



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

Turbulent changes in tax legislation

Car-scrap subsidy Increased VAT rate from the year 2010

1. Car-scrap subsidy

The so called car-scrap subsidy, e.g. financial support in the amount of CZK 30,000, will be granted to individuals if they purchase a new car costing up to CZK 500,000 on the condition that they scrap a car older than 10 years which they have owned for at least two years. Moreover, these individuals must not have any income from business or other independent gainful activity and must not be a VAT payer. The concrete date and practical application of this contribution will be determined in government regulation without which the scrap subsidy cannot be paid out.

2. Austerity package for the reduction of the budget deficit

In September an extraordinary act came into force which as from 1 January 2010 again changes the tax legislation in the following way:

- increased standard **VAT rate from 19% to 20%** and reduced **VAT rate from 9% to 10%**
- increase of excise duties on beer, alcohol, tobacco and fuel except for leaded petrol
- doubling of the real estate tax rates for buildings, lands, apartments and non-residential rooms
- lump sum expenses for private entrepreneurs with effect retroactively from the year 2009:
 - agriculturists and handicraftsmen 80%
 - other sole traders 60%
 - other business income 40%
- increase of maximum social and health insurance premium basis from 48 times (CZK 1,138,032) up to 72 times (CZK 1,707,048) the average wage in the Czech Republic

