



**Praha**

David James  
Hybernská 32  
110 00 Praha  
Tel: +420 221 111 611  
Email: djames@bakertillyczech.cz

**Brno**

Lucia Rábllová  
Česká 17  
602 00 Brno  
Tel: +420 542 425 823  
Email: lrablova@bakertillyczech.cz

## Amendment of the Income Tax Act

### A brief overview of legislative changes effective from 1 January 2011

An extensive amendment to the Income Tax Act will come into force on 1 January 2011. The following text summarises the major points that this amendment will introduce.

#### 1. Financial leasing

The Act introduces a minimum rental period for the assets included in depreciation groups 4 and 5 where acquired under finance leases with subsequent purchase. The amendment also allows the application of severance pay on the lease assignment agreement in the tax base through tax depreciation in case that such amount in accordance with accounting principles become part of the input price of the assets.

#### 2. Fixed costs of transport

The law provides that for one vehicle fixed costs cannot be changed to actual costs during the tax year. The amendment also introduced the term "parking". Act provides what parking expenses cannot be included into the tax deductible costs. In case of joint ownership of the vehicle, fixed costs are determined in the way that each of the co-owners can apply only a proportional part of fixed costs and it is not allowed to apply the actual cost for one co-owner and proportional part of fixed costs for the other.

#### 3. Income from environmental sources

The amendment repeals the exemption of income from organic sources and equipment placed in service after 31 December 2010. Furthermore, the law extends the depreciation period to 20 years for the specified tangible assets partly used to production electricity from solar energy. Depreciation is calculated as monthly, straight-line and throughout the depreciation period is not interrupted.

#### 4. Other changes in income tax

- Taxation of retirement pension in case of crossing the limit for extra income in the amount of CZK 840 000 per year.
- The reduction from the basic tax payer relief from CZK 24 840 to CZK 23 640 – only for 2011.
- Life insurance payouts, which are not indemnity payments and do not constitute a termination of the insurance contract, can be reduced only by the premium paid by the employee, not the employer for the purpose of determining the tax base from 2011.
- A new possibility to deduct lump sum costs at 30% from rental income from the assets allocated to the business assets.
- Increased limits for tax deductible donations from legal entities to secondary or higher vocational schools up to 10% of the tax base.

[www.bakertillyczech.cz](http://www.bakertillyczech.cz) | 1



an independent member of

BAKER TILLY  
INTERNATIONAL

The information contained in this material is general and does not provide a comprehensive analysis of these topics. Despite the fact that we try to ensure the timeliness and accuracy of the information contained in this material, we cannot guarantee that it will still be valid on the date it is read. Therefore users of this information should not base any business or investment decisions on it without first discussing the matter with a professional advisor. Our initial consultation is free.

Privacy & Disclaimer Feedback

2009 Baker Tilly Czech Republic, spol. s r.o., Baker Tilly Czech Republic Audit s.r.o. and Baker Tilly Czech Republic Tax Advisers, s.r.o. are independent member firms of Baker Tilly International which is the world's 8th largest accountancy and business advisory network by combined fee income of its independent members. Baker Tilly International member firms specialise in providing accountancy and business advisory services to entrepreneurial, growing businesses and mid-market corporates worldwide.