

# News Flash

January 2020



**Czech reporting obligation for  
income paid abroad – reminder**

## Czech reporting obligation for income paid abroad – reminder

As we have already informed you, since April 1, 2019, a new reporting obligation was imposed on payment of certain income to non-residents. The new reporting obligation is regulated by Section 38da of Act No. 586/1992 Coll. on Income Taxes.

The amended legislation stipulates that tax authorities must be notified of facts relating to income that is subject to withholding tax in the Czech Republic, including income that is exempt from or not subject to taxation in the Czech Republic under the relevant double tax treaty.

### Income and conditions

Dividends, interest and royalties are the most common types of income affected by the amendment to the Act. Most of this income was not reported prior the amendment came into force because the income was either exempt from withholding tax (e.g. dividend payment by a subsidiary to the parent company) or was not subject to withholding tax (e.g. interest income) as under the wording of the double tax treaties the right to tax such income was assigned to the State of the recipient of such income.

Furthermore, some “short-term” services are also subject to the reporting if they are provided or performed by a tax non-resident on the territory of the Czech Republic. These may be, for example, business, technical or other consultancy services, management or intermediary services or other services.

If the total amount of the same type of income to the same non-resident recipient (e.g. dividends, interest, royalties, services) that should be reported in a given month does not exceed CZK 100,000, the taxpayer is not obliged to report the payment of such income.

Notification of the payment of the income in question shall be submitted to the tax administrator by the end of the calendar month following the calendar month in which the taxpayer was to make the withholding, or should carry out such withholding if the payment of the income in question was not exempted from tax or if the payment of such an income would be subject to tax in the Czech Republic. The new notification obligation first affected the income paid or payable by the taxpayer in April 2019. In that case, the first notification should have been submitted by the end of May 2019.

The taxpayer may also file a request for exemption from the reporting obligation to the tax administrator, which may be valid up to 5 years. In this request, the taxpayer must state so-called legitimate reasons. However, it is still unclear what reasons are considered relevant by the tax authority and whether such applications will be successful.

### What is the risk of not meeting obligations?

If the taxpayer does not comply with the new reporting obligation, the tax administrator can impose a penalty for breaching a procedural obligation of non-pecuniary nature up to CZK 500,000.

## How Accace can help you?

First of all, we recommend performing an analysis of company's payments (or obligations) to foreign entities in order to determine which payments fall within the scope of the new reporting duty. Accace team will be pleased to assist you with this.

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