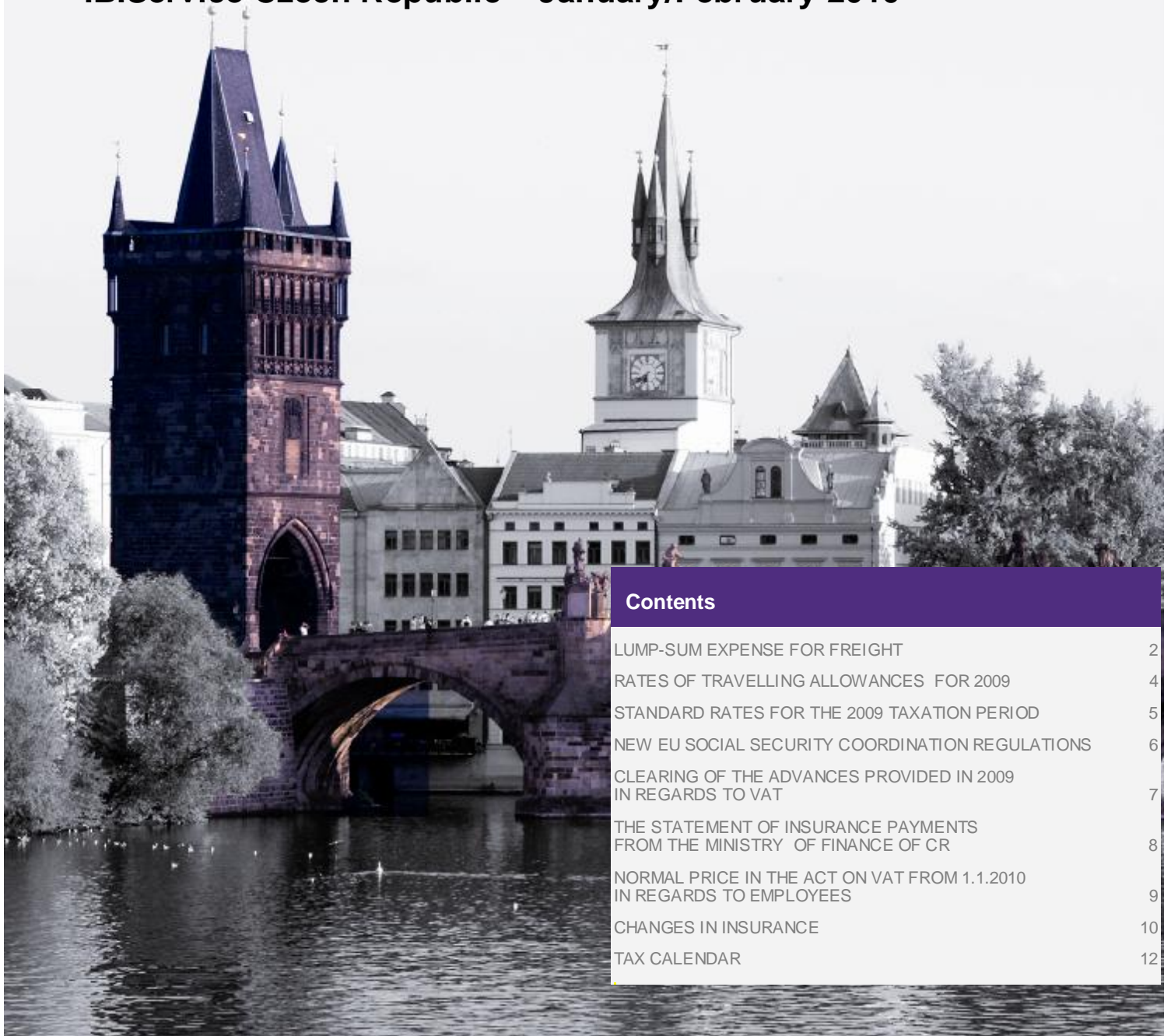


# Main Topic:

# Lump-sum expense for freight

**IB.Service Czech Republic – January/February 2010**



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# Lump-sum expense for freight

## Lump-sum expense for freight

An amendment to the Act on income tax came into effect in the second half of 2009, which relates to the expense claim for reaching, securing and keeping an income in connection with use of road motor vehicles. Income tax payers, physical entities with business and rental incomes (incomes in accordance with § 7 and § 9 of the Act on income tax) and legal entities, can apply this “lump-sum expense for freight” under specific conditions.

Lump-sum expense for freight is possible to apply first in the taxation period, which started in 2009. In fact it is a fixed expenses’ amount for fuel and parking fees, which does not depend on the actually spent expenses. The payer does not show the amount of this expense to a possible tax office inspection for the tax income purposes, but he shows the fulfilment of conditions for its applicability. The application of lump-sum expense is not obligatory, but it depends on a decision of the tax payer.

## Conditions for applicability of the lump-sum expense for freight

- a vehicle was used in a calendar month for reaching, securing and keeping incomes
- a vehicle was not at disposal of a different person for any part of the month – e.g. lump-sum expense for freight is not possible to apply on vehicles left at employee’s disposal for both official and private purposes
- own or rented vehicle; but it’s not possible to apply it on vehicles used on a loan contract basis
- a vehicle categorized in a class L, M or N according to Act on traffic conditions and overland communications no. 56/2001 Coll. (e.g. private and freight cars, motorbikes etc.)
- possible to apply on maximum of three cars in the taxation period

## The law determines two lump-sum expenses for freight

- **Lump-sum expense for freight in amount of 5.000 CZK** for each calendar month of the taxation period
- **Reduced lump-sum expense for freight in amount of 4.000 CZK** for the calendar month of the taxation period, if the vehicle is used only partly to reach, secure and keep an income (e.g. a businessman also uses the vehicle for private trips)



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**Inclusion of the individual expenses into the income tax base when applying the lump-sum expense freight**

**Lump-sum expense for freight and a right for a VAT reduction**

	Full lump-sum	Reduced lump-sum
Fuel, parking fees	5.000 CZK /month <i>Actual expenses are not a tax expense</i>	4.000 CZK /month <i>Actual expenses are not a tax expense</i>
Repairs, maintenance, insurance, rent etc.	In fact	80 % of actual expenses = a tax expense  20 % of actual expenses = not a tax expense
Tax reduction	Tax expense in a full amount	80 % = a tax expense  20 % = not a tax expense

A right for a reduction on a received supply related to the vehicle's use, on which the lump-sum expense for freight is applied for purposes of the income tax, is still necessary to prove with tax documents. It is also necessary to show as previously, that the received taxable supply related to the vehicle's use was used for tax payer's economic activity. It's up to him, which items of evidence he uses.

Experience shows, that such items of evidence can be a driver's report book. For these reasons it is recommended, that the VAT payer maintains it, even if he uses the lump-sum expense for freight on his vehicle for the income tax purposes.

# Rates of travelling allowances for 2009

## Rates of travelling allowances for 2009

The Ministry of Employment and Social Affairs published a declaration, which changes the basic rates for the use of motor vehicles and meal allowances and determines the average fuel prices.

**The compensation for one litre of FUEL (if the actual price is not proved by a receipt) for the use of the employees' personal vehicle:**

FUEL	Octane Number	2010 (CZK)	2009 (CZK)
Regular grade "Special"	BA - 91	<b>28,50</b>	26,30
"Natural"	BA - 95	<b>28,70</b>	26,80
"Super plus" (Natural)	BA - 98, 99 + 100	<b>30,70</b>	29,00
Diesel oil		<b>27,20</b>	28,50

The compensation for the wear and tear of the personal vehicle used for a business trip stays on **3,90 CZK**.

## Meal allowances for a domestic business trip:

Duration of the business trip	2010	2009
from 5 to 12 hours	<b>from 61,- to 73,- CZK</b>	from 60,- to 72,- CZK
from 12 to 18 hours	<b>from 93,- to 112,- CZK</b>	from 92,- to 110,- CZK
more than 18 hours	<b>from 146,- to 174,- CZK</b>	from 144,- to 172,- CZK



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## Meal allowance for a business trip abroad:

A decree of the Ministry of Finance no.459/2009 Coll. also came into effect, which set the rates of meal allowances for business trips abroad for 2010.

Here are the most frequent currencies:

Country	Currency	Daily rate
Germany	EUR	45,-
Austria	EUR	45,-
Slovakia	EUR	30,-
Switzerland	CHF	75,-
USA	USD	50,-
Great Britain	GBP	40,-

# Standard rates for the 2009 taxation period

## Standard rates for the 2009 taxation period

The Ministry of finance determined the standard rates for the 2009 taxation period by a D-337 direction.

Taxpayers that do not keep accounts will use the standard rates, acc. to the Act on income tax § 38, subpar.1, for conversion of foreign currencies.



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Here are some examples of currencies:

Country	Quantity	Currency	Standard rate
Australia	1	AUD	15,06
EMU	1	EUR	26,50
Switzerland	1	CHF	17,58
USA	1	USD	19,06
Great Britain	1	GBP	29,78

# New EU social security coordination regulations

## New EU social security coordination regulations

New EU social and health insurance coordination regulations (regulation 883/2004 and implementation provision 987/2009) will come into effect on 01.05.2010, which will replace now valid regulations (regulation 1408/71). The new regulations' objective is to simplify and clarify the current regulations.

### The most important changes:

- Enhancement of applicability of legal regulations of one state – social security of only one state will apply to persons carrying out activities in more member states. It should prevent cases, where one person is insured in more member states as it is at the moment, e.g. where a person is earning independently in CR and at the same time is employed in another member state.
- Employees sent by an employer to work in another member state for period longer than 24 months will still be subjected (under certain conditions) to domestic state legal regulations. The current period is 12 months.
- For person, that is employed in more states, is the applicability of legal regulations determined acc. to a residence state, if the person works in the residence state more than 25% from the total of its activities, in regards to working hours and/or salary. Similar rules apply to person earning independently.
- If the applicability of legal regulations was determined acc. to the current regulation 1408/71, it will be valid until the situation changes or until the person requests revaluation of acc. to the new regulation, but for a maximum of 10 years. It is discussed what to consider as a change of situation and a decision should be issued.
- New documents will be introduced – structured electronic documents for communication between institutions and transmittable documents issued to the insured. The current forms will be replaced by new ones (e.g. form E101 for a confirmation of applied legislation will be replaced by a form A1)
- Changes will be also in re-invoicing between states and institutions' cooperation (more flexible rules for communication, delivery, international receivables' enforcement etc.)



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# Clearing of the advances provided in 2009 in regards to VAT

## Clearing of the advances provided in 2009 in regards to VAT

A question arised, in regards to the increase of VAT rates to 10/20% in 2010, how to clear advances provided in 2009, on which was applied the 9/19% rate.

The Ministry of finance issued Information to the Act on VAT amendment 18/18/99264/2009. It is clear from this Information that advances accepted until 31.12.2009 will be cleared with 9/19% rate and advances accepted in 2010 with the 10/20% rate.

The Ministry of finance also mentions some examples of clearing the advances on its website:  
[http://cds.mfcr.cz/cps/rde/xchg/SID-D77B2702A8A2E1D4/cds/xsl/legislativam\\_etodika\\_10152.html?year=0](http://cds.mfcr.cz/cps/rde/xchg/SID-D77B2702A8A2E1D4/cds/xsl/legislativam_etodika_10152.html?year=0)



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# The statement of insurance payments from the Ministry of finance of CR

## The statement of insurance payments from the Ministry of finance of CR

The Ministry of Finance released a statement (no.051/11681/2010) of an obligation to file an additional income tax return in regards to a refund claim for the social insurance paid for the period 01-06/2007.

The Ministry's opinion is that until the court's definitive decision is made, it is not necessary for the subjects, which claimed the refund of the paid social insurance, to file (till the end of the following month since the claim submission) the additional income tax return for the period, to which it relates. The tax offices will not sanction late filing of the additional tax return, regarding the exceptional character of the whole matter.

Individual tax subjects will be informed about the potential obligation to file the additional tax return by tax offices in a form of an appeal.



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# Normal price in the Act on VAT from 1.1.2010 in regards to employees

## Normal price in the Act on VAT from 1.1.2010 in regards to employees

New § 36a is incorporated in the Act on VAT amendment from 1.1.2010, which determines that in some cases a normal price is considered as tax base, not a payment.

One of the cases is, when the payer will have to use the normal price is, when a taxable supply is realized in favour of a person in a legal relation to the payer acc. to the Labour code or in other similar relations ("employee"), and payment for this taxable supply is lower than the normal price determined by § 2 of the Act on pricing. This provision applies only to the employee, unlike the Regulation which allows to include in the group of persons, to which applies the normal price, members of family or other persons closely connected to the employee.

It can be applied mainly on goods and services, which the employer produces or provides, which he provides to his employees for a lower price.

Other possibility is a sale of employer's assets to the employees (e.g. used laptops) or providing a service for lower price than is charged to the employer (e.g. providing a car for operation leasing).

This category also includes the provision of employer's meal services to the employee for an advantaged price. These are cases, where the employer enables the employees to eat at a restaurant, delivers food to a canteen etc. Opinions on how to determine the normal price are significantly different; to set it on amount of the spent expenses comes into consideration. But interpretations exist that the normal price is a decreased subsidized price.

The Ministry of finance has not issued any interpretation of this issue. The determination of normal price does not apply to meal tickets, which are a money substitute.



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# Changes in insurance

## Changes in the social security insurance

Savings were published in the Act 362/2009 in connection with a draft of the Act on state budget of CR for 2010. These savings are in effect from 1.1.2010 to 31.12.2010.

The legislation changes affect these four areas:

- social security insurance
- state social benefits
- employment
- health insurance

Insurance reduction for the employer is cancelled from 1.1.2010. This reduction, which was introduced by the Act no. 221/2009, as one of the anti-crisis measures, was supposed to be in effect till the end of 2010. The insurance summary will be presented on new forms from January, which will not include reduction data or paid benefits.

Rates for the social insurance are still on 25% from the basis of assessment for social and health insurance and the employers can still deduct from the insurance payments half of the salary compensation paid to the employees for the first 14 calendar days of the temporary incapacity to work.

A change that should have been in effect from 1.1.2010, when the payment rate for the employer in amount of 24,1% passed, **was postponed by a year**, and the employers already should not have deduct the half of the salary compensation from the insurance payments, only for employees with health insurance.

The maximum basis of assessment for the social and health insurance payments for 2010 is a 72 multiple of the average salary: **1 707 048,- CZK**.

## Changes in the sickness benefits

The sickness benefits' payments calculation is based on a daily basis of assessment, which is divided in three reduction limits.

The reduction limits are slightly higher from 1.1.2010:

1. RL from 786,- to 791,-
2. RL from 1178,- to 1186,-
3. RL from 2356,- to 2371,-

Only 90% are included into the daily basis of assessment for **all payments** (including the maternity allowance and compensatory payments during pregnancy).

**Fixed rate of 60%** is used for the calculation of health insurance, nursing and maternity allowance.

**The nursing allowance is not paid for first 3 calendar days** of the need for nursing, same as on health insurance.

**All measures accepted for decreasing the sickness benefits with effect from 1.1.2010 were passed only for 2010.**



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### Changes in the health insurance

A change came into effect from 1.1.2010, which aims to unite the terms of when the insurance is due. The insurance paid by the employer for the individual calendar days is due from 1<sup>st</sup> to 20<sup>th</sup> day of the following calendar month.

The employer's health insurance payments summary needs to be handed over by the employer latest on the insurance due date.

### Employers' obligation to employ physically handicapped people

Physically handicapped people, who had a right for an increased protection in regards to the legal relations were until now:

- fully invalid people
- partly invalid people
- health disadvantaged people

these people are accepted 2010:

- invalid people in the third category
- invalid people in the first and second category
- health disadvantaged people

The average salary amount in the national economy, for the Act on employment purposes, is 22 896,- CZK. A state budget payment is deduced from this amount, when the obligatory ratio of people with health handicap to the employee amount is not fulfilled.

The obligation to pay the amount arising from unfulfilling the ratio for 2009 is valid until 15.02.2010

### Annual tax clearance for 2009

Rules for the clearance of employee advances for 2009 have not changed against 2008.

# Tax Calendar

## February

### 01.02.2010 – Monday

#### **Income tax**

Payment of tax withheld at special rate for December 2009

#### **Real estate tax**

Tax return for 2009

#### **Road tax**

Tax declaration and payment of tax for 2009

#### **Bio-fuel**

Reporting according to §3a subpar.6 of the Act No. 86/2002 Coll.

### 09.02.2010 – Tuesday

#### **Excise duties**

Due date for the tax for December 2009 (except on alcohol)

### 15.02.2010 – Monday

#### **Income tax**

Taxpayer's signature on the declaration of tax of natural persons on dependent activities and function-related benefits for 2010 taxation period and a signature on the annual settlement of tax advances and tax allowances for 2009

Filing of a request for the annual tax settlement

### 22.02.2010 – Monday

#### **Income tax**

Monthly transfer of aggregate advances withheld for the income tax of natural persons from dependent activities and function-related benefits.

Filing of the settlement of the income tax of natural persons from dependent activities and function-related benefits for the 2009 taxation period

### 24.02.2010 – Wednesday

#### **Excise duties**

Due date for the tax for December 2009 (on alcohol only)

### 25.02.2010 – Thursday

#### **Excise duties**

Tax declaration for January 2010

Tax declaration to claim the refund of excise duties on heating oils, green oil and other (technical) oil for January 2010 (if there was such entitlement)

#### **VAT**

Tax declaration and payment of tax for January 2010

#### **Energy taxes**

Tax declaration and payment of tax on gas, solid fuel and electricity for January 2010

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