



Dear clients,
The spring is approaching and so are the tax duties. We believe that you will handle your taxes and your company's taxes all right and on time. Besides the tax duties, we would like to inform you that Parliament debates the amendment to the Tax Code in the third reading. The prepared amendment is expected to become effective from the

second half of 2020. Also, the previously announced third and fourth phases of the electronic registration of sales will become effective from May, it will affect independent professions.

We are ready to help you with any issue.

Bohdana Pražská and the KempHoogstad Team

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The electronic registration of sales will affect more entrepreneurs

The third and fourth phases of the electronic registration of sales (the ERS) is almost here and it will affect the entrepreneurs from 1 May 2020.

The ERS applies to receiving payments in cash. The first phase started on 1 December 2016 in restaurants and accommodation facilities. In March 2017, it became mandatory for wholesale and retail sale.

The effectiveness of the **third and fourth phases** was postponed by a decision of the Constitutional Court, which ordered the Ministry of Finance to re-examine the impact of the bill on entrepreneurs. Nevertheless, the amendment of the bill was signed by the president on 24 September 2019 and will come into effect on 1 May 2020. The entrepreneurs affected by the third and fourth phases will be required to register their sales. Those involved are mainly **craftsmen, lawyers, accountants, doctors, or cab drivers**.

The bill also mentions **a special regime for minor entrepreneurs**. According to the law, the special regime will apply to entrepreneurs with annual income below CZK 1 million, thus those who do not pay VAT, with only up to two employees and who do not receive more than CZK 600,000 in cash. From 1 February, such entrepreneurs can apply to be placed into a special ERS regime with respect to launching the third and fourth phases of the ERS.

The special regime can be used from May 2020, and the entrepreneurs who will be using it do not need to be connected to the Internet and can register their ERS sales with **paper receipts** distributed by the financial office. The entrepreneurs will inform the financial office about their **sales quarterly**, and they are required to place information regarding their special ERS regime in their business premises.

The Ministry of Finance and the Financial Administration are preparing a communication campaign regarding passing information to the entrepreneurs and the technical aspects of the ERS. Entrepreneurs can find detailed information on the official web pages of the Ministry of Finance and the Financial Administration (<https://www.etrzby.cz>).



Amendment to the Tax Code 2020

Currently, there is a third reading of an amendment to the Tax Code in Parliament. The prepared amendment is expected to become effective from the second half of 2020.

The main points of the amendment are the following:

- A new tax information box;
- Time limit for tax refunds and deposits on tax deductions;
- Time limit for tax return submissions; and
- Cancellation of the five-day tolerance period and reduced sanctions for late payments of tax.

New tax information box

The task of the new tax information box will be mainly obtaining information from the file and the personal tax account of the tax subject, the possibility to **perform electronic submissions** using selected individualised data, and the possibility of the tax subjects to use the tax information box for **delivery of documents**.

Time limit for tax refunds and deposits on tax deductions

The amendment suggests an **extension of the time limit for returning the returnable tax overpayments** that result from an implicit assessment of tax deductions by 15 days, i.e. the time limit of returning the excess VAT from 30 to **45 day**.

The amendment also introduces a new general concept regarding excess tax, **the deposit on excess tax**. If a tax control or proceeding to clear suspicion has started, the tax subject is entitled to a deposit on the tax excess in the amount which the tax administrator do not intend to control. After the tax control or the proceeding to clear suspicion is finished, the paid amount is set off against the real claim to the tax excess.

Time limit for tax return submissions

The amendment changes the structure of extensions of the limit for submission of tax returns assessed for a tax period to **four months after the tax period passed** in the case of an electronic submission. Currently, such tax returns are submitted no later than three months after the tax period passed. If a tax return is submitted by a tax advisor or if the subject has to perform an audit, the time limit does not change. It is six months after the tax period passed. The new condition is that there is no need to present a power of attorney to the tax administrator by the end of the non-extended time limit.



Cancellation of the five-day tolerance period and reduced sanctions for late payments of tax

The five-day tolerance period will be cancelled for income tax returns if the return is submitted late and the payment of the tax is late, i.e. if the tax return is not submitted and the tax is not paid during the given time limit, there will be sanctions for not upholding the given time limit (a penalty for late submission/interest on late payment). At the same time, **the interest rate of the late payment will be reduced**. Currently, the yearly late payment interest is equal to the repo rate stated by the Czech National Bank increased by 14 per cent. According to the amendment to the Tax Code, the late payment interest should be reduced by 6 per cent, i.e. the repo rate should be increased only by **8 per cent**.

Tax returns for taxes with a tax period shorter than one year (for example, value added tax returns) will keep the exception, and the five-working-day tolerance period (a period where there will be no sanctions for late submissions) will be retained.

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