



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

2012 will bring significant changes |

**Introduction of a lottery tax
Creation of a Specialized Financial Office
New international agreements in the field of taxes**

| 1. Lottery tax

The possibility which has been under discussion for a long time of introducing a lottery tax into Czech tax legislation is starting to take shape. Currently, lottery companies are exempt from corporate income tax. However, they are obliged to contribute a proportion of their profit to charitable purposes. However, according to the amendment of Income Tax Act, their profits should be subject to the corporate income tax as well as to the special lottery tax at the rate of 20%. According to a published comment of the Minister of Finance, the lottery tax might enter into effect as of 1 January 2012.

| 2. Specialized Financial Office

As of the beginning of the year 2012, a significant change in tax administration will enter into effect, namely creation of a new Specialized Financial Office which will be the competent tax administrator for companies with an annual turnover of more than two thousand million Czech crowns. Furthermore, more than 90 banks and insurance companies or where applicable their foreign branches will be concerned with this change of tax administrator. This amendment may also apply to other companies which perform complex financial transactions or where the risk of tax evasion exists. The Specialized Financial Office will not be the competent one for administration of taxes, which may be simultaneously administered by different local financial offices, such as real estate tax and real estate transfer tax.

The creation of the new "super-office" aims to increase frequency and proficiency of tax inspections as well as improvement of communication between tax administrators and certain selected taxpayers.

| 3. Double tax treaty between the Czech Republic and Poland

On 13 September 2011, new agreement on avoidance of double taxation and prevention of tax evasion in the field of income tax between the Czech Republic and Poland was signed. Now, the agreement must go through ratification procedure in parliaments of both countries. It is assumed that the agreement will enter into effect during the course of the years 2012 and in practice will be used from 1 January 2013.

| 4. New agreement on information exchange in tax matters

As we already mentioned in the September issue, another agreement on information exchange in tax matters has been signed between the Czech Republic and Guernsey. This is already the fifth such agreement; its task is to enable the domestic tax authorities to obtain information relevant for the purposes of tax administration and preparation of tax crime investigation. This agreement shall enter into force after approval by the Parliament and signature of the President of the Czech Republic.

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 specialize in providing accountancy and business advisory services to entrepreneurial, growing businesses and mid-market corporates worldwide.