



Dear clients,

The autumn is approaching. The weather is still lovely, evenings are longer and after the summer holidays, there is more time for work. The Chamber of Deputies finally approved the abolition of real estate transfer tax after the bill had been returned from the Senate. Deposits on social security and health insurance should be paid again. And there are some new notification obligations

regarding international structures. We bring more information on the mentioned topics.

Let's hope that the situation will be bearable this time with no extremes. Wishing you good luck nowadays and enjoy the reading.

Bohdana Pražská and the KempHoogstad Team

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Abolition of real estate transfer tax

On 15 September 2020, the Chamber of Deputies approved the governmental bill that abolishes the real estate transfer tax with retroactive effect. Owners of real estate that was recorded in the Real Estate Register in December 2019 and later do not have to pay the real estate transfer tax.

Based on the bill, the time test for exemption regarding the sale of real estate (residential but not intended for own use) from personal income tax will be extended from five to ten years. The extension of the time test will be effective for real estate acquired after 1 January 2021 (the time test for exemption from personal income tax regarding the sale of real estate intended for permanent residence stays the same, i.e. 2 years).

The bill also reduces the amount of deduction of interest included in a mortgage contract as an item deductible from the tax base. The original amount of CZK 300,000 was reduced to CZK 150,000 and it applies to mortgages concluded after 1 January 2022. The amount of CZK 300,000 still applies to mortgages concluded before 1 January 2020 and also to their potential later re-financing.

Amendment to Value Added Tax Act effective from 1 September 2020

The amendment to the VAT Act effective from 1 September 2020 contains the following changes:

- (i) Classification of transport in a chain supply of goods within the EU – only one transaction includes the transport (cross-border) and the given transaction is VAT exempt.
- (ii) A new regime of consignment stock – if the substantive conditions are met, then a transport of the goods within the stock regime is not considered a supply of goods or acquisitions of goods for consideration.
- (iii) Supply of goods to another member state tax exempt – greater importance of the tax identification number for exemption of supplies.
- (iv) New requests for evidence of transportation to the EU for tax exempt supplies of goods to another member state (a signed document or bill of landing, an invoice for the transport services, official documents etc.).

A part of the amendment to the VAT Act is a provision on a special regime for a travel service. The provision will be effective from 1 January 2022.



Obligation to pay advance payments on pension contributions

All self-employed persons were exempt from the obligation to pay advance payments on pension contributions in the period March – August 2020. The advance payment for September are due from 1 to 30 September 2020. If self-employed persons do not pay the advance payment in the due term, i.e. by 30 September 2020, they still can pay it without a penalty by 31 October 2020.

If the self-employed person does not pay the September advance payment by 31 October, the unpaid amount will be penalized for each day in delay in the amount of 0.05 per cent starting from 1 October 2020.

Summary of the 2019 income and expenses should have been submitted by 18 September 2020

Self-employed persons ("SEP") that performed their business activities in 2019 were obliged to file their Summary of income and expenses of the self-employed person ("the Summary") to their respective social security authority by 18 September 2020 at the latest. The amount of the insurance for 2019 must have been paid in full by this date as well. If the insurance is paid later, the SEP will be assessed a fine for a late payment.

Notification obligation according to DAC 6

The government approved its draft of the directive on extraordinary extension of the period in international cooperation in tax administration with respect to COVID-19 pandemic. The directive extends periods for fulfilling the notification obligation according to DAC6 directive till:

- (i) 28 February 2021; this regards reported cross border arrangements establishing which started between 25 June and 30 June 2020; and
- (ii) 30 January 2021; this regards reported cross border arrangements establishing which started after 1 July 2020.

The government directive will be published in the Collection by Friday 11 September 2020.



The National Accounting Council updates interpretation of I-40

The National Accounting Council (the "NAC") updates interpretation of *I-40 Reporting of intangible results in research and development*. The following sentence in paragraph 16 of I-40 was deleted: "Expenses on development should be either intangible long-term assets or they should be recorded in the profit or loss section if the activation conditions has not been met or if the accounting unit decides so."

Based on real life experience, the NAC has decided to delete the above stated sentence because its interpretation was often inconsistent or incorrect.

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