



Mazars Tax View

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Editorial

Dear readers,

I would like to welcome you to the year 2022 and to briefly introduce you to this year's first issue of our tax newsletter.

In this New Year's issue, we will traditionally be primarily introducing you to the news and changes in the area of taxation and the related acts that are valid from this January. These include significant changes in reporting in the Intrastat system, which we have summarised for you in the initial article. In another article, you will read about what this year will bring in the area of indirect taxes.

As just as interesting article brings useful information for those entrepreneurs who entered into the flat-rate tax system last year. We also summarised the news in the area of personal and corporate income tax for you and you will learn what the new average and minimum wages are from January 2022 and in what areas these changes are reflected.

In conclusion, I would like to take this opportunity to wish you, on behalf of all the employees of Mazars, a far quieter and stabler year than the last one and we hope it brings you not only success in your professional life, but also personal well-being and good health.



Pavel Klein
Tax Leading Partner
Mazars

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Changes in Intrastat reporting from 1 January 2022

Intrastat reporting will see considerable changes from the beginning of 2022 in connection with Government Decree No. 333/2021 Coll., by which the Czech Republic is implementing more European rules.

Simplified reporting

One significant change is the introduction of the possible simplified reporting, where the reporting unit submits a single Intrastat report with the specified reference period, direction of movement and type of ZH sentence. The simplification can be applied by the reporting units that do not exceed the total value of CZK 20 million for the direction of arrivals or dispatches (separately for each direction) in the current or previous calendar year, but have achieved the threshold level of CZK 12 million for the arrivals or dispatches.

Another condition for the use of the simplified reporting is that the reporting unit must not trade in commodities specified in the Czech Statistical Office's Communication on the list of goods that are not intended for simplified reporting (hereinafter referred to as 'the CSO Communication'). The exact list of goods should be published at the turn of 2021/2022, while it should contain commodities such as oil, fuels, etc.

If the reporting unit later exceeds the threshold of CZK 20 million or begins trading in commodities pursuant to the CSO Communication, it will have to start reporting the data in the standard manner.

Extension of scope of reported data

Now the scope of data that will be reported in the Intrastat report has been extended to include:

- information on the country of origin for the dispatched goods (currently the country of origin is only reported on the arrivals). If the origin of the goods is unknown, the reporting unit will use the code 'QU'; and
- the tax identification number of the buyer (counterparty) in the direction of dispatches. If the counterparty does not have this number or the reporting unit does not know it, it will use the code 'QV123'.

Changes to transaction nature codes

The transaction nature codes will also see a number of changes. For example, transactions reported under code 92 will now be reported under one of the codes 31, 32 or 12.

The complete changes are clearly collected in the converter that you can find [here](#).

Limit for small consignments

The limit for small consignments that can be reported in the simplified manner is increasing from the current EUR 200 to EUR 400. The reporting units still have the possibility of reporting small consignments in the standard manner.

Rounding of supplementary units of measurement

Rounding will also be partially unified. For supplementary units of measurement, such as litres, metres or grams with a value greater than 1, mathematical rounding to whole numbers will now also be applied just like for weights. The value of the supplementary units of measurement lower than 1 will continue to be reported with a precision of three decimal places.

Reference period

Another change applies to the reference period. From 1 January 2022, if the time lag between the receipt or dispatch of goods and the taxable supply is longer than two calendar months, the reference period is the month in which the receipt or dispatch of goods took place.

Credit notes

If the buyer is returned (credited) the entire purchase price for the supplied goods, even in relation to individual supplied goods (e.g., 1 washer

is credited from a delivery of 20 washers), it is now necessary to correct the Intrastat report and decrease the originally reported value of the goods by the amount of the credit note or to erase the given Intrastat line. In such a case the tolerance limit of 5% for corrections is not applied. The data is not corrected additionally in cases where all or part of a consignment of goods is returned. Such returns continue to be reported in the period of the return of the consignment, usually indicated by transaction code '21'.

Change of terminology

There are some slightly non-systemic changes in terminology. Instead of the term dispatches currently in use, the export of goods to another Member State of the European Union will now be used and instead of arrivals, the import of goods from another Member State of the European Union will be used. In order to maintain the clarity of the article, we have decided not to use these new terms here.

The Czech Statistical Office has included all the above changes in the manual for 2022, which is already available for download in Czech [here](#).

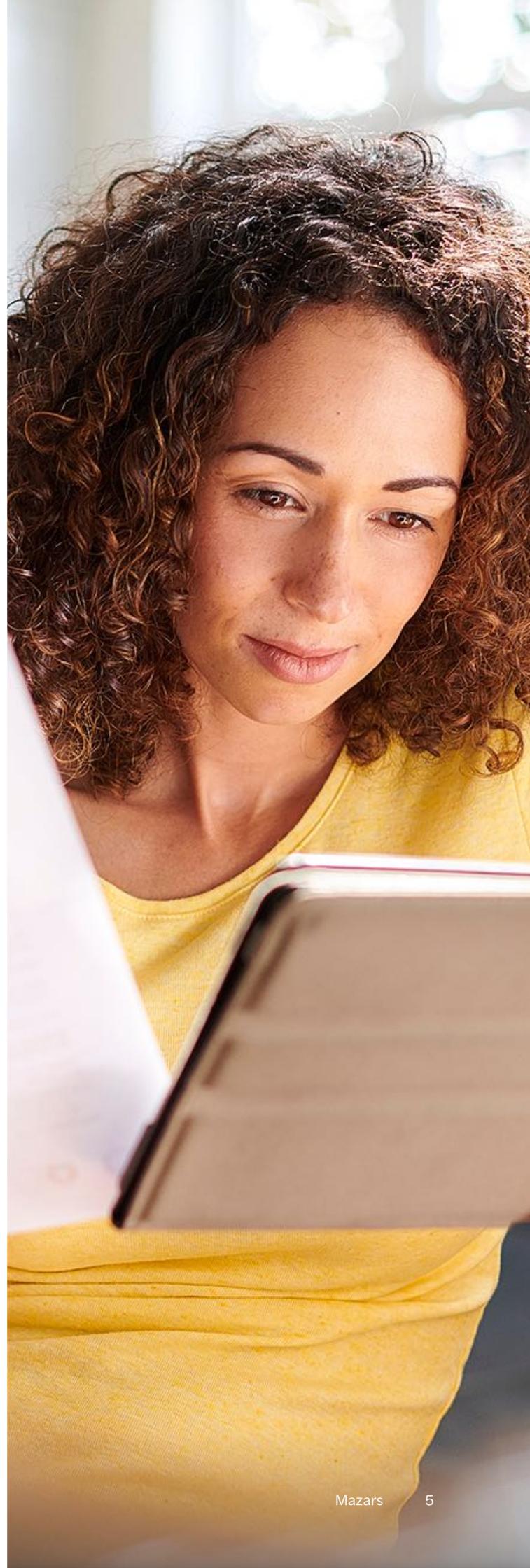
We would be glad to offer our assistance in this matter to discuss your concrete situation with you.

Martin Průša

Senior in Tax Department

Radka Dubnová

Manager in Tax Department



News in the Income Tax Act

Below we bring you a brief overview of the most important changes in Act No. 586/1992 Coll., on Income Taxes, which will come into effect from 1.1.2022.

Increase of the taxpayer tax credit

The basic taxpayer tax credit for the year 2022 has been increased from CZK 27 840 to CZK 30 840.

Increase of the tax credit for child placement (pre-school allowance)

The next tax relief that has been increased for the year 2022 is the tax credit for the placement of a child. While the amount of tax credit corresponds to the amount of expenses demonstrably incurred by the taxpayer for the placement of a dependent child in a pre-school facility, the maximum amount of tax credit is limited by the amount of the minimum wage, which has been increased by CZK 1,000 since 1 January 2022 to CZK 16,200.

Cancellation of the monthly tax bonus ceiling

The de facto cancellation of the ceiling of the **monthly** tax bonus, i.e., the difference between the calculated income tax and the child tax credit in the event of an assessment of a negative tax liability.

Until 2020, the tax bonus had an annual ceiling of CZK 60,300, thus the taxpayer could apply a maximum of CZK 5,025 per month. Part of the tax changes for 2021 was the cancellation of the aforementioned annual ceiling. However, the limit of the actual monthly bonus itself in the original amount of CZK 5,025 has only been cancelled from 2022.

From the new year, a new flat tax rate applies to trade licences

The amount of the monthly advance payment on the flat tax for next year is CZK 5,994. You can learn more about the flat tax in our article Flat-rate tax at the end of the first year.

New tax credit for ceased enforcement proceedings

From 1.1.2022, a new credit for income tax payers has also been introduced (the credit can be used by legal entities and natural persons) on the grounds of ceased enforcement proceedings. The new tax

credit is based on a change in the Enforcement Code and will only apply to low-value claims not exceeding CZK 1,500 (without interest and fees), for which nothing has been collected in the last 3 years (i.e. 2019,2020,2021). If nothing is recovered during this period or even after the enforcement agent's call to deposit an advance payment for the costs of enforcement, the enforcement proceedings will be ceased.

In the case of ceased enforcement proceeding, the creditor is entitled to compensation in the amount of 30% of the original debt (i.e., without accessories). However, the compensation is not received by the creditor in the form of cash, but it will be possible to deduct it from his/her income tax as a tax credit. In the event that the creditor does not declare any tax liability for the given tax period, the discount shall be forfeited without compensation.

Due to the low limit of the original claim of CZK 1,500, it can be expected that this discount will be used by business entities with a large amount of small claims (e.g., providers of telecommunication services).

Changes resulting from the ATAD

The changes resulting from the Anti-Tax Avoidance Directive (ATAD) effective from 1.9.2020 are supplemented from 1.1.2022 with further changes to limit the eligibility of excessive borrowing expenses for members of public companies or general partners of limited partnerships.

International tax relations

This entered into force in 2021 and starting from 1 January 2022, the Czech Republic will start to implement a double taxation treaty in the area of income taxes with Bangladesh. It is a standard comprehensive bilateral tax treaty that regulates taxation and the exclusion of international double taxation of all possible types of income.

Vendula Velenská

Tax Senior

Effects of the new minimum and average wages from the New Year

At the end of 2021, the government specified information in Decree No. 356/2021 that influences the increase of the average wage and it also passed Decree No. 405/2021 Coll., which increases the minimum wage starting from January 2022. This news does not only impact the issue of pension insurance, but also the area of personal income tax and social security insurance and in public health insurance.

Minimum wage

From January 2022, a further increase to the minimum monthly wage by CZK 1 000, i.e., from CZK 15 200 to CZK 16 200, was made based on a proposal of the Czech Ministry of Finance. Apart from the employees working for a minimum wage, who will see their finances improve, this increase has consequences for several important limits decisive for tax and other payment obligations.

The minimum wage and health insurance for persons without taxable income. The minimum wage is the assessment base for health insurance for persons without taxable income, such as students above 26 years of age or the unemployed outside labour office records. Persons without taxable income pay health insurance by themselves and thus in 2022 they will be paying insurance companies more than last year, specifically CZK 2 187 per month, as a result of the increase of the minimum wage. Persons without taxable income must already pay the new amount for January 2022, specifically by 8.2.2022.

The minimum wage and small income at the labour office. In accordance with the Employment Act, an applicant for employment can be kept in the labour office's records if his/her monthly wage from employment or remuneration from work contracts does not exceed half of the minimum wage, i.e., the amount of CZK 8 100 for the year 2022.

The minimum wage and the Income Tax Act. According to the Income Tax Act, income in the form of regularly paid pensions is exempt from income tax up to 36 times the minimum wage. In 2022, pensions of up to CZK 583 200 per year will therefore be exempt from income tax. Further, the increase of the minimum wage will influence the possibility of achieving a tax bonus. In 2022, a taxpayer that has income amounting to at least **six times** the minimum wage, i.e., a taxpayer with annual income from employment or from self-employment reaching at least CZK 97 200, has a right to such a bonus. The minimum wage also influences the maximum amount of the discounts for the placement of a child, which increases to CZK 16 200 per year for 2022.

Average wage

The average wage for 2022 increased to CZK 38 911 on the basis of Government Decree No. 356/2021 Coll.

Premiums for social security and health insurance. The average wage also influences the minimum and maximum bases of assessment and the amount of the insurance premium instalments for the self-employed. The maximum annual base of assessment for employees and the self-employed for the purposes of social security is set in the amount of 48 times the average wage, i.e., CZK 1 867 728 (the ceiling for the payment of health insurance has not been set). All of the self-employed performing a main activity have to pay monthly instalments on social security and health insurance, which are based on the gross profit the self-employed person achieved in the previous period. At least the minimum amount of the monthly instalments must always be paid. This minimum instalment depends on the average wage. The new amount of the minimum instalment for social security for the self-employed in 2022 amounts to CZK 2 841 and the new amount of the minimum instalment for health insurance in 2022 amounts to CZK 2 627. If the self-employed performs his/her activity as a supplement, he/she incurs the obligation to be a participant in pension insurance, if the difference of the income and the expenses exceeds 2.4 times the average wage, i.e., an amount of 93 387 for the year 2020.

Flat-rate tax. The new amount of the flat-rate tax in 2022 amounts to CZK 5 994. You can learn more about the flat-rate tax in our article Flat-rate tax after the end of the first year.

Income tax. The progressive income tax rate of 23% applies from that part of the tax base that exceeds 48 times the average wage for the tax period, i.e. the amount of CZK 1 867 728.

If you have any question related to the information provided above, please do not hesitate to contact our specialists.

Anna Klímová

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Indirect tax news in brief

Changes in application of the special scheme for travel agents from 1 January 2022

Significant changes are being made to the application of the special scheme for travel agents. The amendments were introduced in Act No. 343/2020 from 22 July 2020, but the effect of the new rules for this special scheme was postponed until 1 January 2022.

It is now necessary to set a surcharge for each individual travel service separately. Furthermore, the obligation arises to recognise tax on advances already received for the provision of travel services subject to the special scheme. In this context, two possible methods of calculating the coefficient are introduced. Last but not least, the scope of the exemption for air transport carried out both in the European Union and in third countries has changed. Now only the part of the transport within the territory of the European Union will be exempted.

The changes are described in the [information of the GFD](#).

VAT on electricity and gas in 2022

The Ministry of Finance did not extend the VAT exemption for the supply of electricity and gas. Thus, as of January 2022, VAT will be applied in the standard way to the supply of electricity and gas.

End of the waiver of VAT for respirators and similar goods in connection to COVID-19

The Ministry of Finance has decided not to further extend the VAT exemption for filter half-masks and respirators with protection class FFP2 and higher, which thus ended on 31 December 2021. However, the exemption from customs duties and VAT on imports of medical devices by public institutions, which are subsequently directly used in the fight against pandemics, or distributed for the same purpose, continues to apply until 30 June 2022 (see the [press release of the Customs Administration of the Czech Republic](#)).

Increase in excise duty rates for tobacco products from 1 January 2022

The rates of excise duty on tobacco products increased by about five percent, both for the fixed part of the rate on cigarettes and for the rate for other products. The percentage part of the rate for cigarettes is not changing. The rate increase applies to cigarettes, cigars, cigarillos, smoking tobacco and heat-not-burn tobacco products. The rates

of excise duty on tobacco products are increased in accordance with the schedule for the period of 2021 to 2023 ensuing from Act 609/2020 Coll. Rates will increase further from 1 January 2023.

The moment of VAT deduction for services with deferred payments

In its recent decision [C-324/20 X-Beteiligungsgesellschaft](#), the Court of Justice of the European Union (“CJEU”) expressed its views on the moment of the obligation to pay VAT where the payment for a one-off service was spread over several instalments. The CJEU stated that it is not possible to postpone the payment of VAT for a one-off service, even if the remuneration for such services is spread over time, and the taxpayer is thus obliged to pay the tax on the outstanding remuneration. The CJEU thus confirms the established practice. At the same time, however, the decision also deals with the general rules for determining the date of performance of a long-term service, and introduces a new perspective on this issue for fixed-term services if there are payments for part of the agreed period.

The Supreme Administrative Court has commented on the marketing services provided for the purpose of the settlement of profitability

The Supreme Administrative Court (“SAC”) assessed whether a marketing service invoiced by a Czech drug distributor to the parent company in Switzerland constitutes a separate transaction taxable in Switzerland or whether it is subject to Czech VAT, because it is a third-party payment for the price of medicines sold domestically. In its [judgment](#), the SAC stated that the parent company could be interested in promoting its products in the Czech Republic and be the recipient of the marketing service provided by the Czech distributor, even if it is not the manufacturer of the medicinal product itself. Another conclusion of the SAC is that the provision of marketing services does not constitute ancillary service to the local sale of medicines. However, this conclusion should be interpreted in the light of the specific circumstances of the dispute and cannot be generalised. However, the decision may be another indication for the tax treatment of services provided within the group of related companies.

Štěpánka Šťastná
Tax Senior

Pavla Polanská
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Flat-rate tax at the end of the first year

The first year of operation of the new flat-rate tax is behind us, and the first taxpayers who applied at the beginning of 2021 (or during the year in the case of business start-ups) for the flat-rate scheme will see whether their tax liability and contributions to public insurance for 2021 will actually be settled by a flat-rate tax, or if they will be obliged to submit tax returns and reports.

In order to make the whole thing more complicated, during the tax period, facts could arise that require only the filing of a tax return for a given tax period while maintaining the flat-rate scheme, or also circumstances that lead to the termination of the whole flat-rate scheme (however, even under this scenario, the tax can still be settled by a flat-rate tax under certain circumstances). Below we will discuss the individual situations in more detail.

The tax is settled by a flat-rate tax

The simplest situation occurred when the conditions under which the taxpayer applied for the flat-rate scheme at the beginning of the year were also valid at the end of the year and the purpose of the flat-rate tax was therefore fulfilled. This happened if the taxpayer remained a self-employed person subject to statutory health and social insurance regulations, is not a VAT payer, is not a member of a general partnership or a general partner of a limited partnership, is not a debtor against whom insolvency proceedings have been initiated, whose income from a business activity (except for the tax-exempt or taxed income by the withholding tax) did not exceed CZK 1 million, does not have income from dependent activities (except for those taxed by withholding tax) and whose income from capital assets, rent and other income did not exceed CZK 15,000 in total.

In this case, the taxpayer does not have to do anything (i.e., file a tax return and a statement of insurance premiums) and his/her tax and insurance obligations will be settled by the flat-rate advance payments made on the last date of the deadline for submitting the return. The tax administrator itself will transfer the amounts corresponding to health and social insurance to the relevant institutions.

Nevertheless, this variant is not completely „painless“. The taxpayer must not forget the obligation to make any adjustments to the tax base in the transition from the standard methods of

determining the tax base to the flat-rate tax. The specific adjustment of the tax base depends on whether the taxpayer has kept accounts, tax records or applied lump sum expenses during the previous period, and the tax base is adjusted, for example, by balances of provisions, adjustments, receivables, debts or inventory. The adjustment of the tax base shall be carried out in the form of an additional tax return for the period preceding the period in which the tax is equal to the flat-rate tax, whereas the taxpayer shall be perceived as not being late in submitting this additional return.

Submission of the tax return while maintaining the flat-rate scheme

If the taxpayer finds at the end of the year that its income from capital assets, from rent and other income (e.g., non-exempt income from the sale of real estate or securities) exceeded a total of CZK 15,000, or received income from dependent activity (other than that taxed by withholding tax, i.e., income from an agreement to perform work up to CZK 10,000), the flat-rate scheme will not be terminated (i.e., the taxpayer will be able to continue the payment of flat-rate advances the following year), but the taxpayer will be obliged to file a return and reports in the standard scheme for the given year.

This obligation can bring some more challenging moments at this time. The first is how the taxpayer will be able to determine the tax base, since it was not obliged to keep tax records under the flat-rate tax scheme. If this taxation method would differ from the previous year (in our situation since 2020 when, for example, the tax base was established on the basis of the tax records, but for 2021, the taxpayer will only be able to apply lump sum expenses), tax base adjustments would be used once again in the additional tax return for the previous year. Furthermore, the taxpayer will have to divide the paid flat-rate advance payments into the tax part and the

advance payments on health insurance and social insurance (the flat-rate advance consists of a CZK 100 advance on tax, the minimum advance on health insurance and the minimum advance on pension insurance increased by 15%). If there have been any arrears on the advance payment, these arrears should be divided between the three components of the flat-rate advance in the same ratios.

On the other hand, the advantage of submitting a tax return may be the possibility of applying any tax credits and deductions from the tax base, which are not possible for the flat-rate tax.

Submission of a tax return while terminating the flat-rate scheme

During the course of or at the end of the year, circumstances may have arisen which, in addition to the “mere” impossibility of settling the flat-rate tax, led to the termination of the whole flat-rate scheme. These circumstances may be a situation where the income from business activities for the tax period exceeded CZK 1 million, the taxpayer became a VAT payer, became a member of a general partnership or a general partner of a limited partnership, the decision on the bankruptcy of the taxpayer came into effect and the insolvency proceedings were not terminated, the taxpayer has ceased to be covered by the Czech regulations on health and social insurance, or the taxpayer has ceased to be a Czech tax resident and has ceased to carry out a business activity on the territory of the Czech Republic.

These circumstances, in addition to the aforementioned obligation to file returns and reports in the standard scheme, have the consequence that the taxpayer is obliged to announce these facts to the tax authorities within 15 days of the date on which this fact occurred. Furthermore, in this situation the taxpayer must not forget to renew the payment of standard advances on tax and insurance premiums, as has emerged from the last returns and overviews for 2020.

The flat-rate scheme was terminated, but the tax is settled by a flat-rate tax

Finally, there may have been circumstances in which, although the flat-rate scheme is terminated, the tax for this period would still be settled by a flat-rate tax, if (i) the taxpayer interrupts his/her independent activity, but re-starts it by the date for

submitting the return, while not breaching any other conditions, or (ii) the decision on the bankruptcy of the taxpayer has become effective and insolvency proceedings have not been completed or (iii) he/she voluntarily withdraws from the flat-rate scheme, while maintaining the other conditions for applying the flat-rate tax.

Are you unsure of the situation you have found yourself in?

Since the flat-rate tax is a completely new, unfamiliar form of income taxation, we recommend for you to consult with an expert if you have actually met the conditions for applying for the flat-rate tax for 2021 and you are not obliged to file a tax return.

Flat-rate tax in 2022

If you are not yet in the flat-rate scheme and are considering the flat-rate tax, you need to assess at the end of this year whether a flat-rate tax is worthwhile for you in 2022. The taxpayer's advance payment in the flat-rate scheme in the advance period of 2022 will be CZK 5,994 per month, i.e., CZK 71,928 per year (from which there is a CZK 100 advance on income tax, a CZK 3,267 advance on pension insurance and a CZK 2,627 advance on health insurance). For comparison, in 2021 the monthly amount was CZK 5,469, thus the annual amount was CZK 65,628.

You have only a very short time to make a decision in January, just 10 days, i.e., until 10/1/2022.

You also have the same time limit for any announcement of the voluntary withdrawal from the flat-rate scheme.

Jana Nováková

Tax Senior



