



Praha

Martin Kováč
Hybernská 32
110 00 Praha
Tel: +420 221 111 611
Email: mkovac@bakertillyczech.cz

Brno

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

Summer news in taxes |

**Electronic registration for taxes
Amendment to the Act on Real Estate Tax
Actual ownership of dividends**

| 1. Electronic registration for taxes

From 1 July 2011, it is possible to register for taxes via the internet. The Czech Tax Administration has prepared four new electronic forms in this respect, namely an application for registration for individuals, legal entities, payer's cash register and for registration for VAT. General text and electronic attachments in the specified format can be also connected to the completed form.

The electronic forms are available at the web sites of the Czech Tax Administration.

| 2. Amendment to the Act on Real Estate Tax

The Chamber of Deputies has approved an amendment to the Act on Real Estate Tax, which will come into effect on 1 January 2012. The main content of this amendment is the taxation of paved areas used for business by a specific tax rate on land, namely in the amount of 1 CZK per m² in case of using the area for agricultural business, or 5 CZK per m² in case of using for other business activities. These constructions with no vertical supporting structure (so called surface structures) are for example handling areas, some kinds of parking areas, areas for stacking goods and exhibition spaces.

| 3. Actual ownership of dividends

On 10 June 2011, the Supreme Administrative Court issued a decision, which deals with the dispute between the Czech company which – in accordance with the double tax treaty between the Czech Republic and the Netherlands – used a zero withholding tax on dividends paid to its parent company based in the Netherlands, and the competent tax authority which put in question the use of the double tax treaty with the Netherlands. According to the tax authority, the treaty with Great Britain should have been used – whereas at the respective time, the amount of withholding tax on dividends has been set at 5% - as the Dutch and the Czech company was indirectly owned by a company based in the UK, i.e. the actual owner of dividends according to the opinion of the tax administrator. The tax authority argued that the Dutch company was founded solely for the purpose of avoiding the withholding tax for dividends. Furthermore, the dividends were paid directly to the bank account of the British company. Therefore, this was considered to be a so-called covered/clouded legal act.

The Supreme Administrative Court rejected the idea that on the base of the fact that dividends were paid directly to the bank account of the British company, it is possible to conclude that the Dutch company did not benefit from the income and therefore was not the actual owner of dividends. On the other hand, even if the court decided that it was not a covered/clouded legal act, it did not deal with the fact that the selected holding structure could represent an abuse of law.

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.