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A little reminder for the year 2012 |

**Tax obligations in January 2012
Changes in meal allowances for business trips
Return of “unfounded” tax inspections**

Together with other news and legislative changes which we have informed you about in the December issue, the beginning of the New Year brings also a lot of new obligations. Since very strict penalties for failure to comply with tax obligations run from the date of effectiveness of the new Tax Administration Act, full and timely compliance with these obligations can save you considerable money.

| 1. Real Estate Tax Return

If a tax payer bought a piece of real estate located in the Czech Republic during the year 2011, he or she is obliged to submit the Real Estate Tax return for the year 2012 at the latest by 31 January 2012 whereas the tax not exceeding the amount of CZK 5,000 is payable as of 31 May 2012. In case of a higher tax liability, it is payable in two identical payments (as of 31 May and 31 November 2012). If the tax payer did not purchase any real estate in the last year, but he does own some which was acquired earlier, he does not have to submit the tax return. However, the obligation to pay the tax on the basis of tax assessment sent by appropriate tax administrator in accordance with the above rules remains.

| 2. Road Tax Return

The tax payer is obliged to submit the Road Tax Return by 31 January of the calendar year following the relevant taxation period at the latest, i.e. in the case of the taxation period of the year 2011 this is by the end of January 2012. As of this date, also the calculated tax liability net of the tax advances paid during the year 2011 must be paid.

| 3. Meal allowances for business trips

Due to changes in the labour law, new rules for provision of meal allowances for business trips are applicable since 1 January 2012. That is especially important for employers. On one hand, the minimum limits of meal allowances have been increased. On the other hand, the employer is on obliged to reduce the amounts of meal allowances from now on, provided that a free meal was provided to the employee during the relevant day of business trip. Although the law sets only minimum limits of meal allowances (i.e. employers are not prevented from providing per diems in higher amounts), only meal allowances up to these statutory amounts are tax deductible.

| 4. “Unfounded” tax inspections

Based on the decision of the Czech Constitutional Court from the last December, the tax administrator may decide to carry out a tax inspection regardless of whether there is a reason indicating tax evasion on the part of the taxpayer concerned or not. With this decision, the Constitutional Court broke the ban on “unfounded” inspections which was expressed in one of its earlier decisions. However, the ban on “unfounded” inspections is still applicable in the case of abuse of the law on the part of the tax administrator.

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