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Changes in taxes for 2011

**Selection of legislative changes in tax law
from 1 January 2011**

In the beginning of 2011, the amendment to the Income Tax Act, new Tax Administration Act as well as other new tax rules came into force. In the following article we would like to alert you of some of these changes.

1. Write-off of receivables

The amendment of the Income Tax Act has brought a change in the conditions for claiming tax deductible write-offs of receivables. These are no longer defined in relation to the Act on Reserves. From 1 January 2011 it is possible to write-off receivables of more than 200 000 CZK, even if no judicial procedure is being carried on in respect of them. It is only necessary to meet all the other requirements for creating tax provisions which are stipulated in the Income Tax Act.

2. Repeal of the reclassification of profit shares

From the beginning of the new year the difference between the agreed price and the usual price, as well as the interest on loans and credits granted between joint persons, if paid to a tax resident of another EU Member State or EEA, will not be reclassified to profit shares, i.e. now is not necessary to deduct and pay withholding tax on them.

3. Changes in payment of taxes

Under the austerity measures, the Ministry of Finance will not refund to the Czech Post Office costs associated with the tax post money order. From 1 January 2011, taxpayers have to use the classic post money order type "A" and pay the administration fee for money transfers which currently ranges from 22 CZK, depending on the amount levied. Taxpayers can also pay the tax liability on the cash desk of Tax Office, via bank transfer or internet banking.

4. Sickness "supplementary insurance"

From 1 January 2011 employers are not allowed to deduct the half of the wage compensation paid to employees during the first 21 days of temporary inability to work from the paid social security contributions. However, employers with an average monthly number of employees up to 25 can, at their own discretion, pay the "supplementary insurance" for each calendar year. If the employer voluntarily pays social security contributions at the rate of 26% (not only at the mandatory rate of 25%), the possibility to deduct half of wage compensation paid to employees during the first 21 days of temporary incapacity from the social security contributions will still exist.

