

BDO TAX NEWSLETTER

NEW NOTIFICATION OBLIGATION REGARDING INCOME PAID TO NON-RESIDENTS

In connection with the tax package, which came into effect on April 1, 2019, we have already informed you in the previous editions of Tax News about a new notification obligation regarding income paid abroad. The taxpayer is obliged to report income from sources in the Czech Republic paid to a tax non-resident, from which the tax is withheld under a special tax rate (withholding tax). The notification obligation also applies to income exempted from withholding tax or income which in compliance with the respective double taxation treaty is not subject to taxation in the Czech Republic.

We would now like to emphasize that the reporting obligation also applies to:

- Income from services provided in the Czech Republic by non-resident taxpayers (with the exception of building installation projects) outside the permanent establishment,
- Income from independent activities carried out in the Czech Republic (e.g. architect, doctor, engineer, lawyer) outside the permanent establishment,
- Exempt profit shares and dividend payments,
- Interests,
- Royalties, etc.

All these revenues represent income from resources in the Czech Republic, on which a withholding tax is levied according to the Czech Income Taxes Act. The fact that the tax on such income is not actually withheld (because the income is exempt or the relevant double taxation treaty does not allow taxing such income in the Czech Republic) will not relieve the payer of the notification obligation.

The taxpayer is obliged to submit the notification to the tax administrator within the deadline for payment of the withholding tax on a prescribed form issued by the Ministry of Finance either in a printed form or via a data box. The electronic form of filing via the data box is obligatory for entities that have a

data box set up by law or whose financial statements are subject to audit.

An exception to the notification obligation represent only tax exempt income or income which is not subject to tax under the double taxation treaty, provided that the amount of such income does not exceed 100 thousand in one month or if the income arises from contract on work (“Dohoda o provedení práce”) or small-scale employment.

The notification duty applies to the taxpayers as of the effective date of the amendment to the Income Taxes Act (i.e. the first notification under the new regulation should be submitted by taxpayers by the end of May 2019).

For non-fulfillment of the obligation to report income paid abroad, the taxpayer could be fined up to CZK 500,000.

If you have any questions about this issue, please do not hesitate to contact us.

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