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**Anti-crisis packages**

**The amendment of the Income Tax Act  
The amendment of the Act  
on Social Security**

In the area of tax law and social security law, significant legislative changes came into force in June. The most important of them are as follows:

**1. Shortening of the depreciation period of tangible assets included in depreciation groups 1 and 2**

For assets acquired from 1 January 2009 through 31 June 2010, if the tax-payer is the first owner, the depreciation period for the 1st depreciation group is reduced to 12 months. Under the same conditions, the depreciation period for the 2nd depreciation group is shortened to 24 months. In the first 12 months, 60% of input price is depreciated and in the next period of 12 months, it remains at 40%. The technical appreciation of such depreciated assets does not increase their input price, but is depreciated separately.

**2. Tax deductibility of financial lease**

Instalments of financial lease with subsequent purchase of leased tangible assets, which is depreciated according to the above listed rules, are considered tax deductible costs if the lease period lasts at least 12 months for assets in the 1st depreciation group and at least 24 months for assets in the 2nd depreciation group. Other conditions of the tax deductibility of instalments are the same as for standardly depreciated assets.

**3. Elimination of discrimination against non-residents**

Tax non-residents from the EU Member States and from the states constituting the European Economic Area can include also income subject to withholding tax (e.g. interests, royalties) in their tax return, and claim income-related costs. It is possible to off-set withheld tax against tax liability and request a refund of eventual tax overpayment.

**4. Avoidance of double taxation of income from employment**

Tax-payers, who have income from employment performed in the states with which the Czech Republic concluded a double taxation treaty, have an option to exclude this income from taxation, even in those cases, where the relevant double taxation treaty determines tax credit as the only method of elimination of double taxation. This change is effective already for the taxable period of 2008.

**5. Classification of profit distributions**

From the taxation period commencing in 2010, interests, which are assessed as tax non-deductible according to the thin capitalization rules, and differences between the agreed and usual price are not considered profit distribution unless they are charged to tax-resident from any state of the EU or European Economic Area.

**6. Tax deductibility of costs related to professional development of employees**

Already for the taxation period of 2009, the entire costs of training and retraining of employees are tax deductible for the employer so far as they are related to the subject of its activities. On the employee's side, this is considered tax-exempt income.

**7. Premium discount on social security for employers**

For employees with a salary up to 1.15 times the average wage, who are employed through a whole calendar month, the premium discount on social security in an amount of 3.3% of the difference between 1.15 times average wage and employee's assessment base belongs to the employer until the end of the year 2011. The amount of the premium discount for a single employee may not exceed 25% of his assessment base and it can be applied only until the maturity date of insurance.