

Tax system in Czech

TAX CONCESSIONS

Direct

N/A

Indirect

Income tax concessions, e.g.

Tax allowances:

Tax allowances that can be claimed by the individual taxpayer to decrease the tax

CZK 30,840 (EUR 1,279) personal allowance

CZK 24,840 (EUR 1,030) spouse allowance for spouse with income of less than CZK 68,000 (EUR 2,820)

CZK 4,020 (EUR 167) allowance for students (up to age of 26 years)

CZK 2,520 (EUR 104) / CZK 5,040 (EUR 209) partial / full invalidity allowance

Deductions:

Donations to public institutions and other selected beneficiaries in an EU Member State, Norway, Iceland, Liechtenstein and Ukraine (maximum: 30 % of tax base for both individuals and companies)

Interest on home loan savings and mortgage for individuals – maximum: CZK 150,000 (EUR 6,220)

Contributions to state subsidized supplementary pension insurance for individuals – maximum: CZK 24,000 (EUR 995)

Contributions to a private life insurance for individuals – maximum: CZK 24,000 (EUR 955)

Tax credits

Family Bonus Plus:

N/A

Children surplus:

N/A

Sole earner deduction pa.:

N/A

Single parent deduction pa.:

N/A

Child deduction:

TPA Steuerberatung GmbH

Wiedner Guertel 13, Turm 24, 1100 Vienna

Tel.: +43 (1) 58835-0, Fax: +43 (1) 58835-500,

E-Mail: wien@tpa-group.at www.tpa-group.at, www.tpa-group.com,

Comm. Reg. No. 200423s Comm. Ct. Vienna, Corporate Domicile: Vienna, ATU50089103

Albania | Austria | Bulgaria | Croatia | Czech Republic | Hungary

Montenegro | Poland | Romania | Serbia | Slovakia | Slovenia

CZK 15,204 (EUR 630) child allowance for the first child, CZK 22,320 (EUR 926) for the second child and CZK 27,840 (EUR 1,154) for each other child who is living in the EU/EEA

Allowance for the placement of a child to nursery at the amount of the real costs. Maximum allowance amounts to CZK 17,300 (EUR 717). Persons with limited liability to tax are only entitled to claim allowances (except the personal allowance) in case that 90 % of their world income arises from the Czech Republic.

Alimony deduction:

N/A

if in employment / pension income p.a.:

N/A

Allowances and exemptions

Profit allowance:

N/A

Investment allowance:

N/A

Government subsidies

The state subsidies (investment incentives) are available under specified circumstances (minimum investment, industry, region etc.) to manufacturing industry, to technological centers (research and development) and to centers of strategic services (research, SW, shared service centers, high-tech repair centers, data processing centers). The provision of investment incentives is newly approved by the Government of the Czech Republic.

Forms:

- Tax incentive: Corporate income tax relief for up to 10 years
- Subsidy in the amount of CZK 300,000 (EUR 12,440) for each newly created job (in regions with the highest rates of unemployment)
- Subsidy in the range from 25 % to 50 % of training and retraining costs for employees (in regions with the highest rates of unemployment)

The maximum amount of the subsidy is 25-45 % of total eligible costs, i.e. either assets or two years' gross wages for newly created jobs.

DOUBLE TAXATION AGREEMENTS

Double taxation agreements (DTAs)

All bilaterally concluded double taxation agreements (DTAs) in force are listed below. The right to taxation in the event of sale of interests in property companies is subject to differing provisions. In accordance with the OECD Model Agreement, for those countries for which there is a "yes" in the real estate clause column the right to taxation of share deals lies not only with the country of residence of the vendor but also with the country in which the property is situated. Where "D" is stated instead of a treaty rate, the domestic rate applies.

TPA Steuerberatung GmbH

Wiedner Guertel 13, Turm 24, 1100 Vienna

Tel.: +43 (1) 58835-0, Fax: +43 (1) 58835-500,

E-Mail: wien@tpa-group.at www.tpa-group.at, www.tpa-group.com,

Comm. Reg. No. 200423s Comm. Ct. Vienna, Corporate Domicile: Vienna, ATU50089103

Albania | Austria | Bulgaria | Croatia | Czech Republic | Hungary

Montenegro | Poland | Romania | Serbia | Slovakia | Slovenia

Country	Effective date	Real estate clause	Dividends %	Interest %	Royalties %
Albania	10.9.1996	no	5/15	5	10
Armenia	15.07.2009	yes	10	5/10	5/10
Australia	27.11.1995	yes	5/15	10	10
Austria	22.03.2007	no	0/10	0	5
Azerbaijan	16.06.2006	yes	8	5/10	10
Bahrain	01.01.2013	yes	5	0	10
Bangladesh	01.01.2022	yes	10/15	10	10
Barbados	01.01.2013	yes	5/15	5	5/10
Belarus	15.01.1998	no	5/10	5	5

Country	Effective date	Real estate clause	Dividends %	Interest %	Royalties %
Belgium	24.07.2000	no	5/15	10	5/0/10
Bosnia and Herzegovina	12.05.2010	no	5	0	0/10
Botswana	01.01.2021	yes	5	7.5	7.5
Brazil	14.11.1990	yes	15	10/15	15/25
Bulgaria	02.07.1999	no	10	10	10
Canada	28.05.2002	yes	5/15	10	10
Chile	01.01.2017	yes	15	4/10	5/10
China	01.01.2012	yes	5/10	7.5	10
Colombia	01.01.2016	yes	5/15	10	10

Country	Effective date	Real estate clause	Dividends %	Interest %	Royalties %
Croatia	28.12.1999	no	5	0	10
Cyprus	26.11.2009	yes	0/5	0	0/10
Denmark	01.01.2013	yes	0/15	0	0/10
Egypt	4.10.1995	yes	5/15	15	15
Estonia	26.05.1995	yes	5/15	10	10
Ethiopia	30.05.2008	yes	10	10	10
Finland	12.12.1995	yes	5/15	0	0/1/5/10
France	01.07.2005	yes	0/10	0	0/5/10
Georgia	04.05.2007	no	5/10	8	0/5/10

TPA Steuerberatung GmbH

Wiedner Guertel 13, Turm 24, 1100 Vienna

Tel.: +43 (1) 58835-0, Fax: +43 (1) 58835-500,

E-Mail: wien@tpa-group.at www.tpa-group.at, www.tpa-group.com,

Comm. Reg. No. 200423s Comm. Ct. Vienna, Corporate Domicile: Vienna, ATU50089103

Albania | Austria | Bulgaria | Croatia | Czech Republic | Hungary

Montenegro | Poland | Romania | Serbia | Slovakia | Slovenia

Country	Effective date	Real estate clause	Dividends %	Interest %	Royalties %
Germany	17.11.1983	yes	5/15	0	5
Ghana	01.01.2021	yes	6	10	8
Greece	23.05.1989	no	D	10	0/10
Hong Kong	01.01.2013	yes	5	0	10
Hungary	27.12.1994	no	5/15	0	10
Iceland	28.12.2000	no	5/15	0	10
India	27.09.1999	yes	10	10	10
Indonesia	26.01.1996	no	10/15	12.5	12.5
Iran	01.01.2017	yes	5	0/5	8

Country	Effective date	Real estate clause	Dividends %	Interest %	Royalties %
Ireland	21.04.1996	yes	5/15	0	10
Israel	23.12.1994	yes	5/15	10	5
Italy	26.06.1984	no	15	0	0/5
Japan	25.11.1978	no	10/15	10	0/10
Jordan	07.11.2007	no	10	10	10
Quatar		yes	5/10	0	10
Kazakhstan	29.10.1999	yes	10	10	10
Korea	01.01.2020	yes	5	5	0/10
Kuwait	03.03.2004	no	0/5	0	10
Kyrgyzstan	01.01.2021	no	5/10	5	10

Country	Effective date	Real estate clause	Dividends %	Interest %	Royalties %
Latvia	22.05.1995	yes	5/15	10	10
Lebanon	24.01.2000	no	5	0	5/10
Liechtenstein	01.01.2016	yes	0/15	0	0/10
Lithuania	08.08.1995	yes	5/15	10	10
Luxembourg	01.01.2015	no	0/10	0	0/10
Macedonia	17.06.2002	no	5/15	0	10
Malaysia	09.03.1998	no	10	12	12
Malta	06.06.1997	yes	5	0	5
Mexico	27.12.2002	yes	10	10	10

TPA Steuerberatung GmbH

Wiedner Guertel 13, Turm 24, 1100 Vienna

Tel.: +43 (1) 58835-0, Fax: +43 (1) 58835-500,

E-Mail: wien@tpa-group.at www.tpa-group.at, www.tpa-group.com,

Comm. Reg. No. 200423s Comm. Ct. Vienna, Corporate Domicile: Vienna, ATU50089103

Albania | Austria | Bulgaria | Croatia | Czech Republic | Hungary

Montenegro | Poland | Romania | Serbia | Slovakia | Slovenia

Country	Effective date	Real estate clause	Dividends %	Interest %	Royalties %
Moldova	26.04.2000	yes	5/15	5	10
Mongolia	22.06.1998	no	10	10	10
Morocco	18.07.2006	yes	10	10	10
Netherlands	05.11.1974	no	0/10	0	5
New Zealand	07.11.2007	yes	15	10	10
Nigeria	02.12.1990	no	12.5/15	15	15
North Korea	07.12.2005	yes	10	10	10
Norway	09.09.2005	no	0/15	0	0/5/10
Panama	01.01.2014	yes	10	5/10	10

Country	Effective date	Real estate clause	Dividends %	Interest %	Royalties %
Pakistan	01.01.2016	yes	5/15	10	10
Philippines	23.09.2003	yes	10/15	10	10/15
Poland	01.01.2013	no	5	5	10
Portugal	01.10.1997	no	10/15	10	10
Romania	11.08.1994	no	10	7	10
Russia	18.07.1997	yes	10	0	10
San Marino		yes	10	10	10
Saudi Arabia	01.01.2014	yes	5	0	10
Senegal		yes	5/10	10	10
Serbia and Montenegro	27.06.2005	no	10	10	5/10
Singapore	21.08.1998	no	5	0	0/5/10

Country	Effective date	Real estate clause	Dividends %	Interest %	Royalties %
Slovakia	14.07.2003	no	5/15	0	0/10
Slovenia	28.04.1998	no	5/15	5	10
South Africa	03.12.1997	yes	5/15	0	10
South Korea	03.03.1995	no	5/10	10	0/10
Spain	05.06.1981	no	5/15	0	0/5
Sri Lanka	19.06.1979	no	15	10	0/10
Sweden	08.10.1980	yes	0/10	0	0/5
Switzerland	23.10.1996	no	0/15	0	5/10
Syria	1211.2009	no	10	10	12

TPA Steuerberatung GmbH

Wiedner Guertel 13, Turm 24, 1100 Vienna

Tel.: +43 (1) 58835-0, Fax: +43 (1) 58835-500,

E-Mail: wien@tpa-group.at www.tpa-group.at, www.tpa-group.com,

Comm. Reg. No. 200423s Comm. Ct. Vienna, Corporate Domicile: Vienna, ATU50089103

Albania | Austria | Bulgaria | Croatia | Czech Republic | Hungary

Montenegro | Poland | Romania | Serbia | Slovakia | Slovenia

Country	Effective date	Real estate clause	Dividends %	Interest %	Royalties %
Tajikistan	19.10.2007	no	5	7	10
Taiwan	01.01.2021	yes	10	10	5/10
Thailand	14.08.1995	yes	10	10	5/10/15
Tunisia	10/25/1991	no	10/15	12	5/15
Turkey	16.12.2003	yes	10	10	10
Turkmenistan	01.01.2019	yes	10	10	10
UAE	09.08.1997	no	5	0	10
Ukraine	20.04.1999	yes	5/15	5	10
United Kingdom	20.12.1991	no	5/15	0	0/10

Country	Effective date	Real estate clause	Dividends %	Interest %	Royalties %
USA	23.12.1993	yes	5/15	0	0/10
Uzbekistan	15.01.2001	yes	5/10	5	10
Venezuela	12.11.1997	yes	5/10	10	12
Vietnam	03.02.1998	yes	10	10	10

1. For details of effective dates of application, see applicable DTA
2. Formally not a double tax treaty, provisions implemented via national law due to the specific position of Taiwan

MERGERS & ACQUISITIONS

 *nejyk koment čo sa dúfam nebude prekryvat s tým aktualnym čo tam je teraz nahodený na chorvatsku uvidíme teda ako to bude no*

Financing

Financial assistance by the subsidiary

Financial assistance is possible in the Czech Republic provided certain requirements are satisfied.

Subordinate debt (mezzanine capital)

The use of subordinate debt is allowed.

Interest expenses for acquisition financing

Interest on debt used to purchase a share in a subsidiary (participation > 10 %, time period of possession at least 12 consecutive months) is not tax-deductible (exemption possible). Interest on debt used to asset deal is tax deductible (exemption possible).

Interest expense on subordinate debt (mezzanine capital)

Interest expense for subordinate debt is tax-deductible (exemption possible).

EU interest barrier

Thresholds for tax deductibility of net borrowing costs is CZK 80,000,000 (EUR 3,317,437) or 30 % of EBITDA. Net borrowing costs exceeding the higher of the two thresholds are considered tax non-deductible. Financing expenses of credits and loans if the interest rate depends on the

TPA Steuerberatung GmbH

Wiedner Guertel 13, Turm 24, 1100 Vienna

Tel.: +43 (1) 58835-0, Fax: +43 (1) 58835-500,

E-Mail: wien@tpa-group.at www.tpa-group.at, www.tpa-group.com,

Comm. Reg. No. 200423s Comm. Ct. Vienna, Corporate Domicile: Vienna, ATU50089103

Albania | Austria | Bulgaria | Croatia | Czech Republic | Hungary

Montenegro | Poland | Romania | Serbia | Slovakia | Slovenia

borrower's profit, are not tax deductible (in case of such dependence, higher profits mean higher interest).

Squeeze-out options

Buy-out of minority shareholders ("squeeze-out")

Squeeze-out option is available for shareholder with a share of more than 90 % in the share capital. There is also an option for majority shareholders to takeover of assets.

Capital gains - corporations and partnerships

Sale of shares in a joint stock corporation (AG)

The gain on the sale of shares is taxable income, except the conditions of the participation exemption are met

Sale of shares in a limited liability company (GmbH)

The gain on the sale of ownership interest in a limited liability company is taxable income, except the conditions of the participation exemption are met

Sale of interest in a partnership

In the Czech Republic neither the ownership interest in a general partnership nor the ownership interest of the general partner in a limited partnership can be sold. The income from the sale of ownership interest of the limited partner in a limited partnership is taxable income.

International participation exemption

Capital gains from the sale of a share in a subsidiary company with EU residency by a parent company are exempt. The minimum holding period is 12 consecutive months and the minimum interest in the subsidiary company is 10 %. Capital gains from the sale of a share in a subsidiary company with non-EU residency are also exempt under conditions stipulated in the Income Tax Act and DTAs.

Sale of business

Definition

A business can be sold as a whole. The parts of the business include tangible and intangible fixed assets (CAPEX), current assets, liabilities, and employees as well as all the rights & obligations connected with the business.

Valuation

Option between two methods:

1. Assets and liabilities are entered in the accounts at book value, the difference between book value and fair value of the business is disclosed among fixed assets as special item "valuation difference".
2. Individual assets are entered in the accounts at fair value based on an expertise, liabilities are entered in the accounts at book value. The remaining difference to the fair value of the business is disclosed in the balance sheet as goodwill or negative goodwill.

Goodwill

Goodwill is generally amortised within 60 months for accounting purposes and over 180 months for tax purposes. The valuation difference is amortised over 180 months for accounting, as well as tax purposes.

TPA Steuerberatung GmbH

Wiedner Guertel 13, Turm 24, 1100 Vienna

Tel.: +43 (1) 58835-0, Fax: +43 (1) 58835-500,

E-Mail: wien@tpa-group.at www.tpa-group.at, www.tpa-group.com,

Comm. Reg. No. 200423s Comm. Ct. Vienna, Corporate Domicile: Vienna, ATU50089103

Albania | Austria | Bulgaria | Croatia | Czech Republic | Hungary

Montenegro | Poland | Romania | Serbia | Slovakia | Slovenia

Mergers & demergers

Types of mergers described by commercial law

Merger by acquisition or merger by formation, including cross-border mergers within the EU, takeover of assets by majority shareholders.
Demerger, spin-off.

Valuation

Merger: revaluation of companies being acquired (dissolved) in the merger. The revaluation has no tax effect.

Where a parent company is merged with a wholly owned subsidiary, revaluation is possible but not required by law.

In mergers of companies in common ownership with the same relationship, a revaluation is possible but not required. Valuation during demerger and spin-off has similar conditions.

Valuation in financial accounting

Selection of two methods:

1. Assets and liabilities are recognised at carrying values, and the difference between aggregate carrying values and fair values (expert valuation) is disclosed separately as an special item "valuation difference".
2. The individual assets are recognized at fair values based on expert valuation, and liabilities are taken over at carrying values. Any remaining difference in the total value of the business is disclosed as goodwill or negative goodwill.

Goodwill amortisation

Amortisation of goodwill is generally spread within 60 months for accounting purposes.

The difference on valuation is written down over a period of 180 months for accounting purposes.

Tax consequences

Differences on valuation and goodwill resulting from mergers are not tax deductible.

Contributions (transfer of assets into the equity of a company)

Contribution in kind

Contribution in kind made by a shareholder into the equity is possible if the contributed assets are considered to be utilizable for business operations. The value of such a contribution must be set by an expert opinion.

Tax treatment

Differences on valuation and goodwill resulting from the contribution in kind are not tax deductible.

Goodwill amortisation

Amortisation of goodwill is generally spread within 60 months for accounting purposes.

The difference on valuation is written down over a period of 180 months for accounting purposes.

VAT

Tax rates

Standard rate: 21 %

applicable also for the transfer of a building (except so-called welfare housing) if the building is sold within 5 years after issuance of an occupation permit or an occupation permit after significant reconstruction or within 5 years after first use or use after significant reconstruction if the building is not subject to issuance of occupation permit.

TPA Steuerberatung GmbH

Wiedner Guertel 13, Turm 24, 1100 Vienna

Tel.: +43 (1) 58835-0, Fax: +43 (1) 58835-500,

E-Mail: wien@tpa-group.at www.tpa-group.at, www.tpa-group.com,

Comm. Reg. No. 200423s Comm. Ct. Vienna, Corporate Domicile: Vienna, ATU50089103

Albania | Austria | Bulgaria | Croatia | Czech Republic | Hungary

Montenegro | Poland | Romania | Serbia | Slovakia | Slovenia

First reduced rate: 15 %

e.g. for food, renovation and building work performed on finished residential buildings recorded as such in the real estate cadastre (apartment houses, family houses and apartments) or construction of apartments, family houses and apartment houses for welfare housing (e.g. apartment smaller than 120 squ.m., family house smaller than 350 squ.m., apartment house only with apartments up to 120 squ.m), supply of welfare housing including land directly related to welfare housing, medical care, various medical devices, aviatic public transport, etc.

Second reduced rate: 10 %

e.g. for books (including e-books), certain types of medication, certain types of child nutrition and certain types of mill products used for production of groceries suitable for celiacs, public land transport, accommodation services, catering services, entry to various cultural/sport events, supply of heat, cold, tap water, etc.

Supply of goods

Supply of goods and withdrawal for private use (self-supply) are taxable. Supply of goods free of charge is also taxable, in case input VAT was previously deducted from such goods by the respective VAT payer. Harmonized rules for e-commerce and call-off stock arrangements.

Place of supply of goods

Principally the place where the item is located at the time disposal is transferred (static supply).

In case of dispatch/transportation by the supplier or purchaser: the place where dispatch/ transportation begins (moving supply).

In case of import: in that country, where the goods are cleared through customs (customs procedure)

Supply of goods on the board of a ship, airplane, railroad within the EU: the place of departure.

Special regulations apply for chain transactions, triangular transactions, distance sales and sales through a (facilitated) electronic platform.

Supply of services

Supply of services and private use / supply of services without consideration (self-supply) are taxable

Place of supply of services

Differentiation is made between services rendered

- to taxable persons ("Business to Business", "B2B") or
- to non-taxable persons ("Business to Customer", "B2C").

For purposes of determining the place of the supply of services,

- taxable persons with independent business activities and
- non-taxable legal entities with VAT registration number will be considered as "taxable persons".

Basic rule

B2B	B2C
Place of recipient (The place where the recipient of services has established his business)	Place of supplier (The place where the supplier of services has established his business)

TPA Steuerberatung GmbH

Wiedner Guertel 13, Turm 24, 1100 Vienna

Tel.: +43 (1) 58835-0, Fax: +43 (1) 58835-500,

E-Mail: wien@tpa-group.at www.tpa-group.at, www.tpa-group.com,

Comm. Reg. No. 200423s Comm. Ct. Vienna, Corporate Domicile: Vienna, ATU50089103

Albania | Austria | Bulgaria | Croatia | Czech Republic | Hungary

Montenegro | Poland | Romania | Serbia | Slovakia | Slovenia

Special cases

	B2B	B2C
Supplies of services by intermediaries	Place of recipient (Basic rule)	Place of the underlying transaction
Property services	Place of the property	Place of the property
Cultural, artistic, scientific, educational, sports, entertainment or similar services, like services in connection with fairs and exhibitions or related other services which also include services of the respective organizers. These services do not include the right of entrance for these events.	Place of recipient (basic rule)	Where the services are physically carried out
Cultural, artistic, scientific, educational, sports, entertainment or similar services concerning the right of entrance for these events (e.g. tickets for these events) and related other services connected with this right of entrance.	Where the services are physically carried out	Where the services are physically carried out
Passenger transport	Distances covered	Distances covered
Transportation of goods (without intra-Community goods transport)	Place of recipient (basic rule)	Distances covered
Intra-community goods transportation	Place of recipient (basic rule)	Place of departure of the transport
Ancillary transport services	Place of recipient (basic rule)	Where the services are physically carried out
Appraisal and processing of movable tangible objects	Place of recipient (basic rule)	Where the services are physically carried out
Restaurant and catering services	Where the services are physically carried out	Where the services are physically carried out
Restaurant and catering services in connection with intra-community passenger transport	Place of departure	Place of departure
Renting of means of conveyance for up to 30 days	Where the means of transport is actually put at the disposal of the customer. In case of third countries where the services are effectively used.	Where the means of transport is actually put at the disposal of the customer. In case of third countries where the services are effectively used.
Renting of means of conveyance for over 30 days	Place of recipient (basic rule)	Place of recipient Special regulations for renting pleasure boats
"Listed services" to third country customers	Generally place of recipient (basic rule) . However, in case the recipient is the CZ VAT payer and the service is consumed in CZ, place of the supply is in CZ (applicable for all the services with basic rule applicable).	Place of recipient
"Listed services" to customers in the EU	Place of recipient (basic rule)	Place of supplier (basic rule)
Electronically supplied services, such as telecom, radio and TV services ²⁾	Place of recipient (basic rule)	(i) Place of recipient (if the threshold EUR 10.000 is exceeded or the supplier voluntarily decides to do so) (ii) Place of supplier (if the service is supplied by a supplier established only in one EU Member State and the threshold EUR 10.000 is not exceeded)

Mini-One-Stop-Shop (MOSS) / One-Stop-Shop (OSS)

Taxable person established in EU

They can register into OSS in their country of establishment and use this regime for declaration and payment of VAT for the following supplies within EU:

- B2C services (except for those with a place of supply in their home country);
- B2C supplies of goods above the threshold of EUR 10,000 (except for those with a place of supply in their home country);
- Supplies by electronic platforms providers

TPA Steuerberatung GmbH

Wiedner Guertel 13, Turm 24, 1100 Vienna

Tel.: +43 (1) 58835-0, Fax: +43 (1) 58835-500,

E-Mail: wien@tpa-group.at www.tpa-group.at, www.tpa-group.com,

Comm. Reg. No. 200423s Comm. Ct. Vienna, Corporate Domicile: Vienna, ATU50089103

Albania | Austria | Bulgaria | Croatia | Czech Republic | Hungary

Montenegro | Poland | Romania | Serbia | Slovakia | Slovenia

Taxable persons established in EU can also use import OSS (IOSS) for the B2C supplies of goods under EUR 150.

Taxable persons NOT established in EU

If they supply services to non-taxable persons with a place of supply in the EU, they can register in the Czech Republic into OSS regime and declare all such supplies here (they can be registered in OSS only in one EU member state). OSS can be used also for B2C supplies of goods within EU (where the transport starts in the Czech Republic) effected by taxable persons not established in EU (although a different OSS registration is required).

Reverse Charge "reversal of tax liability"

For all supplies of services and work supply.

Requirements

In order the reverse charge regime to be applicable to the supply with a place of supply in the Czech Republic, the following has to be fulfilled:

- The supplier of the service has no domicile, no habitual abode, and no fixed establishment involved in the transaction in the Czech Republic (not-established supplier) and the recipient of the services is VAT registered in the Czech Republic
 - In case of supplies of goods with installation/assembly by a not-established supplier to person registered for CZ VAT the supplier ~~is~~ must not be registered as a Czech VAT payer.
- the non-established supplier not registered as a CZ VAT payer supplies the goods locally within the Czech Republic to CZ VAT payer.

Consequences

Invoice without VAT, indication of the reverse charge, VAT registration numbers of the supplier and the recipient

The recipient is liable for the VAT.

Special regulations

The tax must be declared and paid by the recipient of the supply of services or supply of goods.

This applies only for:

- Supply of gold
- Supply or processing of waste
- Trade with emission certificates for global warming gases
- Provision of construction and installation work
- Supply of goods listed in Government regulation, e.g. metals, cereals and industrial crops, sugarcane, mobile telephones, integrated circuits, tablets and video game consoles (from 1 April 2015 for supplies over CZK 100,000 (EUR 4,147))
- Transfer of immovable property in case the seller opts for taxation of the sale, i.e. sale of plots which are not considered as building plots, sale of building after 5 years after issuance of an occupation permit or an occupation permit after significant reconstruction or within 5 years after first use or use after significant reconstruction if the building is not subject to issuance of occupation permit.
- Resale of gas, electricity and telecommunication services under specific conditions. Provision of construction workers by outplacement agency.

Tax reliefs

Exemption (Input VAT deductible even though no VAT chargeable on supply of goods and services)

- Intra-community supplies of goods (IC Sales of goods MUST be declared also in EC Sales List declaration in order to apply exemption from VAT)
- Exports of goods
- Supplying of services on movable assets to a third country (for a person without domicile in the Czech Republic, where the goods had been transported for the purpose of such works to the Czech Republic and which left EU after the services)
- Transportation and services directly connected with import and export of goods
- International passenger transport

TPA Steuerberatung GmbH

Wiedner Guertel 13, Turm 24, 1100 Vienna

Tel.: +43 (1) 58835-0, Fax: +43 (1) 58835-500,

E-Mail: wien@tpa-group.at www.tpa-group.at, www.tpa-group.com,

Comm. Reg. No. 200423s Comm. Ct. Vienna, Corporate Domicile: Vienna, ATU50089103

Albania | Austria | Bulgaria | Croatia | Czech Republic | Hungary

Montenegro | Poland | Romania | Serbia | Slovakia | Slovenia

- Exempt import of goods (e.g. so called regime 42, where the goods are imported in one EU state and subsequently dispatched to another EU state)
- Special cases such as supplies for EU institutions or NATO)

Zero rates (“non-genuine” tax exemption) (Input VAT is not deductible)

- Postal services
- Radio and TV service
- Financial services (exhaustive list)
- Services of insurance companies and pension funds
- Leasing of immovable properties that are neither accommodation services or used for residential purposes
- Transfer of land (except building lots) and buildings 5 years after issuance of an occupation permit or an occupation permit after significant reconstruction or within 5 years after first use or use after significant reconstruction if the building is not subject to issuance of occupation permit (the supplier is entitled to opt for taxation of the transfer of real property)
- Healthcare services and related goods
- Educational services
- Social services

Deductible input VAT

Input VAT (VAT and import VAT invoiced to the business for the supply of goods and services) deduction is possible if a VAT payer uses such supplies within his economic activities for the purpose of his taxable supplies or supplies exempted with the right for VAT deduction. Generally no deduction of input VAT when inputs are used for (non-economic activity or representation) or to economic activity without VAT deduction.

Input VAT correction

For real estate property the period for input VAT corrections is extended to 10 years (including structural improvement). For other long-term assets the period for input VAT corrections is 5 years. The correction of input VAT deduction has to be considered if a change in use of the asset from the VAT point of view occurs within the mentioned period or they were stolen or damaged within this period and this fact cannot be properly documented by the VAT payer .

Correction of input VAT may be applicable also for significant repairs (value above CZK 200,000 / approx. EUR 8,294) carried out on to the sold immovable property within 10 years before the sale.

Input VAT deduction shall be corrected also in cases of other than long-term assets (such as stocks) provided they are used for different VAT purposes within 3 years since the VAT deduction was claimed or they were stolen or damaged within this period and this fact cannot be properly documented by the VAT payer .

Real Estate

Rentals

Renting of immovable property (land and buildings) is VAT exempt without right for VAT deduction; the lessor can opt for application of VAT if both of the following conditions are met:

- if the lessee is Czech VAT payer
- if the lessee uses premises for business purposes.

VAT payer cannot opt for taxation in case of lease of premises used for housing purposes (such as lease of house, apartment, land connected to house, etc.).

Short-term lease (under 48 hours continuously) of immovable property, lease of parking space and safety boxes (if forming an independent supply) is considered a taxable supply.

TPA Steuerberatung GmbH

Wiedner Guertel 13, Turm 24, 1100 Vienna

Tel.: +43 (1) 58835-0, Fax: +43 (1) 58835-500,

E-Mail: wien@tpa-group.at www.tpa-group.at, www.tpa-group.com,

Comm. Reg. No. 200423s Comm. Ct. Vienna, Corporate Domicile: Vienna, ATU50089103

Albania | Austria | Bulgaria | Croatia | Czech Republic | Hungary

Montenegro | Poland | Romania | Serbia | Slovakia | Slovenia

Sale

The sale of land which is neither considered as a building land nor built-on are VAT exempt without right for VAT deduction; otherwise VAT regime of building is taken over. Sale of buildings is VAT exempt without right for VAT deduction if it occurs 5 years after issuance of an occupation permit or an occupation permit after significant reconstruction or within 5 years after first use or use after significant reconstruction if the building is not subject to issuance of occupation permit. If not VAT exempt, VAT of 21 % for residential buildings (except so-called welfare housing) and 21% for other buildings is applied. For buildings acquired before 1 January 2013 the exemption time limit is still 3 years. The supplier is entitled to opt for taxation of the transfer of property exempt from VAT (customer who is registered as a Czech VAT payer has to provide its agreement with the taxation in advance). In case the opt for taxation has been applied and the recipient is CZ VAT payer, reverse-charge is applicable.

Refund of input VAT for Czech taxable persons within the EU

Application for refund is no longer required to be made at the foreign tax authorities, instead:

Electronic application (via the internet portal of the Finance ministry) to be made by the Czech taxable person at its competent Czech tax office by 30 September of the following year at the latest.

Foreign taxable persons

Taxable persons without domicile or fixed establishment in the Czech Republic.

Registration

Registration required if supplies are effected in the Czech Republic for customer not registered for VAT in the Czech Republic.

Refund of input VAT for taxable persons domiciled in the EU

If no sales (with some exceptions) are effected in the Czech Republic, a taxable person registered in another member state can apply for input VAT refund concerning goods and services purchased in the Czech Republic.

The application must be filed electronically at the competent tax office in the member state of the establishment of the taxable person by 30 September of the following year at the latest.

The application must be in the Czech language and must be accompanied by the electronic copy of the tax document if the tax base exceeds the equivalent of EUR 1,000 (EUR 250 for fuel costs).

The period for which an input VAT refund can be applied is a maximum of 1 year and a minimum of 3 months (shorter period possible, if it relates to the rest of the calendar year).

The minimum input VAT refund is EUR 400 if the refund period is less than a calendar year but more than 3 months, and EUR 50 if the refund period is the calendar year or period less than 3 months at the end of the year.

Refund of input VAT for taxable persons not domiciled in the EU

If no sales are made in the Czech Republic, a taxable person registered in a third country can apply for input VAT refund concerning goods and services purchased in the Czech Republic.

Input VAT is refunded based on a principle of reciprocity.

Refund must be applied by 30 June of the following year.

The period for which an input VAT refund can be applied is a maximum of 1 year and a minimum of 3 consecutive months (shorter period possible, if it relates to the rest of the calendar year).

The minimum input VAT refund is CZK 7,000 (EUR 290) if the refund period is less than a calendar year but more than 3 months, and CZK 1,000 (EUR 41) if the refund period is the calendar year or period less than 3 months at the end of the year.

TPA Steuerberatung GmbH

Wiedner Guertel 13, Turm 24, 1100 Vienna

Tel.: +43 (1) 58835-0, Fax: +43 (1) 58835-500,

E-Mail: wien@tpa-group.at www.tpa-group.at, www.tpa-group.com,

Comm. Reg. No. 200423s Comm. Ct. Vienna, Corporate Domicile: Vienna, ATU50089103

Albania | Austria | Bulgaria | Croatia | Czech Republic | Hungary

Montenegro | Poland | Romania | Serbia | Slovakia | Slovenia

TYPES OF ORGANISATIONS

Types of organisation

	<i>Name in local language</i>	<i>Registrable in commercial register / legal personality</i>	<i>Minimum capital</i>	<i>Sole shareholder company</i>
Limited liability company	společnost s ručením omezeným, ("spol.s r.o." or "s.r.o.")	yes / yes	CZK 1 (EUR 0.04)	yes
Joint stock company / European Company	akciová společnost ("akc.spol." or "a.s.")	yes / yes	CZK 2 million (EUR 82,936) or EUR 80,000	yes
Cooperative (with limited liability)	Družstvo	yes / yes	no, amount of minimum capital has to be set in articles of association	no (at least 3 members)
General partnership	veřejná obchodní společnost, "veř. obch. spol." or, "v.o.s."	yes / yes	no	no
Limited partnership	komanditní společnost ("kom. spol." or "k.s.")	yes / yes	no, minimum capital per limited partner CZK 1 (EUR 0.04)	no
Registered branch office	Organizační složka	yes / no	no	-
Permanent establishment	Stálá provozovna	no / no	no	-

	<i>Capital tax / registration fees</i>	<i>Written form / notarisation</i>	<i>Tax transparency</i>	<i>Registration with tax authorities</i>	<i>Statutory audit (a lot of conditions and variants, however, in general: revenues in excess of CZK 80 million (EUR 3.3 million); total assets in excess of CZK 40 million (EUR 1.7 million), more than 50 employees)</i>
Limited liability company	- /registration in commercial register	yes / yes	no	yes	if at least two of the thresholds are exceeded in two successive years
Joint stock company / SE	- /registration in commercial register	yes / yes	no	yes	if at least one of the thresholds is exceeded in two successive years
Cooperative (with limited liability)	- /registration in commercial register	yes / yes	no	yes	if at least two of the thresholds are exceeded in two successive years
General partnership	- /registration in commercial register	yes / no	yes	yes	if at least two of the thresholds are exceeded in two successive years
Limited partnership	- /registration in commercial register	yes / no	general partner, yes; limited partner, no	yes	if at least two of the thresholds are exceeded in two successive years
Registered branch office	- /registration in commercial register	-	-	yes	if at least two of the thresholds are exceeded in two successive years
Permanent establishment	- / -	-	-	yes	-

Exchange rate: EUR 1 = CZK 24,86(EUR amounts rounded)

TPA Steuerberatung GmbH

Wiedner Guertel 13, Turm 24, 1100 Vienna
 Tel.: +43 (1) 58835-0, Fax: +43 (1) 58835-500,
 E-Mail: wien@tpa-group.at www.tpa-group.at, www.tpa-group.com,
 Comm. Reg. No. 200423s Comm. Ct. Vienna, Corporate Domicile: Vienna, ATU50089103
 Albania | Austria | Bulgaria | Croatia | Czech Republic | Hungary
 Montenegro | Poland | Romania | Serbia | Slovakia | Slovenia

GENERAL MANAGERS

Civil law

Service agreement

Social insurance

Governed as well as contributions paid by employees

Management board members (stock company) and supervisory board members: social and health insurance

Income tax

Czech tax residents: income tax from employment, including all fringe benefits (the same like for employee) Czech tax non-residents: withholding tax amounting to 15 % or 35 % applicable. Tax base is calculated in the same way as the tax base for income tax from employment.

VAT

Employee: no VAT

Work permit

No work permit needed for EU/EEA/Swiss citizens

Residence permit / settlement permit

Automatic right of residence and settlement for EU/EEA/Swiss citizens (in case of stay longer than 30 days announcement obligation arises)

Liability

In case of negligence

Minimum remuneration

No minimum – appropriate remuneration is tax deductible for the company

SOCIAL INSURANCE AND NON-WAGE LABOR COST

Social insurance

Statutory health, accident and pension insurance for all gainfully employed persons

Contribution rates and maximum contributions

There is a maximum basis of assessment for both self-employment and employment for the social security. There is no maximum basis for the health insurance.

TPA Steuerberatung GmbH

Wiedner Guertel 13, Turm 24, 1100 Vienna

Tel.: +43 (1) 58835-0, Fax: +43 (1) 58835-500,

E-Mail: wien@tpa-group.at www.tpa-group.at, www.tpa-group.com,

Comm. Reg. No. 200423s Comm. Ct. Vienna, Corporate Domicile: Vienna, ATU50089103

Albania | Austria | Bulgaria | Croatia | Czech Republic | Hungary

Montenegro | Poland | Romania | Serbia | Slovakia | Slovenia

Self-employed persons

Health insurance

13.5 % (medical care in case of illness)

Pension insurance

29.2% (includes pension and unemployment policy insurance)

2.1% sickness insurance (not obligatory)

Obligatory pension fund

N/A

Accident insurance

N/A

Maximum contributions

health insurance: no

pension and unemployment policy insurance: CZK 1,935,552 (EUR 80,263)

Employed persons

Health and accident insurance

Employee 4.5 %, employer 9 %

Pension insurance

Employee 6.5 %, employer 21.5 %

There is a relief on employer's part of contributions of 5% from the contributions if employing certain groups of employees (e.g. employees younger than 21 and older than 55 years, parents working on part time, etc.)

Maximum contributions

health insurance: no

pension and unemployment policy insurance: CZK 1,935,552 (EUR 80,263)

Others

Sick insurance: Employee 0%; Employer 2.1%

Unemployment policy insurance: Employee 0%, Employer 1.2%

Severance fund

minimum of one times the average earnings in case the employment with the employer lasted less than 1 year

minimum of twice the average earnings in case the employment with the employer lasted between 1 to 2 years

minimum of three times the average earnings in case the employment with the employer lasted at least 2 years

Non-wage labor costs

Employer also pays accident insurance (varying, depending on employment category): from 0.28 % to 5.04 %

IMMOVABLE PROPERTY

Tax depreciation

Straight-line or declining balance over the expected legal useful life of the asset

TPA Steuerberatung GmbH

Wiedner Guertel 13, Turm 24, 1100 Vienna

Tel.: +43 (1) 58835-0, Fax: +43 (1) 58835-500,

E-Mail: wien@tpa-group.at www.tpa-group.at, www.tpa-group.com,

Comm. Reg. No. 200423s Comm. Ct. Vienna, Corporate Domicile: Vienna, ATU50089103

Albania | Austria | Bulgaria | Croatia | Czech Republic | Hungary

Montenegro | Poland | Romania | Serbia | Slovakia | Slovenia

Immovable property is allocated to the 5th or 6th depreciation category. Depreciation over a period of 30 or 50 years.

straight-line

Over the expected legal useful life of the asset (Immovable property is allocated to the 5th or 6th depreciation category. Depreciation over a period of 30 or 50 years.),

tax-deductible provisions under special legal regulation (conditional on tying up funds): provision on repairs of tangible assets, provisions on natural resources (e.g. forest, land affected by mining, pond desilting)

additional

not possible

Depreciation categories

Land

no depreciation

Buildings

Factories, warehouses etc.: 30 years

Office buildings, department stores, business centers, hotels, etc.: 50 years

Tax base for buildings

Allocation to a single category based on predominant use

Special depreciation

Tenants and other users (e.g. subtenants) who make structural improvements (subsequent acquisition costs) to rented assets may depreciate the cost of improvements (depreciation 30 or 50 years according to the method of classification of the building).

Structural improvements to historic monuments can be written down over 15 years.

Write-ups

Not allowable

Real-estate income tax

Object of taxation

Gains from the sale of property is taxed by individuals if no exemptions is applicable.

Tax rate

Progressive income tax rates of 15% and 23% (as above)

Tax collection

By taxpayer through the annual tax return

Exemptions

Income from sale or property is tax free if

TPA Steuerberatung GmbH

Wiedner Guertel 13, Turm 24, 1100 Vienna

Tel.: +43 (1) 58835-0, Fax: +43 (1) 58835-500,

E-Mail: wien@tpa-group.at www.tpa-group.at, www.tpa-group.com,

Comm. Reg. No. 200423s Comm. Ct. Vienna, Corporate Domicile: Vienna, ATU50089103

Albania | Austria | Bulgaria | Croatia | Czech Republic | Hungary

Montenegro | Poland | Romania | Serbia | Slovakia | Slovenia

- property used for own permanent living at least 2 years before its sale, or
- property is owned by the taxpayer at least 10 years before sale.

Property transfer tax

Object of taxation

N/A

Basis of assessment

N/A

Tax rate

N/A

Property-related taxes

Property tax

Object of taxation

Land

- Agricultural land: 0.25 % or 0.75 % of the price per m²
- Paved area of land CZK 1 or 5 (EUR 0.0415 or 0.2073) per m²
- Development land CZK 2 (EUR 0.0829) per m² Developed land CZK 0.2 (EUR 0.0083) per m²

The amounts provided by statute are indicative, and are increased by different coefficients in each municipality.

Buildings - buildings, constructions and units (apartments and commercial premises)

- Agricultural buildings and units: CZK 2 per m² (EUR 0.0829)
- Industrial buildings and units: CZK 10 per m² (EUR 0.4147)
- Office buildings and units: CZK 10 per m² (EUR 0.4147)
- An additional CZK 0.75 per m² (EUR 0.0311) is levied for each additional floor

Increase of buildings tax by 50 % at the discretion of the municipality possible where buildings used for business purposes (but not for residential purposes). Each municipality may also establish local coefficients of 1,1 to 5 for all land (except agricultural land) and buildings within its boundaries. The taxpayer's total tax liability is then multiplied by the applicable coefficient (for individual types of land and buildings). Each municipality may also exempt land and buildings within its boundaries in favored industrial zones (this applies for the companies, which received the Decision on the Covenant of Investment Incentives).

Real estate funds

Both public real estate fund and special real estate fund can be set up under the Act on Investment Companies and Investment Funds.

Real estate fund must comply with specific investment limits and restrictions which depend on the fund form and fund investment strategy.

Special funds for qualified investors can be established, among other forms, in the form of corporations (public limited liability companies, SICAV) or mutual funds (with no legal personality).

Such funds are subject to liberal statutory regulations – the nature of fund assets, the debt financing ratio, and risk management policies can as a general rule be freely determined in the funds' articles of incorporation, subject always to appropriate diversification of fund assets. Mutual real estate funds have no legal personality of their own. Fund assets are managed as special assets of a capital investment company (investiční společnost) in the investment company's name but for the account of the mutual fund.

SICAV has its own legal personality; it invests in its own name and for its own account. It can generate sub-funds having each its own investors and investment strategy

TPA Steuerberatung GmbH

Wiedner Guertel 13, Turm 24, 1100 Vienna

Tel.: +43 (1) 58835-0, Fax: +43 (1) 58835-500,

E-Mail: wien@tpa-group.at www.tpa-group.at, www.tpa-group.com,

Comm. Reg. No. 200423s Comm. Ct. Vienna, Corporate Domicile: Vienna, ATU50089103

Albania | Austria | Bulgaria | Croatia | Czech Republic | Hungary

Montenegro | Poland | Romania | Serbia | Slovakia | Slovenia

Funds' shares are redeemable. Funds may acquire property directly or via property companies.
Extensive investor protection regulations apply (nature of fund assets, risk diversification, debt financing, liquidity).

Owner of the fund assets

The management company in case of unit trust; the fund itself in case of fund in form of a corporation.

Annual valuation

By an independent expert.

Borrowing

In accordance with the fund's statute, but maximum 100% of net assets.

Diversification of risk

Value of any individual property not to exceed 20% of total fund assets
value of any individual property company not to exceed 30% of total fund assets.

Tax liability

Certain funds, so called **basic investment funds**, are subject to a special 5 % corporate income tax rate. Funds that do not fulfil the requirements for basic investment fund are taxed by standard income tax rate of 19 %.

The basic investment funds are:

- 1) investment funds whose shares are being publicly traded on European regulated market (provided further conditions are met, esp. that no corporate taxpayer owns more than 10 % share in the fund and that the fund does not perform activities regulated under the Czech Trade Licensing Act),
- 2) mutual funds,
- 3) investment funds and subfunds of the stock company with variable capital investing at least 90 % of their assets into selected financial instruments,
- 4) comparable foreign funds domiciled in EU/EEC.

Distributions by the fund to the shareholders are subject to deduction of tax at source at the standard rate of 15 % (35 % in specific cases). This may be reduced by DTA or exempt under the Czech implementation of the EU Parent Subsidiary Directive in certain cases.

For investment funds established in another state a special corporate income tax rate of 5 % if the basic investment funds as above are met in a similar way. The funds that do not fulfil the requirements for basic investment fund are taxed by standard income tax rate of 19 %.

OTHER TAXES

Business tax

N/A

Wealth tax

N/A

Inheritance and gift tax

Taxation of inheritance and donations included within the income tax provisions; various exemptions apply

Property transfer tax

N/A

TPA Steuerberatung GmbH

Wiedner Guertel 13, Turm 24, 1100 Vienna
Tel.: +43 (1) 58835-0, Fax: +43 (1) 58835-500,
E-Mail: wien@tpa-group.at www.tpa-group.at, www.tpa-group.com,
Comm. Reg. No. 200423s Comm. Ct. Vienna, Corporate Domicile: Vienna, ATU50089103
Albania | Austria | Bulgaria | Croatia | Czech Republic | Hungary
Montenegro | Poland | Romania | Serbia | Slovakia | Slovenia

Capital duties and fees

No capital duties as such applicable; various administrative fees and notary duties may be connected with such transactions

Contract duties

See above

Registration fees

See above

Capital duty

See above

FILING DATES AND DEADLINES

Annual tax returns

Personal and corporate income tax

Filing deadline: 3 months (4 months if filed electronically) after the end of the assessment period, 6 months if represented by a tax adviser or where there is an audit requirement.

In case a taxpayer has income from abroad, the deadline may be extended by the end of the tenth month following the end of the taxable period (subject to prior approval of tax authority).

VAT interim returns

Quarterly or monthly; filing deadline: 25th of the following month;

European Sales Listing

Quarterly or monthly; filing deadline: 25th of the following month

INCOME TAXES

Tax rate

15 %

23 %

The rate of 15 % is applied to the tax base up to CZK 1,935,552 (EUR 80,263) for 2023.

For employee, this rate is applied to the gross monthly salary up to CZK 161,296 (EUR 6,689) for 2023.

For the tax base, which exceeds the amount CZK 1,935,552 (EUR 80,263) the rate of 23 % is applied.

Special tax rates

Certain types of income from foreign sources (e.g. dividends, interest, etc.) might be taxed in separate tax base with 15% tax rate for the separate tax base.

TPA Steuerberatung GmbH

Wiedner Guertel 13, Turm 24, 1100 Vienna

Tel.: +43 (1) 58835-0, Fax: +43 (1) 58835-500,

E-Mail: wien@tpa-group.at www.tpa-group.at, www.tpa-group.com,

Comm. Reg. No. 200423s Comm. Ct. Vienna, Corporate Domicile: Vienna, ATU50089103

Albania | Austria | Bulgaria | Croatia | Czech Republic | Hungary

Montenegro | Poland | Romania | Serbia | Slovakia | Slovenia

Tax liability

Unlimited

Natural persons who have their residence or habitual abode in the Czech Republic, are liable to tax in the Czech Republic their worldwide income (except where DTA restricts the right to assess tax).

Limited

Natural persons, who have neither their residence nor their habitual abode in the Czech Republic, are liable to tax in the Czech Republic income from sources in the Czech Republic only.

Tax assessment period

Calendar year

Income categories

Income from:

1. Employment
2. Self-employment
3. Rental and leasing
4. Capital assets
5. Other income

Accounting

Double-entry bookkeeping, is mandatory in case (i) a natural person is recorded in the Business Register or (ii) their turnover or the previous calendary year exceeds the amount of CZK 25,000,000 (EUR 1,036,699).

Loss set-offs

“Horizontal” set-off (within individual income categories): self-employment and rental income. The Tax Loss may be generated from self-employment and rental income only.

“Vertical” set-off (between individual income categories): possible, with the exception of income from employment.

Loss carryback

Loss set-off possible; Accumulated limit to loss carry back from one taxable period in the amount of CZK 30 million (EUR 1,24 million), may be deducted in full or in part during 2 preceding years.

Loss carryforward

Losses from self-employment and from rental can be carried forward and set off for 5 taxable periods.

No limit on the amounts that may be carried forward and set off is applied.

Operating expenses

Expenses for acquiring, securing or maintaining business income.

TPA Steuerberatung GmbH

Wiedner Guertel 13, Turm 24, 1100 Vienna

Tel.: +43 (1) 58835-0, Fax: +43 (1) 58835-500,

E-Mail: wien@tpa-group.at www.tpa-group.at, www.tpa-group.com,

Comm. Reg. No. 200423s Comm. Ct. Vienna, Corporate Domicile: Vienna, ATU50089103

Albania | Austria | Bulgaria | Croatia | Czech Republic | Hungary

Montenegro | Poland | Romania | Serbia | Slovakia | Slovenia

Tax allowable expenses

Expenses for acquiring, securing or maintaining business income.

Lump sum option

For operating expenses of self-employment, lumpsum expenses are available:

80 % for income from agriculture and forestry and craft trade. Expenses can be claimed at the maximum amount of CZK 1,600,000 (EUR 66,349).

60 % for trade and business income. Expenses can be claimed at maximum amount of CZK 1,200,000 (EUR 49,762).

40 % for income governed by special provisions (professions). Expenses can be claimed at the maximum amount of CZK 800,000 (EUR 33,174).

30 % for rental income. Expenses can be claimed at the maximum amount of CZK 600,000 (EUR 24,881).

Motor vehicles

Depreciation over 5 years.

Maximum allowable acquisition cost: no ceiling Input VAT on cars deductible.

Social insurance

Not tax deductible for natural persons (private individuals and business people).

Withholding tax

Withholding tax is generally at 15 % for EU residents and non-EU residents from states with DTA or TIEAs; increasing to 35 % for non-EU residents from states without DTA or TIEAs.

Interest

15 % (35 %), or applicable DTA

Royalties

15 % (35 %), (5 % in the case of finance leasing), or applicable DTA

Dividends

15 % (35 %), or applicable DTA

CORPORATE INCOME TAXES

Object of taxation

Income incl. gifts and inheritance

Tax rate

19 %

Corporate income tax rate for corporations with unlimited or limited liability to tax, no minimum corporate income tax

5 %

Corporate income tax rate for basic investment funds

TPA Steuerberatung GmbH

Wiedner Guertel 13, Turm 24, 1100 Vienna

Tel.: +43 (1) 58835-0, Fax: +43 (1) 58835-500,

E-Mail: wien@tpa-group.at www.tpa-group.at, www.tpa-group.com,

Comm. Reg. No. 200423s Comm. Ct. Vienna, Corporate Domicile: Vienna, ATU50089103

Albania | Austria | Bulgaria | Croatia | Czech Republic | Hungary

Montenegro | Poland | Romania | Serbia | Slovakia | Slovenia

Tax liability

Unlimited

Legal persons (a.s., s.r.o., v.o.s., k.s.), branches and public sector institutions with their residence or management in the Czech Republic, on their worldwide income

Limited

Foreign legal persons neither resident nor managed in the Czech Republic, on their Czech income

Financial year

Calendar year; different financial year possible, but must be reported to the tax office in writing 3 months in advance

Accounting

In general, double-entry bookkeeping as specified in Bookkeeping Act

Loss carryback

Loss set-off possible; Accumulated limit to loss carry back from one taxable period in the amount of CZK 30 million (EUR 1.24 million), may be deducted in full or in part during 2 preceding years.

Loss carryforward

Loss set-off possible; no limits to amounts of loss carryforwards, may be deducted immediately, in full or in part, time limit of 5 years; Possibility to waive the right to utilise the tax loss in subsequent tax periods.

Shell company purchase

Purchased tax losses (shell companies): loss carry-forwards cease to be deductible where there is a major change of ownership (25 % or more of share capital) and a change of business activities.

Operating expenses

Expenses incurred to procure, secure or maintain business income

Transfer prices

Arm's length basis

Interest on debt financing of acquisition of shares

Non-deductible; interest on loans taken up in the six months preceding the acquisition is treated as connected with the acquisition of share and is not deductible (evidence to the contrary possible)

Debt / equity

Credits or loans from related parties also include a credit or loan granted by a third party (e.g. a bank) if its provision was contingent upon a cash deposit of an related party with the bank (so-called "back-to-back" loan, e.g. the parent company deposits money with the bank and the subsidiary receives a loan in return).

Financing is regulated in accordance with EU Anti-Tax Avoidance Directive (ATAD).

Thresholds for tax deductibility of net borrowing costs:

TPA Steuerberatung GmbH

Wiedner Guertel 13, Turm 24, 1100 Vienna

Tel.: +43 (1) 58835-0, Fax: +43 (1) 58835-500,

E-Mail: wien@tpa-group.at www.tpa-group.at, www.tpa-group.com,

Comm. Reg. No. 200423s Comm. Ct. Vienna, Corporate Domicile: Vienna, ATU50089103

Albania | Austria | Bulgaria | Croatia | Czech Republic | Hungary

Montenegro | Poland | Romania | Serbia | Slovakia | Slovenia

- CZK 80,000,000 (EUR ~~3,218,021~~ 3,317,437), or
- 30 % of EBITDA

Net borrowing costs exceeding the higher of the two thresholds are considered tax non-deductible.

Financing expenses of credits and loans if the interest rate depends on the borrower's profit, are not tax deductible (in case of such dependence, higher profits mean higher interest).

Intragroup financing is also regulated in accordance with the Czech law.

Threshold for tax deductibility of borrowing costs is the amount of credit or loans in relation to the equity at a ratio 1:4.

Borrowing costs relating to the amount of credit or loans exceeding the 4-times the equity are considered as tax non-deductible.

Tax depreciation

Tax depreciation available to eligible tax payers (usually legal owners or funds; not available to lessees in the case of finance leases)

The tangible asset is classified into 1 of 6 categories (depreciation over 3 – 50 years); For intangible assets, tax depreciation corresponds to the accounting depreciation.

Tax depreciation methods: straight-line or reducing balance, time-based, unit-of production method (only for certain production equipment), a possibility to apply special tax depreciation for assets acquired in 2022 or 2023, and classified into 1st or 2nd depreciation category (depreciation over 12, resp. 24 months following after the month of acquisition).

Depreciation (straight-line and reducing balance) is not mandatory and can be interrupted for a time. Changes in method are not permitted. Depreciation for accounting purposes is the responsibility of the company, and should reflect the expected useful life of the asset.

Writedowns for loss of value in use and additional depreciation for extraordinary wear and tear are not possible for tax purposes.

Low-value items up to CZK 80,000 (EUR 3,317) can be fully expensed in the year of acquisition.

Accelerated depreciation

For most newly acquired plant and equipment an accelerated depreciation of 10 %, 15 % (for equipment for water purification and treatment) or 20 % (for agricultural production machines) of the acquisition price can be claimed in the first depreciation year.

Depreciation of photovoltaic plants

Tangible fixed assets used in the production of solar electricity are depreciated using the straight-line method over 240 months beginning in the month following capitalization. This depreciation cannot be interrupted.

Provisions

Provisions for tax purposes are governed by a special provisions law.

Only provisions for repairs, bank and insurance provisions, electro-waste from photovoltaic panels, and provisions for reforestation and environmental restoration are allowable as tax deductible costs.

The provision for repairs is only deductible if matching funds are deposited in a bank account specially designated for the purpose of this provision.

No provisions for severance payments and pensions, or other liabilities of uncertain amount.

Motor vehicle expenses

Depreciation over 5 years.

Allowable acquisition cost: no ceiling deduction of input VAT on acquisition costs

Non-deductible expenses

Refreshment and beverage expenses

Expenses in connection with acquisition of share (direct and indirect costs); indirect costs are taken as being 5 % of the dividends on the share (evidence to the contrary possible).

Expenses directly related to non-taxable income.

Taxes paid on behalf of another taxpayer

TPA Steuerberatung GmbH

Wiedner Guertel 13, Turm 24, 1100 Vienna

Tel.: +43 (1) 58835-0, Fax: +43 (1) 58835-500,

E-Mail: wien@tpa-group.at www.tpa-group.at, www.tpa-group.com,

Comm. Reg. No. 200423s Comm. Ct. Vienna, Corporate Domicile: Vienna, ATU50089103

Albania | Austria | Bulgaria | Croatia | Czech Republic | Hungary

Montenegro | Poland | Romania | Serbia | Slovakia | Slovenia

Interest barrier

See point "Debt / equity"

Interest and royalties to intra-group companies

Interests see point "Debt / equity" and royalties tax deductible.

Withholding tax

Withholding tax is generally at 15 %, increasing to 35 % for non-EU residents from states without DTA or TIEAs.

Interest

At 15 % (35 %), or per applicable DTA and applying the EU Interest and Royalty Directive for group purposes

Royalties

At 15 % (35 %), or per applicable DTA and applying the EU Interest and Royalty Directive for group purposes; exception – 5 % for finance leasing

Dividends

At 15 % (35 %), or per applicable DTA and applying the EU Parent Subsidiary Directive for group purposes.

Controlled foreign corporation (CFC) rules

Taxation of certain income of foreign corporations / permanent establishments at the level of the controlling Czech corporation. The CFC rules will not apply if the controlled foreign company performs a substantial economic activity.

Requirements:

- The participation on the capital / profit in share is at least 50 %.
- The controlled foreign company does not perform a substantial economic activity.
- The taxation of the controlled foreign company is less than 50 % of the tax, that would be paid in the Czech Republic.

Hybrid mismatches

Mismatches which, due to differing fiscal recognition methods, lead to a different tax treatment in different countries and may under certain circumstances lead to profit shifting or profit reduction must be neutralized.

National parent-subsidiary exemption

- Dividends are tax exempt
- Gains on disposal are tax exempt

Requirements:

qualifying period 12 months; minimum share 10 %

International investments

- Dividends are tax exempt
- Gains on disposal are tax exempt

TPA Steuerberatung GmbH

Wiedner Guertel 13, Turm 24, 1100 Vienna

Tel.: +43 (1) 58835-0, Fax: +43 (1) 58835-500,

E-Mail: wien@tpa-group.at www.tpa-group.at, www.tpa-group.com,

Comm. Reg. No. 200423s Comm. Ct. Vienna, Corporate Domicile: Vienna, ATU50089103

Albania | Austria | Bulgaria | Croatia | Czech Republic | Hungary

Montenegro | Poland | Romania | Serbia | Slovakia | Slovenia

Requirements:

qualifying period 12 months; minimum share 10 %

Non-EU states

- Dividends are tax exempt
- Gains on disposal are tax exempt

Requirements:

Qualifying period 12 months, minimum share 10 %, a double taxation agreement exists with the third country, minimum corporate income tax of 12 % in the third country.

Interest and Royalty Directive

(EU, Switzerland, Norway, Iceland and Liechtenstein)

Exemption from withholding tax on interest on loans and royalties provided that the following conditions are met:

- Qualifying period: 2 years
- Minimum share: 25 %

Exemption from withholding tax must be confirmed by tax office ruling

International parent- subsidiary exemption and portfolio investments

N/A

Goodwill amortisation

Goodwill amortisation over 15 years: only for asset deals

Not deductible for tax purposes in the case of mergers or contributions in kind

Group taxation / pooling

Not possible

Tax group

N/A

Pooling

N/A

TPA Steuerberatung GmbH

Wiedner Guertel 13, Turm 24, 1100 Vienna

Tel.: +43 (1) 58835-0, Fax: +43 (1) 58835-500,

E-Mail: wien@tpa-group.at www.tpa-group.at, www.tpa-group.com,

Comm. Reg. No. 200423s Comm. Ct. Vienna, Corporate Domicile: Vienna, ATU50089103

Albania | Austria | Bulgaria | Croatia | Czech Republic | Hungary

Montenegro | Poland | Romania | Serbia | Slovakia | Slovenia