronically or during the oral proceedings, but still tax administrators send usually official letters by post. In this case it is important to deliver official letters to the taxpayer's residential address (natural persons) or seat (corporation). If the taxpayer is not caught at home, the letter is placed usually at the post office for ten days. The last day is the day of delivery (fiction of delivery), even the taxpayer did not know about any delivery. The official letter is posted in the post box next day. The only possibility for the taxpayer, that has no real chance to pick up the official letter, is to ask the tax administrator to pronounce the ineffectiveness of the delivery.

There are other possibilities for delivering but they are not used so often:

- Delivery by public notice;
- Delivery by means of a collective list relating to tax liability.

Almost every taxpayer has a **registration duty**; it means that within thirty days after he receives permission or is authorized to engage in a business activity or undertakes other independent gainful activity, he must submit an application for registration to the locally competent tax administrator. Every change must be announced to the tax administrator within fifteen days after this change occurred. If the taxpayer does not fulfill his registration duty, the tax administrator registers the taxpayer *ex officio*. There are three groups of persons with no registration duty:

- Taxpayers with one time or accidental tax duty (for example inheritance tax, gift tax or real state transfer tax);
- Taxpayers paying tax for their real estate (real estate tax);
- Taxpayers with a duty to pay tax through the payor (for example personal income tax from dependent activity, tax from interests, from dividends and other types of capital incomes).

The tax administrator allocates a **tax identification number** to a person liable to tax who is registered. The tax identification number includes code "CZ" and an identifier. An identifier of the natural person is his personal identification number; an identifier of a legal entity is its identification number.

#### 14.2 Tax Assessment Procedure

Everybody who has a duty arising under a tax act or who is called upon by the tax administrator must submit the **tax return**. The taxpayer must himself calculate the tax in his tax return including specifying exemptions, advantages, allowances and deductions. Mostly the tax becomes due at the same time as the tax report.

There are two **basic time limits for filing the tax return**: at the latest three months following expiry of the annual taxable period, or within 25 days after expiry of the taxable period shorter than one year.

Other – **special time limits for filing the tax return** are defined for selected taxes such as:

- Road tax (31 January);
- Real estate tax (31 January);

- Inheritance tax (within 30 day of the day when court's decision by which inheritance proceedings became final);
- Gift tax (within 30 day of the day when the donation of a movable asset or some other property benefit took place or a contract on free-of-charge transfer of ownership title to specific real estate with a clause confirming its registration to Real Estate Cadastre was served on the taxpayer);
- Real estate transfer tax (latest by the end of the third month following the month when registration of such transfer was made in the Real Estate Cadastre).

Besides these basic and special time limits there are four **extended time limits for filing the tax return**:

- Latest six month following expiry of the taxable period, if a taxpayer shall have a financial statement verified by an auditor;
- Latest six month following expiry of the taxable period, if the taxpayer's return is prepared and submitted by his tax advisor or by his barrister;
- Basic time limit for filing the tax return extended by a maximum of three months, if the taxpayer asks for this (the tax administrator need not accord a request);
- Up to ten months following expiry of the taxable period, if the taxpayer with incomes from abroad asks for this (the tax administrator need not accord a request).

The tax administrator has three possibilities in the **tax assessment procedure**:

1. Implied tax assessment – the assessed tax does not differ from the tax stated in the tax return. In this situation the tax administrator is not obliged to inform the taxpayer about the result of assessment. The last day of the time limit for filling the tax return is considered as the day of the tax assessment and as the day of the delivery of the tax decision;
2. Reproach proceedings – there are doubts about the correctness, truthfulness, substantiation or completeness of the tax return. In this situation the tax administrator informs the taxpayer about these doubts and calls upon him to give his views or complete the incomplete data, etc. The tax administrator should set an appropriate time limit in his call, not shorter than fifteen days. The tax administrator has more possibilities to assess the tax: it can exercise a tax control or local tax examination, it can hear the witnesses, go through the paper proofs, etc. At the end of these proceedings the tax administrator sets the tax base and prescribes the amount of tax and notifies the taxpayer by the reasoned tax assessment. The tax is payable within fifteen days of the legal power of the decision (tax assessment);
3. Assessment using “other tools” – if the tax return was not filed in time (even the tax administrator called to do so) or if the irregularities were not rectified within the time limit, the tax administrator may determine the tax base and assess the tax according to whatever materials and information without cooperation with the taxpayer. The tax administrator notifies the taxpayer by the tax assessment. The tax is payable within fifteen days of the legal power of the decision (tax assessment). In this situation there is no possibility to appeal against the tax base and the tax and the taxpayer can object only to the way of assessment procedure (that there were no legal reasons to use assessment using “other tools”) or inadequacy of “other tools”.

For the tax assessment procedure the **time limits for assessment** are very important. These time limits are times of extinction. The tax may not be assessed after the lapse of three years

from the end of the time limit to file the tax return or the time limit to pay the tax, if there was no duty to file the tax return. If prior to the expiry of the time limit there is a tax control, a tax return is filed or there is a call for filing the tax return, the three year period commences to run anew from the day such an act had happened. If during last twelve months of the basic three year period there is an additional tax return, a tax assessment, proceedings on remedial instrument or a decision on nullity of the decision, the time limit will be one year longer. Moreover, there are several situations when the time limit does not run (for example there is proceedings at the court).

The tax may be assessed no later than ten years after the end of the time limit to file the tax return or the time limit to pay the tax, if there was no duty to file the tax return.

### 14.3 Tax Payment

Everybody who is liable to pay the tax or who is liable to transfer collected and withheld tax is a tax debtor and he is obliged to pay the tax. The tax must be paid to the competent tax administrator mostly in Czech currency. The taxpayer can choose from eight possible ways of tax payment:

1. By means of a transfer from a debtor's bank account to the appropriate tax administrator's bank account;
2. In cash by means of a postal money-order or by means of bank to the appropriate tax administrator's bank account;
3. In cash to person authorized by the tax administrator to receive cash payments of tax from tax debtors, usually at the tax office (maximum amount is 500 000 CZK per day at one tax office);
4. By cheque;
5. In cash to the officer in the execution;
6. In cash to an employee of the tax administrator in cases of fines;
7. By means of revenue stamps;
8. By excess payment in respect of some other tax.

To fulfill the duty to pay the tax in time, it is necessary to know the **dates of payment**:

- In the case of bank account transfers and in the case of cash payment by means of a postal money-order or by means of bank the date of payment is the day when the amount is put to the tax office's account;
- In the case of cash payment to person authorized by the tax administrator the date of payment is the day when authorized person receives the money.

If the tax debtor fails to pay the amount of the tax in time, he is in arrears.<sup>64</sup> In this situation he must pay the **interest on late payment** of repo rate of the Central Bank + 14 % of the amount outstanding for each day of delay for at maximum five years. The amounts of the interests are payable at the moment they occurred. If the tax is additionally assessed by the tax administrator (or by the taxpayer in the tax return), the **penalty** is 20 % of the amount of additionally

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<sup>64</sup> Vide on tax penalties Šramková, D., Schreiber, P. Theoretical and Practical Aspects of Legal Liability within Czech Tax Legislation. in: Dny veřejného práva. Brno: Masarykova univerzita, 2007. P. 89, 599-606. ISBN 978-80-210-4430-2.

assessed tax. The penalty is communicated to the tax debtor within the frame of the assessment order and that is why it must be paid within fifteen days after the delivery of the assessment order.

Several more institutes should be mentioned when talking about sanctions. For example if the tax return is not submitted in time, the tax administrator assesses a **fine for late tax return filing** (0,05 % of assessed tax for each day of the delay; minimum 500 CZK, maximum 5 % of the assessed tax up to 300 000 CZK). The file notified by the tax assessment is payable within 30 days after the delivery of the assessment. Tax administrator can impose an **order fine** up to 50 000 CZK, too.

If the tax administrator has apprehension that some future payment will be uncollectible, he may issue a **securing order**. In order to secure a tax receivable, the tax administrator may order a **lien**.

On the other hand, sometimes the taxpayer can have **overpaid tax**. In this situation the tax administrator can use this amount for arrears of any other tax or as an advanced payment. Nevertheless the taxpayer can apply the overpaid tax to be refunded and the taxpayer must refund the overpaid tax within thirty days of the delivery of the application. If the tax administrator does it later or if the occurrence of the overpaid tax was caused by the tax administrator, the interest of repo rate of the Central Bank + 14 % must be paid to the taxpayer.

In fact, there are situations in life when the tax debtor does not have enough money to pay the assessed tax. In this case there are several possibilities mentioned in the Code of Tax Procedure. The tax debtor can apply for the **deferment of tax** or for **approval of installments** – the tax debtor will pay the interest of repo rate of the Central Bank + 7 % and such permission can be made dependent on certain conditions.

For the tax payment the **time limits on tax arrears exaction** are very important. These time limits are times of extinction. In general the right to collect and exact tax arrears ends six years after the arrears became payable. If prior to the expiry of the time limit an act (like exaction of arrears, lien, deferment of tax, and approval for installments) is undertaken, the six year period commences to run anew from the moment this act was undertaken. There are several situations when the tile limit does not run (for example during tax exaction). But the arrears may be exacted for a maximum period of twenty years after the arrears became payable.

Dealing with the tax payment, the **exaction of tax arrears** must be mentioned. If the tax debtor does not pay the tax in time, then the tax administrator can commence the exaction of tax arrears. The possible execution titles are a final statement of tax arrears, an enforceable decision imposing monetary payment, or a securing order.

The tax execution can be levied upon the issue of an execution order for:

- Tax debt to be settled from monetary means held by tax debtor in his bank account;
- Tax debt to be settled from other monetary receivables;
- Amounts to be withheld from wages;
- Infliction of other property rights;
- Sales of movable assets;
- Sales of real estate.

The tax debtor must pay the costs of execution:

- Compensation for the writ of execution (2 % of the exacted arrears, no less than 500 CZK, maximum at 500 000 CZK);
- Compensation for the costs of carrying out the sale (2 % of the exacted arrears, no less than 500 CZK, maximum at 500 000 CZK);
- Reimbursement of cash expenses (must be paid within fifteen days of the day when the tax debtor was informed by the decision of the amount).

#### 14.4 Remedial Instruments

There are two types of remedial instruments in the Code of Tax Procedure. Ordinary remedial instruments can be used if the decision is not yet final, extraordinary remedial instruments are used for final decisions.

On the other hand, the Code of Tax Procedure also divides remedial instruments (*sensus stricto*) into remedial instruments (*sensus lato*) and supervisory instruments depending who is allowed to start the remedial proceedings: in case of remedial instruments it is the tax subject, in case of supervisory instruments it should be tax administrator *ex officio*.

There are two **ordinary remedial instruments** that can be used in tax administration:

- Appeal;
- Remonstrance.

The most common ordinary remedial instrument is the **appeal**. It is usually used in the situations when the taxpayer is not satisfied with the determined tax base and imposed amount of the tax by the tax administrator or with any other decision. An appeal must be submitted within thirty days (in general) of the day after the day of delivery of the decision against which the appeal is made. There is the common rule that the appeal has no suspensory effect. The appeal proceeding has two phases; the tax administrator whose decision is challenged by the appeal can decide on the appeal himself if it fully complies with it. It can also dismiss an appeal if it is inadmissible or submitted after the time limit.

If the tax administrator does not make a decision, he passes the appeal to the appellate authority (authority immediately superior). This authority can amend (even to the appellant's disadvantage), cancel or dismiss the contested decision.

The **remonstrance** is a special type of appeal against the central administrative body. It is based on the same principles as a common appeal.

There is just one **extraordinary remedial instrument** that can be used in tax administration – **re-opening of tax proceedings**. The proceedings will be re-opened if the taxpayer so applies or *ex officio* (it means, it is also a **supervisory instrument**) and if there are new important facts or proofs not yet used in former (original) proceedings with an effect for the final decision, or there was some criminal act in the former proceedings such as forged or falsified document, false statement of witness, false expert opinion, or preliminary query was decided differently. An application must be submitted within six months of the day on which the applicant learned of the grounds for re-opening proceedings and no later than the time limits for tax assessment or tax payment have passed. In other cases the objective term is three years after the legal power of the decision. When the re-opening of proceedings is approved (or ordered), it has

suspensory effects. It is absolutely new proceedings and a new decision annuls the original decision.

The other supervisory instrument is **review proceedings**. It is used in the situations when the decision is in conflict with statutory provisions. The review proceedings starts usually *ex officio* within the control of financial bodies, but even any subject dealing with tax proceedings can suggest this process. Review proceedings can be started no later than the time limits for tax assessment or tax payment have passed. In other cases the objective term is three years after the legal power of the decision. When the review proceedings is ordered, it has suspensory effects. Former decision can be changed or abolished in the review proceedings, but if it is with respect to the statutory provisions, the review proceedings will be stopped.

#### 14.5 Other (Formerly Remedial) Instruments

**Complaint** deals with the withheld tax. If the taxpayer does not agree with the amount of a withheld tax, he can ask his payor for an explanation within sixty days of tax withholding. The payor must answer in thirty days and if the taxpayer does not agree with the explanation, he can file a complaint within thirty days from the day when he received the information from the payor. The decision of the tax administrator must be send to both the taxpayer and the payor and they both may appeal against such decision.

In respect of the tax payment the taxpayer can raise the **objection** against any act of the tax administrator. It must be raised within thirty days from the day on which the taxpayer learned of such act.

**Corrections of obvious errors and irregularities** are made if the taxpayer so applies or *ex officio* if the tax assessment relates to a person not liable to tax, or there is an obvious error in computation or writing, or the tax liability is imposed twice, etc. It is necessary to correct the tax appurtenances<sup>65</sup> (penalties, increases of tax, costs arising from tax administrative proceedings, interest and fines) in line with the corrections made to tax liability. Corrections can be made no later than the time limits for tax assessment or tax payment have passed. In other it depends on the characteristics of the tax duty that is to be corrected.

The **tax waiver** means for the taxpayers possibility to ask the tax administrator to waive the tax because of any reason. Tax administrators usually do not agree. The other possibility is given to the Minister of Finance. He (or she) can waive the tax because of inconsistencies ensuing from the application of the tax acts or if there are natural disasters. Usually tax waiving in the Czech Republic is in form of so called D-direction published by the Ministry of Finance.

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<sup>65</sup> Tax appurtenances follow the course of events of the tax to which they are attached.

## 15 DOUBLE TAXATION PREVENTION TREATIES

The Czech Republic is the signatory to a Treaty for the Prevention of Double Taxation with a lot of countries not only in Europe but all over the world.

Every double taxation prevention treaty use one or more of the **methods of double taxation prevention**.<sup>66</sup>

- Full exemption – income liable to tax abroad is not liable to tax in the Czech Republic;
- Exemption with progression – income liable to tax abroad is not liable to tax in the Czech Republic but the taxpayer must use the tax rate for both incomes from abroad and from the Czech Republic (possible only if there is a progressive tax rate);
- Full credit – all the taxpayer's incomes (from abroad and from the Czech Republic) are liable to tax in the Czech Republic and from the final tax can the taxpayer deduct the tax paid in abroad;
- Ordinary credit – both the taxpayer's incomes from abroad and from the Czech Republic are liable to tax in the Czech Republic and from the final tax can the taxpayer deduct tax paid in abroad. This amount can be at maximum amount of the tax that shall be paid from incomes from abroad according to Czech tax rate.

If there is no double taxation prevention treaty including one of above mentioned methods or if the tax paid abroad can not be used because of provisions in double taxation prevention treaties, the taxpayer can use the tax paid in abroad as an expense incurred to generate, assure and maintain income.

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<sup>66</sup> Vide Šramková, D., Radvan, M. in: Radvan, M. et al. Finanční právo a finanční správa - Berní právo. Brno: Masarykova univerzita et Doplněk, 2008. ISBN: 978-80-210-4732-7. Schillerová, P. Mezinárodní spolupráce při vymáhání pohledávek. in: Dny veřejného práva. Brno: Masarykova univerzita, 2007. P. 88, 591-598. ISBN 978-80-210-4430-2.

Here is the list of double taxation prevention treaties between the Czech Republic and other states:<sup>67</sup>

Country	Valid since	Act no.*	Country	Valid since	Act no.*
Albania	10.9.1996	270/1996 Sb.	Luxembourg	30.12.1992	73/1993 Sb.
Armenia	15.7.2009	86/2009 Sb. I. T.	Macedonia	17.6.2002	88/2002 Sb. I. T.
Australia	27.11.1995	5/1996 Sb.	Malaysia	9.3.1998	71/1998 Sb.
Austria	22.3.2007	31/2007 Sb. I. T.	Malta	6.6.1997	164/1997 Sb.
Azerbaijan	16.6.2006	74/2006 Sb. I. T.	Morocco	18.7.2006	83/2006 Sb. I. T.
Belarus	15.1.1998	31/1998 Sb.	Mexico	27.12.2002	7/2003 Sb. I. T.
Belgium	24.7.2000	95/2000 Sb. I. T.	Moldavia	26.4.2000	88/2000 Sb. I. T.
Bosnia and Herzegovina	12.5.2010		Mongolia	22.6.1998	18/1999 Sb.
Brazil	24.11.1990	200/1991 Sb.	Netherlands	5.11.1974	138/1974 Sb.
Bulgaria	2.7.1999	203/1999 Sb.	New Zealand	29.8.2008	75/2008 Sb. I. T.
Canada	28.5.2002	83/2002 Sb. I. T.	Nigeria	2.12.1990	339/1991 Sb.
China	23.12.1987	41/1988 Sb.	Norway	9.9.2005	121/2005 Sb. I. T.
CMEA (legal entities)	1.1.1979	49/1979 Sb.	Peoples Rep. of Korea	7.12.2005	3/2006 Sb. I. T.
CMEA (natural persons)	1.1.1979	30/1979 Sb.	Philippines	23.9.2003	132/2003 Sb. I. T.
Croatia	28.12.1999	42/2000 Sb. I. T.	Poland	20.12.1993	31/1994 Sb.
Cyprus	26.11.2009	120/2009 Sb. I. T.	Portugal	1.10.1997	275/1997 Sb.
Denmark	27.12.1982	53/1983 Sb.	Romania	11.8.1994	180/1994 Sb.
Egypt	4.10.1995	283/1995 Sb.	Russia	18.7.1997	278/1997 Sb.
Estonia	26.5.1995	184/1995 Sb.	Serbia and MN	27.6.2005	88/2005 Sb. I. T.
Ethiopia	30.5.2008	54/2008 Sb. I. T.	Slovenia	28.4.1998	214/1998 Sb.
Finland	12.12.1995	43/1996 Sb.	Slovakia	14.7.2003	100/2003 Sb. I. T.
France	1.7.2005	79/2005 Sb. I. T.	Republic of South Africa	3.12.1997	7/1998 Sb.
Georgia	4.5.2007	40/2007 Sb. I. T.	Singapore	21.8.1998	224/1998 Sb.
Germany	17.11.1983	18/1984 Sb.	Spain	5.6.1981	23/1982 Sb.
Greece	23.5.1989	98/1989 Sb.	Sri Lanka	19.6.1979	132/1979 Sb.
Hungary	27.12.1994	22/1995 Sb.	Sweden	8.10.1980	9/1981 Sb.
Iceland	28.12.2000	11/2001 Sb. I. T.	Switzerland	23.10.1996	281/1996 Sb.
India	27.9.1999	301/1999 Sb.	Syria	12.11.2009	115/2009 Sb. I. T.
Indonesia	26.1.1996	67/1996 Sb.	Tajikistan	19.10.2007	89/2007 Sb. I. T.
Ireland	21.4.1996	163/1996 Sb.	Thailand	14.8.1995	229/1995 Sb.
Israel	23.12.1994	21/1995 Sb.	Tunisia	25.10.1991	419/1992 Sb.
Italy	26.6.1984	17/1985 Sb.	Turkey	16.12.2003	19/2004 Sb. I. T.
Japan	25.11.1978	46/1979 Sb.	Ukraine	20.4.1999	103/1999 Sb.
Jordan	7.11.2007	88/2007 Sb. I. T.	United Arab Emirates	9.8.1997	276/1997 Sb.
Kazakhstan	29.10.1999	3/2002 Sb. I. T.	United Kingdom	20.12.1991	89/1992 Sb.
Korea	3.3.1995	124/1995 Sb.	USA	23.12.1993	32/1994 Sb.
Kuwait	3.3.2004	48/2004 Sb. I. T.	Uzbekistan	15.1.2001	28/2001 Sb. I. T.
Latvia	22.5.1995	170/1995 Sb.	Venezuela	12.11.1997	6/1998 Sb.
Lebanon	24.1.2000	30/2000 Sb. I. T.	Vietnam	3.2.1998	108/1998 Sb.
Lithuania	8.8.1995	230/1995 Sb.	Yugoslavia	17.4.1983	99/1983 Sb.

**Table 18:** International Double Taxation Prevention Treaties of the Czech Republic

<sup>67</sup> Topical information at [www.mfcr.cz](http://www.mfcr.cz).

\* in Collection (Sb.) or in Collection of International Treaties (Sb. I. T.)

\* in Collection (Sb.) or in Collection of International Treaties (Sb. I. T.)

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