



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

Latest from the Ministry of Finance

**Technical appreciation, interest on mortgages
Taxation of organizational units of foreign companies**

1. Entitlement to deduct VAT by technical appreciation

According to the amendment of the VAT Act effective from 1 January 2009, a technical appreciation is, for input VAT deduction purposes, considered to be a separable asset. Thus, if the VAT deduction has been applied in case of the technical appreciation, the purpose of its utilisation must be monitored over the next four years. If there is any change in utilisation, the input VAT deduction must be adjusted. According to the Ministry of Finance, if the technical appreciation had already been made before the amendment then the adjustment is required only when if the period for the implementation of deduction has expired, i.e. technical appreciations carried out between 2005 and 2008. It must be added, however, that the opinions of the Ministry of Finance are not definitive interpretations of the law and so the specific tax administration may not follow them, but they are generally followed.

2. Deduction of interest on mortgages

The directive D-324 issued by the Ministry of Finance has specified the conditions applicable to interest on loans as tax allowances for personal income tax. The purpose and aim of the law is to benefit those persons who are looking after their own housing needs, whereas the method of loan financing is not essential to that aim. In the future it will be possible to deduct interest on other loans used for refinancing mortgage loans or loans from building societies.

3. Taxable period for organisational units of foreign companies

From January 2010, the taxable period for VAT purposes will be determined individually for companies that are not incorporated in the Czech Republic, but which have a permanent establishment here. The taxable period will depend on the amount of their turnover. For turnover of up to 10 million CZK per annum, the taxable period will be the calendar term. If the turnover exceeds this threshold, the taxable period is the calendar month.

