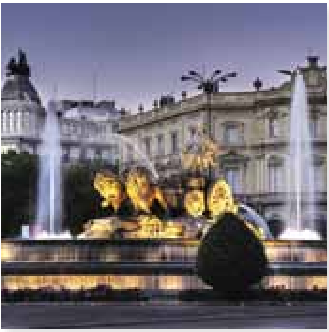

Czech Republic Tax Guide

2012

FOREWORD

A country's tax regime is always a key factor for any business considering moving into new markets. What is the corporate tax rate? Are there any incentives for overseas businesses? Are there double tax treaties in place? How will foreign source income be taxed?

Since 1994, the PKF network of independent member firms, administered by PKF International Limited, has produced the PKF Worldwide Tax Guide (WWTG) to provide international businesses with the answers to these key tax questions. This handy reference guide provides clients and professional practitioners with comprehensive tax and business information for 100 countries throughout the world.

As you will appreciate, the production of the WWTG is a huge team effort and I would like to thank all tax experts within PFK member firms who gave up their time to contribute the vital information on their country's taxes that forms the heart of this publication. I would also like thank Richard Jones, PKF (UK) LLP, Kevin Reilly, PKF Witt Mares, and Kaarji Vaughan, PKF Melbourne for co-ordinating and checking the entries from countries within their regions.

The WWTG continues to expand each year reflecting both the growth of the PKF network and the strength of the tax capability offered by member firms throughout the world.

I hope that the combination of the WWTG and assistance from your local PKF member firm will provide you with the advice you need to make the right decisions for your international business.

Jon Hills
PKF (UK) LLP
Chairman, PKF International Tax Committee
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PREFACE

The PKF Worldwide Tax Guide 2012 (WWTG) is an annual publication that provides an overview of the taxation and business regulation regimes of 100 of the world's most significant trading countries. In compiling this publication, member firms of the PKF network have based their summaries on information current as of 30 September 2011, while also noting imminent changes where necessary.

On a country-by-country basis, each summary addresses the major taxes applicable to business; how taxable income is determined; sundry other related taxation and business issues; and the country's personal tax regime. The final section of each country summary sets out the Double Tax Treaty and Non-Treaty rates of tax withholding relating to the payment of dividends, interest, royalties and other related payments.

While the WWTG should not to be regarded as offering a complete explanation of the taxation issues in each country, we hope readers will use the publication as their first point of reference and then use the services of their local PKF member firm to provide specific information and advice.

In addition to the printed version of the WWTG, individual country taxation guides are available in PDF format which can be downloaded from the PKF website at www.pkf.com

PKF INTERNATIONAL LIMITED
APRIL 2012

ABOUT PKF INTERNATIONAL LIMITED

PKF International Limited (PKFI) administers the PKF network of legally independent member firms. There are around 300 member firms and correspondents in 440 locations in around 125 countries providing accounting and business advisory services. PKFI member firms employ around 2,200 partners and more than 21,400 staff.

PKFI is the 10th largest global accountancy network and its member firms have $2.6 billion aggregate fee income (year end June 2011). The network is a member of the Forum of Firms, an organisation dedicated to consistent and high quality standards of financial reporting and auditing practices worldwide.

Services provided by member firms include:

Assurance & Advisory
Corporate Finance
Financial Planning
Forensic Accounting
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Insolvency – Corporate & Personal
IT Consultancy
Management Consultancy
Taxation

PKF member firms are organised into five geographical regions covering Africa; Latin America; Asia Pacific; Europe, the Middle East & India (EMEI); and North America & the Caribbean. Each region elects representatives to the board of PKF International Limited which administers the network. While the member firms remain separate and independent, international tax, corporate finance, professional standards, audit, hotel consultancy, insolvency and business development committees work together to improve quality standards, develop initiatives and share knowledge and best practice cross the network.

Please visit **www.pkf.com** for more information.

STRUCTURE OF COUNTRY DESCRIPTIONS

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BRANCH PROFITS TAX
SALES TAX/VALUE ADDED TAX
FRINGE BENEFITS TAX
LOCAL TAXES
OTHER TAXES

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DEPRECIATION
STOCK/INVENTORY
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DIVIDENDS
INTEREST DEDUCTIONS
LOSSES
FOREIGN SOURCED INCOME
INCENTIVES

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E. RELATED PARTY TRANSACTIONS

F. WITHHOLDING TAX

G. EXCHANGE CONTROL

H. PERSONAL TAX

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

AT 12 NOON, GREENWICH MEAN TIME, THE STANDARD TIME ELSEWHERE IS:

A
Algeria . . . 1 pm
Angola . . . 1 pm
Argentina . . . 9 am
Australia -
- Melbourne . . . 10 pm
- Sydney . . . 10 pm
- Adelaide . . . 9.30 pm
- Perth . . . 8 pm

Austria . . . 1 pm

B
Bahamas . . . 7 am
Bahrain . . . 3 pm
Belgium . . . 1 pm
Belize . . . 6 am
Bermuda . . . 8 am
Brazil . . . 7 am
British Virgin Islands . . . 8 am

C
Canada -
- Toronto . . . 7 am
- Winnipeg . . . 6 am
- Calgary . . . 5 am
- Vancouver . . . 4 am

Cayman Islands . . . 7 am
Chile . . . 8 am
China - Beijing . . . 10 pm
Colombia . . . 7 am
Croatia . . . 1 pm
Cyprus . . . 2 pm
Czech Republic . . . 1 pm

D
Denmark . . . 1 pm
Dominican Republic . . . 7 am

E
Ecuador . . . 7 am
Egypt . . . 2 pm
El Salvador . . . 6 am
Estonia . . . 2 pm

F
Fiji . . . 12 midnight
Finland . . . 2 pm
France . . . 1 pm

G
Gambia (The) . . . 12 noon
Georgia . . . 3 pm
Germany . . . 1 pm
Ghana . . . 12 noon
Greece . . . 2 pm
Grenada . . . 8 am
Guatemala . . . 6 am
Guernsey . . . 12 noon
Guyana . . . 7 am

H
Hong Kong . . . 8 pm
Hungary . . . 1 pm

I
India . . . 5.30 pm
Indonesia . . . 7 pm
Ireland . . . 12 noon
Isle of Man . . . 12 noon
Israel . . . 2 pm
Italy . . . 1 pm

J
Jamaica . . . 7 am
Japan . . . 9 pm
Jersey . . . 12 noon
Jordan . . . 2 pm

K
Kazakhstan . . . 5 pm
Kenya . . . 3 pm
Korea . . . 9 pm
Kuwait . . . 3 pm

L
Latvia . . . 2 pm
Lebanon . . . 2 pm
Liberia . . . 12 noon
Luxembourg . . . 1 pm

M
Malaysia . . . 8 pm
Malta . . . 1 pm
Mauritius . . . 4 pm
Mexico . . . 6 am
Morocco . . . 12 noon

N
Namibia . . . 2 pm
Netherlands (The) . . . 1 pm
New Zealand . . . 12 midnight
Nigeria . . . 1 pm
Norway . . . 1 pm

O
Oman . . . 4 pm

P
Panama . . . 7 am
Papua New Guinea . . . 10 pm
Peru . . . 7 am
Philippines . . . 8 pm
Poland . . . 1 pm
Portugal . . . 1 pm
Puerto Rico . . . 8 am

Q

Qatar. . . . . .8 am

R

Romania .2 pm
Russia -
    Moscow . . . . .3 pm
    St Petersburg. . . . . .3 pm

S

Sierra Leone . . . . 12 noon
Singapore . . . . .7 pm
Slovak Republic . . . . .1 pm
Slovenia .1 pm
South Africa. . . . . .2 pm
Spain . . . . .1 pm
Sweden. .1 pm
Switzerland . . . . .1 pm

T

Taiwan . . . . .8 pm
Thailand .8 pm
Tunisia . . . . 12 noon
Turkey. . . . . .2 pm
Turks and Caicos Islands . . . . . . .7 am

U

Uganda . . . . .3 pm
Ukraine . . . . .2 pm
United Arab Emirates . . . . .4 pm
United Kingdom . . . .(GMT) 12 noon
United States of America -
    New York City. . . . . .7 am
    Washington, D.C. . . . . .7 am
    Chicago. . . . . .6 am
    Houston. . . . . .6 am
    Denver . . . . .5 am
    Los Angeles. . . . . .4 am
    San Francisco . . . . .4 am
Uruguay .9 am

V

Venezuela . . . . .8 am
Vietnam. .7 pm

CZECH REPUBLIC

Currency: Koruna (CZK) | Dial Code To: 420 | Dial Code Out: 00

Member Firm:
City: Prague
Name: David Cervinka
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A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES

COMPANY TAX

Company tax is payable by Czech resident companies on income derived from worldwide sources. Non-resident companies are required to pay the tax on income sourced in the Czech Republic.

Resident companies are those which have their registered office in the Czech Republic.

The corporate income tax rate is 19% for 2012. A 5% tax rate applies for investment funds, pension funds and share funds. The fiscal year is the calendar year, or economic (business) year if agreed with the tax authority. Tax is due and payable in a single payment if the previous year's tax liability was under CZK 30,000; in six monthly advance payments if the previous tax liability was between CZK 30,000 and 150,000; or in quarterly advance payments if the previous tax liability was over CZK 150,000.

Tax returns of companies for which audited statement of accounts are not required under law are due by 31 March of the following year. For a company to which the 31 March deadline applies, the tax return can be filed on or before 30 June if the company authorises a tax advisor to prepare his return. In all other cases, the taxpayer is entitled to ask the Tax Administration for the due date to be postponed by up to three months.

CAPITAL GAINS TAX

Capital gains such as dividends, interest from owed securities, deposit accounts and deeds are subject to 15% withholding tax. Since 2004, income from dividends and interest is exempt from withholding tax if paid to a resident of an EU territory in accordance with the EU Parent-Subsidiary Directive No 90/435/EU. From 2008, the following incomes shall be tax-exempt:

(a) income arising from transfer of shareholdings by a parent company in its subsidiaries within the EU
(b) dividend income of resident companies paid out by non-resident subsidiaries
(c) income from the transfer of shareholdings by companies in subsidiaries outside the EU where a relevant double taxation treaty is signed.

The Parent company must have a minimum of a 10% holding in the subsidiary's registered capital for an uninterrupted period of at least 12 months. The subsidiary company must be a joint stock company or limited liability company and subject to a rate of tax in the non-EU country at a minimum of 12%.

Since 1 January 2011 licence fees are tax exempt when transferred from a Czech company to a parent company in another state in EU or EEA (which is a shareholder of the Czech company and has held the shares for a period of at least 24 months). It is necessary to apply for this tax exemption with the Czech tax authority. The following documents must be provided: tax domicile certificate of the parent company, extract of the commercial register of the parent company, extract of commercial register of the Czech company, the title of the licence fees, and confirmation from the tax authority of parent company, that the parent company has its tax domicile in EU or EEA state.

BRANCH PROFITS TAX

There is no separate branch profits tax in the Czech Republic. The income of a Czech branch of a foreign company is subject to taxation at the generally applicable, 19% rate for 2012. Attribution of profits to a branch is determined on the basis of the margins that are generally realised by resident companies undertaking similar activities.

SALES TAX/VALUE ADDED TAX (VAT)

Value added tax (VAT) is imposed on the domestic provision of goods, transfer of real estate, provision of services, including transfer or use of rights, and import of goods. There are two rates of VAT, basic rate 20%, lower rate 14%. The 20% rate applies generally to supplies of goods and most services with some exceptions while the 14% rate applies to selected services and some goods such as foodstuffs and pharmaceutical products. Goods and services exported from the Czech Republic to non-EU countries are exempt from VAT. The principles of the Sixth Directive – VAT (77/388/EU), have applied since 1 May 2004 to goods and services exported from the Czech Republic to EU countries. Since 2008, a group of related parties may register as a single VAT taxpayer.

OTHER TAXES

Tax on real estate property is levied on buildings, structures and land situated within the Czech Republic. The taxpayer is the actual owner or the user of the property. The rate depends on size, quality, type and location of the property. This tax is deductible for corporate income tax purposes.

Inheritance and gift taxes are types of tax for which a company may become liable on non-paid acquisition of a property. These taxes are not deductible for income tax purposes.

Property transfers are liable to property transfer tax at the rate of 3% on the official valuation or actual price, whichever is the higher. This tax is deductible for income tax purposes.

The employers' payment on behalf of their employees towards the workers' social security and medical insurance is at the rate of 34% of the gross payroll.

B. DETERMINATION OF TAXABLE INCOME

The company's taxable income is determined by ascertaining assessable income and then subtracting all allowable expenses. In general, to be tax deductible, all expenses must be related to the gaining or producing of assessable income and are not exempt pursuant to the law on income tax.

DEPRECIATION

The tax law prescribes six groups of tangible assets for tax depreciation purposes using depreciation periods ranging from three to 50 years. Either straight-line or accelerated methods are available. The choice of a method is made by the taxpayer and, once selected, cannot be changed for the remaining life of the asset. Under certain conditions, special accelerated depreciation is available in the case of financial leases. Depreciation is allowed where the acquisition cost exceeds CZK 60,000 (intangible fixed assets) or CZK 40,000 (tangible fixed assets).

STOCK/INVENTORY

All trading stock is valued at purchase price, including ancillary costs incurred. Stock produced by the company's own operation is valued at internal costs. If a temporary reduction of stock value is non-tax deductible, corrective provisions are applied. Accepted valuation methods include (FIFO), average procurement costs or pre-defined (planned) prices but not LIFO. Costs may reflect the liquidation of unusable stock for tax purposes.

DIVIDENDS

If dividends are not tax exempt, they are subject to a final withholding tax of 15% or the rate agreed in the double taxation treaty. Tax exemptions shall not apply to a profit share paid out on the liquidation of a company.

INTEREST DEDUCTIONS

Financial costs of credits and loans for the relevant tax period shall be considered non-deductible expenses where they exceed a multiple of a flat interest rate (the "unified interest rate") increased by four percentage points and an average balance of credits and loans in the relevant tax period.

The non-deductible expense is the amount by which the sum of credits and loans (including financing costs) from related parties exceeds a 4:1 debt:equity ratio (6:1 for banks and insurance companies) in the period for which the tax return is submitted.

LOSSES

Tax losses may be carried forward for five years. Newly arisen losses (after 2004) may be transferred within the framework of common taxation of parent and daughter companies within the EU territory (transfers of enterprises, mergers and demerger of enterprises) under limited conditions.

INCENTIVES
Since 1 May 2000, incentives for investors including tax relief are governed by the Investment Incentives Act. Tax exemptions for a period of five years are provided (since 2 July 2007) for new investments. The minimum investment limit is CZK 100m with 60% or more invested in machinery. These limits are reduced for regions with higher unemployment rates. Besides investment incentives, a taxpayer may deduct from the tax base 100% of expenses (costs) incurred on the implementation of research and development projects. Tax relief is also provided depending on the number of disabled/handicapped people employed by a company.

C. FOREIGN TAX RELIEF

Ordinary credits for foreign income tax are available to resident taxpayers under Czech law. This applies where an international double taxation treaty exists. The clearance or exclusion method is available, according to the particular double tax treaty. If there is no tax treaty, the legal entity will include tax paid abroad in its tax expenses for the following period.

D. CORPORATE GROUPS

Profits and losses of holding and subsidiary companies may not be consolidated.

E. RELATED PARTY TRANSACTIONS

Non-arm's length profit sharing arrangements are covered by transfer pricing provisions which give the tax authority the power to impose a tax on the difference between the customary and actual prices.

F. WITHHOLDING TAX

Certain types of income, irrespective of whether they are received by resident or non-resident taxpayers, are taxed by way of withholding tax at source. These include dividends, licence fees, interest and related income and some winnings. In the case of resident taxpayers, this income is not then included in the tax base, with the exception of interest income. Subject to the provisions of double taxation treaties, domestic withholding taxes apply to Czech-sourced income.

G. EXCHANGE CONTROLS

The Foreign Exchange Act allows the Czech currency to be used freely to pay for business and other costs, for direct investment and reinvestment, and for purchase of real estate property abroad. Also, the acceptance of financial loans from non-residents is now legal.

Capital transfers have been deregulated but the reporting duty has been retained. Non-residents may use funds deposited in their accounts denominated in Czech or foreign currencies for transfers to and from abroad, providing the reporting duty is observed.

A licence is required for a financial service business. Sales of foreign currency and gold are permitted where one of the parties is an entity holding a licence or foreign currency permit.

Non-residents are at present allowed to acquire real estate property in the Czech Republic.

H. PERSONAL TAX

Income tax is payable by Czech resident individuals on income derived from worldwide sources. Non-resident individuals are only required to pay tax on Czech-sourced income. Residence is determined by reference to domicile or where the individual has spent at least 183 days of the relevant calendar year in the Czech Republic.

Income tax is payable on assessable income less expenses and allowable deductions. Assessable income includes business income; employment income; other capital gains; dividends; rental; interest income; annuities and other income. Expenses cannot be claimed for employment income or capital gains (most of which are subject to withholding tax). Employment income cannot be reduced by losses of any other categories of income. Income from business or rental operations can be reduced by losses deriving from other categories. Income from employment is taxable individually and is reduced for some deductible items and personal allowances.

Employees hired under an employment contract under Czech law pay social security and medical insurance contributions at the rate of 11% withheld by their employers from their gross wages. Social security contributions are also paid by the self-employed.

From 2008, the flat rate of 15% is applied to 'super gross salary'. Super gross salary is a gross wage plus social security and medical insurance contributions paid by employer in the amount of 34% of gross wage.

Tax returns are due on 31 March or on 30 June if prepared by a recognised tax advisor. Provisional tax payments on income from employment are paid monthly. Payments on account of tax on income from business operations, rental income, etc are made half-yearly and quarterly, as for corporations, based on the last known tax liability.

Inheritance and Gift Taxes are progressive and take into account the individual family relationship and the value of the property transferred.

Real estate tax is paid on land and buildings.

Inheritance and gift taxes are not deductible for income tax purposes but real estate property and property transfer taxes are deductible.

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

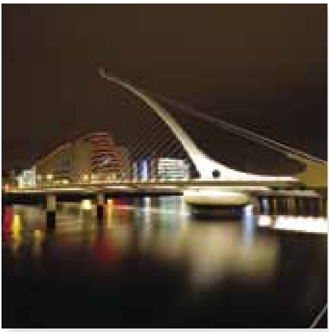
	Dividends (%)	Interest (%)	Industrial/ Cultural licence fees (%)
Non-Treaty Countries:	15	15	15
Treaty Countries:			
Albania	5/15	5	10/10
Armenia	10	10	5/10
Australia	5/15	10	10/10
Austria	0/10	0	5/5
Azerbaijan	8	10	10
Belarus	10	5	10
Belgium	5/15	10	5/10
Bosnia-Herzegovina	5	0	10
Brazil	15	10/15	15/15 (1)
Bulgaria	10	10	10/10
Canada	5/15	10	10/10
China	5/10	7.5	10 (6)
Croatia	5	0	10/10
Cyprus	0/5	0	10
Denmark	15	0	5/0
Egypt	5/15	15	15/15
Estonia	5/15	10	10/10
Ethiopia	10	10	10
Finland	5/15	0	1/5/10 (2)
France	0/10	0	5/10 (3)
Georgia	5/10	8	5/10
Germany	5/15	0	5/5
Greece	– (5)	10	10/0
Hungary	5/15	0	10/10
Iceland	5/15	0	10/10
India	10	10	10
Indonesia	10/15	12.5	12.5

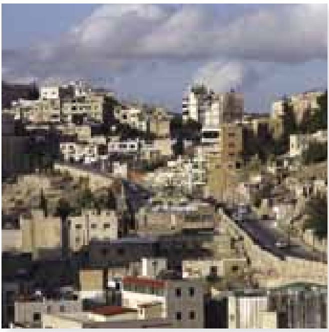
	Dividends (%)	Interest (%)	Industrial/ Cultural licence fees (%)	
Ireland	5/15	0	10/10	
Israel	5/15	10	5	
Italy	15	0	5/0	
Japan	10/15	10	10/0	
Jordan	10	10	10	
Kazakhstan	10	10	10	
Korea (Rep)	5/10	10	10/0	
Kuwait	5	0	10	
Latvia	5/15	10	10	
Lebanon	5	0	0	
Lithuania	5/15	10	10	
Luxembourg	5/15	0	10/0	
Macedonia	5/15	0	10	
Malaysia	10	12	12	
Malta	5	0	5	
Mexico	10	10	10	
Moldova	5/15	5	10	
Mongolia	10	10	10	
Morocco	10	10	10	
Netherlands	0/10	0	5	
New Zealand	15	10	10	
Nigeria	12.5/15	15	15	
Norway	0/15	0	5/10	
Philippines	10/15	10	10	
Poland	5/10	10	5	
Portugal	10/15	10	10	
Romania	10	7	10	
Russia	10	0	10	
Serbia/ Montenegro	10	10	10/5	
Slovak Republic	5/15	0	10	
Singapore	5	0	10	
Slovenia	5/15	5	10	
South Africa	5/15	0	10	
Spain	5/15	0	5/0	
Sweden	0/10	0	5/0	
Switzerland	5/15	0	10	
Sri Lanka	15	10	10/0	
Syria	10	10	12	
Tajikistan	5	7	10	
Thailand	10	10/15	5/10/15	(4)
Tunisia	10/15	12	15/5	
Turkey	10	10	10	
United Arab Emirates	5	0	10	
United Kingdom	5/15	0	10/0	

	Dividends (%)	Interest (%)	Industrial/ Cultural licence fees (%)
Ukraine	5/15	5	10
USA	5/15	0	10/0
Uzbekistan	10	5	10
Venezuela	5/10	10	12
Vietnam	10	10	10

The lower rates shown in relation to dividends apply where the recipient company holds 25% or more of capital in the company paying the dividend. For the required level of control in each case, reference should be made to the individual treaties.

1 Trade marks, 15%.
2 Finance leases and Operative leases 5%, use of, or the right to use, any patent, trade mark, design or model, plan, secret formula or process or information concerning industrial, commercial or scientific experience – 10%. Others – there is no reduction under the treaty.
3 Any industrial, commercial or scientific equipment 5%, any patent, trade mark, design or model, plan, secret formula or process and computer software, or for information concerning industrial, commercial or scientific experience (know-how), others: no reduction under the treaty.
4 Consideration for the alienation or the use of, or the right to use any copyright of literary, artistic or scientific work, excluding cinematograph films or films or tapes used for radio or television broadcasting – 5% Consideration for the alienation of any patent, trade mark, design or model, plan, secret formula or process – 10%. All other cases – 15%.
5 The domestic rate applies: there is no reduction under the treaty.
6 From 2012 a new interpretation of withholding tax means that Tchaj-wan and Macao territories are excluded from the Treaty.





$100

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