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News Flash

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**Country by Country Reporting
in the Czech Republic**

Country by Country Reporting in the Czech Republic

The concept of Country by Country Reporting (hereinafter “the CbCR”) was introduced by OECD as part of its BEPS initiative (focusing on tax base erosions and profit shifting among countries). The Czech Republic has transposed the CbCR to its legislation through an amendment to Act No. 164/2013 Coll.

The CbCR represents a new tax filing obligation for all multinational groups of companies whose aggregate consolidated turnover for the previous accounting period exceeded EUR 750 million. The groups of companies that exceeded the above-mentioned threshold in 2015 are obliged to prepare and submit the CbCR for the first time for taxable period 2016 (or the periods ending before 31 October 2017).

The CbCR shall be submitted collectively as the entire group by the so-called “reporting entity” (mostly the ultimate parent company). Nevertheless, the reporting entity can also act as a representative European or parent entity (e.g. in the event of system failure of automatic CbCR exchange in the tax residence of the reporting entity). If the reporting entity is a Czech company, the deadline for the submission of the CbCR is 31 December 2017 (i.e. 12 months after the end of the reporting period in question).

The Czech companies that are members of a multinational group of companies that is subject to the CbCR obligation and that are not the reporting entity have a notification duty (i.e. liability to inform the Tax Authority about the entity reporting on their behalf). In the Czech Republic, this notification duty shall be met by 31 October 2017. In the event of any change in the reported data, the company is required to inform the Tax Authority no later than 15 days after the change.

Both the CbCR and the notification shall be addressed to the Specialized Tax Office and submitted exclusively through the EPO application (i.e. submission using company’s data box is not allowed). Further, we would like to draw your attention to the fact that the respective electronic form for fulfillment of the notification duty has been already published.

For violence of the notification duty, a fine up to CZK 600k could be assessed. In case the reporting entity fails in its obligation to submit the CbC Report it is facing possible fine up to CZK 1.5M.

Simultaneously, we would like to draw your attention to the fact that this information provides the Tax Authority with a comprehensive overview of income from intragroup transactions and fulfillment of related tax obligations in each particular jurisdiction. Thus, based on this information the transfer prices between group members could be challenged by the Tax Authority.

Please make sure whether the notification duty (or CbCR announcement duty) applies to your situation. In case it might be of your interest, we would be pleased to assist you with a complex fulfillment of your CbCR obligations or related transfer pricing issues.

Disclaimer

Please note that our publications have been prepared for general guidance on the matter and do not represent a customized professional advice. Furthermore, because the legislation is changing continuously, some of the information may have been modified after the publication has been released. Accace does not take any responsibility and is not liable for any potential risks or damages caused by taking actions based on the information provided herein.

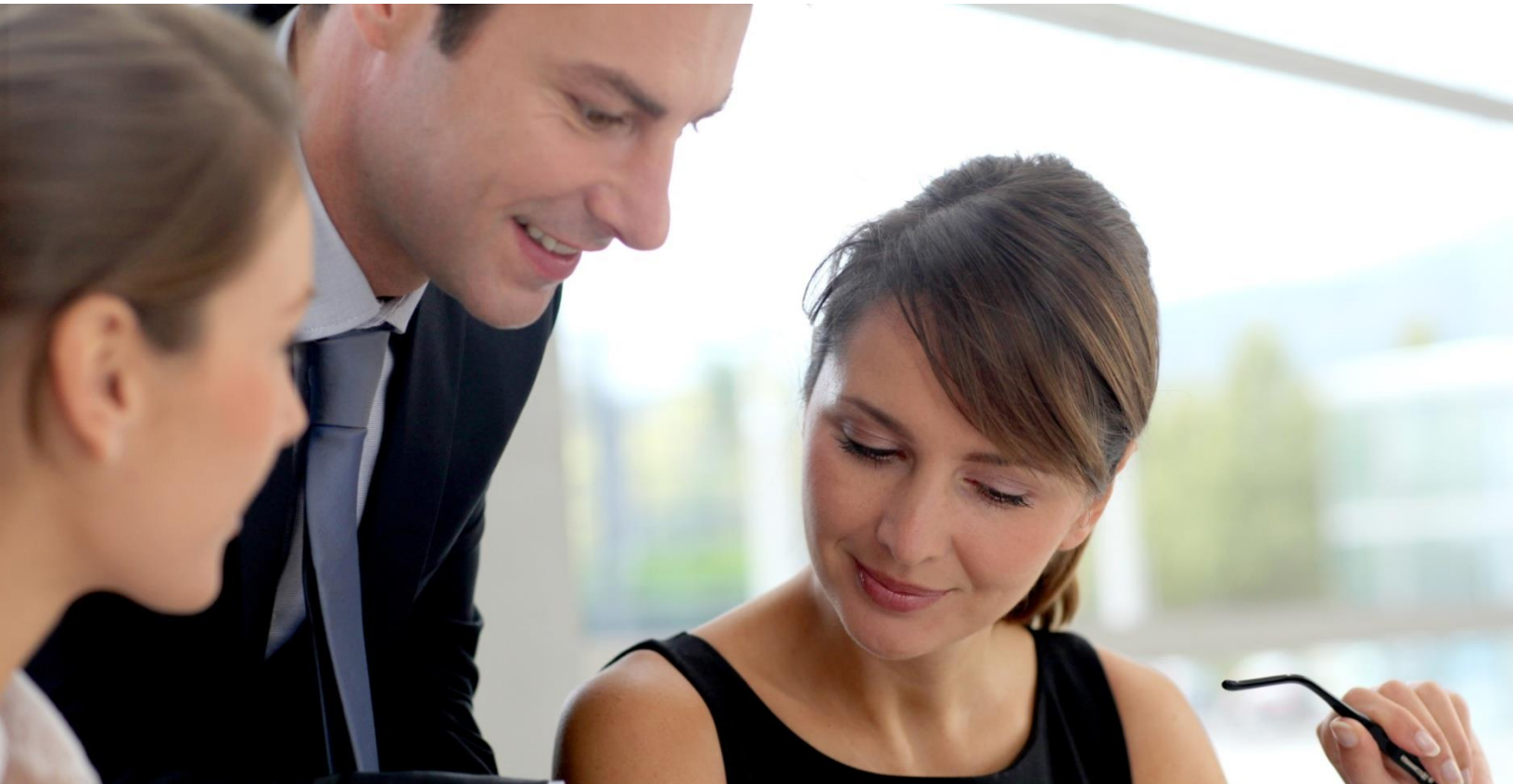
Contact

Barbora Stejskalová

Tax Director

E-Mail: Barbora.Stejskalova@accace.com

Phone: +420 222 753 480



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