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Tax amnesty

**Transfer pricing
IFRS
Reverse-charge mechanism**

1. IFRS may be applied from 2011 already

Ministry of Finance has prepared an amendment of the Accounting Act for comments, which contains the proposed effect from the year 2011 on the basis of which it will be possible to undertake reporting in accordance with International financial reporting standards (IFRS) also for bookkeeping and preparation of financial statements. However, the base for corporate income tax purposes will still have to be calculated from the financial results according to the Czech accounting standards.

2. The forthcoming reverse-charge on fuel

Ministry of Finance is preparing an amendment to the VAT Act with the effect from the year 2011 whereby the mechanism of reverse-charge, i.e. the transfer of tax liability from suppliers to customers, would be also applied in case of fuel.

3. Transfer pricing

Case law of the Supreme executive court has recently brought an important conclusion regarding transfer pricing. So far generally accepted opinion, that the burden of proof in disputes when setting transfer prices lies on the taxpayers, has been indirectly rejected. It transpires from the decision of the Supreme executive court that the tax administrator must demonstrate the inaccuracy of transfer prices used by the taxpayer, therefore the burden was passed onto the tax administrator.

4. Tax amnesty

The tax amnesty, under which would those hiding their income abroad were supposed to remain unaffected, is not going to happen, according to the latest edicts of the Ministry of Finance. Problems of concealment of the incomes and withholding taxes should be solved by a new Tax order with the effect from 1 January 2011, under which among other things, a three-year period for an additional tax assessment extends to 10 years.

