

Tax Services

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KPMG IN THE CZECH REPUBLIC

Tax Services

Tax is an integral part of the corporate environment irrespective of whether you are a large or medium-sized company or a sole trader. KPMG Czech Republic actively cooperates with clients and advises on approaches that potentially bring tax savings or help to manage tax risks connected with their business transactions.

While the Czech Republic's tax system is superficially similar to those of other countries, there are many rules which are obscure and difficult to apply in practice. This, combined with frequent changes of legislation and severe penalties for non-compliance, can make even simple transactions quite complicated.

As a result of the accession of the Czech Republic to the EU, companies must also keep up to date with developments in EU tax legislation, which can bring both additional risks and new opportunities for tax planning.

KPMG Czech Republic provides tax services in the following areas.

Corporate Tax

Corporate tax can represent a substantial outflow of funds from a business. Add to this the drain on management time caused by increased reporting obligations, a more investigative approach by the tax authorities and harsher penalties for non-compliance, and the tax burden can be significantly larger than one might hope.

By using the services of a tax adviser, it is possible to reduce not only the risks but also the actual tax burden.

Our tax services include tax planning for specific industries such as manufacturing, retail, etc., company restructuring and transfer pricing.

In particular, we provide advisory services in these areas:

- Permanent establishments in the Czech Republic and abroad
- Thin capitalisation
- Loss planning
- Holding structures
- Corporate tax compliance
- Fixed assets – review and tax planning
- Advertising and promotional costs – review and tax planning
- Provisions – review and tax planning
- Process management of tax risks
- Rental contracts – review and tax planning
- Tax effects of changing the accounting date
- Assistance during tax inspections
- Liquidations
- R&D tax deductible item

International Tax

Our knowledge of international tax and our ability to access tax professionals from KPMG's global network of member firms enables us to provide our clients with tax services to help them optimise their tax approach in cross-border transactions.

In particular, we advise on the following:

- Holding structures
- Profit repatriation
- Withholding tax planning
- Financing of operations
- Group restructuring

Tax Services



Jan Žůrek
Partner in charge of
Tax Services



Václav Baňka
Partner



Jana Bartyzalová
Partner



Eva Doyle
Partner

EU Tax

Since the Czech Republic joined the EU, many areas in the tax system have been impacted by both EU legislation (regulations, directives) and decisions of the European Court of Justice. Our advice on Czech tax issues takes account of the EU dimension and draws on the experience of our European Tax network.

In particular, we provide services in these areas:

- Compliance of local legislation with the EC Treaty and EC directives (especially the Merger Directive, Parent Subsidiary Directive, Interest & Royalties Directive, Savings Directive, Mutual Assistance Directive/Tax Recovery Directive, Transfer Pricing/Arbitration Convention)
- Use and application of European Court of Justice judgments to local tax issues
- Restructuring, including cross border mergers and Societas Europae issues
- CCCTB (Common Consolidated Corporate Tax Base)
- State aid and investment incentives

Indirect taxes include

- Customs duty, excise tax and VAT
- Cross border working and social security

Financial Sector Tax Services

The financial sector is quite unlike any other. Rules and regulations dominate the entire industry and, as a consequence, tax professionals who work with financial institutions need to have an in-depth understanding of the sector and its regulatory framework in order to provide effective advice.

Besides the standard services listed in other sections, we also advise on the following:

- Asset restructuring
- Bank provisions – review and tax planning
- Treasury and cash management
- VAT review and tax planning
- Insurance products
- Leasing structures
- QI services
- EU Savings Directive
- Compliance tax services

Investment Incentives and other Subsidies

Investment incentives may be granted to both new and existing companies and to both Czech and foreign investors. Manufacturing companies can receive full or partial corporate tax relief for up to five years, together with support for the creation of new jobs and retraining of employees.

Subsidies for strategic service and technological centres are also available. These cover activities such as group headquarters, call centres and R&D centres. These subsidies are granted in cash, i.e. are direct payments to the investor rather than tax reductions.

Enterprises could ask also for subsidies granted from EU funds.

KPMG Czech Republic has been closely involved in the development of the investment incentives scheme from the beginning. We have provided services to approximately 40 per cent of the investors that have received investment incentives.

In particular, we provide the following services:

- Assistance with the preparation of investment incentive applications
- Structuring of the investment
- Optimising the utilisation of investment incentives
- Assistance with fulfilment of incentive conditions
- Continuous monitoring or regular reviews of the fulfilment of the conditions
- Corporate tax compliance for companies claiming investment incentives
- Compliance with EU State Aid rules
- Assistance with applications for EU funds



Radek Halíček
Partner



Marie Konečná
Partner



Jan Linhart
Partner

Mergers & Acquisitions Tax Services

Companies planning mergers, acquisitions or divestments of businesses face many hurdles. How should an acquisition, merger or disposal be planned, structured and executed? What are the most suitable acquisition and financing vehicles? How can non-core parts of a business be divested efficiently? All these questions, and many more, must be answered by companies preparing such transactions whether in their home country or cross-border.

KPMG Czech Republic's Mergers & Acquisitions tax practice is part of a worldwide network of experienced Mergers & Acquisitions tax professionals positioned to help companies dealing with both domestic and cross-border transactions.

In particular, we provide services in the following areas:

- Tax due diligence
- Tax structuring advice
- Assistance with tax aspects of share and asset purchase agreements
- Vendor assistance
- Post-acquisition integration
- Private equity

Indirect Taxes and Customs

The area of indirect taxes can have a significant impact on the tax efficiency of companies. This is why, in addition to our standard advisory services and processing of tax returns, we also offer advisory services which assist our clients in examining or modifying the current structure of their transactions and benefiting from cost savings in this area.

We focus on the impact of VAT on trade in goods and services and on advice related to customs duties, consumption and environmental taxes. In cooperation with other KPMG offices both within and outside the EU we are able to provide comprehensive advice on the impact of transactions carried out in own countries.

In the area of environmental tax we provide payers with advisory services related to the implementation of systems for monitoring and payment of these taxes. Advisory services provided to end users include to the possibility of claiming exemption from environmental taxes.

In particular, we provide services in the following areas:

- Reviewing and increasing the efficiency of the system for dealing with VAT and other indirect taxes
- Advice in the area of cross-border transactions including assessment of the impact of these transactions abroad
- Registration and preparation of VAT returns in the Czech Republic and abroad (including summary reports and Intrastat reports)
- Assistance in claiming refunds of VAT paid on goods or services in the Czech Republic or abroad
- Analysis of business transactions and internal processes in the area of VAT
- Simulation of a tax inspection focusing on VAT
- Advice in respect of claiming environmental tax exemptions (electricity, tax and solid fuels tax)
- Advice in the area of determining the base for customs duty
- Advice in respect of obtaining the "Authorised economic operator" status
- Representation and specialised assistance during a tax or customs office inspection
- Representation in negotiations with financial authorities or customs offices
- Employee training



Personal Tax

Our professionals provide broad ranging compliance, advisory and administration services to support our clients' worldwide businesses and their assignees around the world. However, we also focus on other personal tax issues, including tax advice for local executives.

In particular, we provide the following services:

- Personal tax planning
- Employee benefits
- Alternative structures for employment of expatriates
- Alternative structures for, and tax consequences of, employing Czech individuals abroad
- Social security and health insurance solutions for employees and employers
- Stock option plans
- Pension insurance and life insurance benefits
- Payroll system review
- Review and planning of remuneration structures
- Personal tax compliance
- Payroll services including social security and health insurance

Real Estate Tax Services

The real estate market in the Czech Republic is attracting increasing attention from foreign investors. Large-scale investment in manufacturing, encouraged by incentives and the accession of the country to the EU, has led to increased demand for industrial property, while the retail, office, hotel and residential markets have also expanded, particularly in Prague. Some of the entrants to the market are corporate investors such as pension funds and insurance companies, while others are individuals who are looking for a favourable investment opportunity abroad. Taxation is a crucial element in the real estate investment process and KPMG Czech Republic has wide experience in this area.

In particular, we provide the following services:

- Structuring of real estate investments
- Real estate portfolio strategy
- Real estate transaction services, including due diligence
- Real estate leasing strategies, especially sale and lease back structures and tax structures
- Financing structures
- VAT optimisation
- Real estate transfer tax planning

Transfer Pricing

In the global economy multinationals increasingly see national borders as irrelevant to how they conduct their daily business and their aim is to optimise their business at the group level. This is, of course, not the case for fiscal authorities. They are increasingly aware of the manner in which transfer prices may affect tax revenues. Transfer pricing is therefore a critical issue for all multinationals, and one that requires effective global tax planning, taking into account relevant local factors. It should encompass not only the arm's length pricing of tangible goods and services, but also transfers of intangible assets and group financing. Our local advisers, with the assistance of foreign professionals specialised in transfer pricing, can advise on the transfer pricing requirements wherever a company does business.

In particular, we provide the following services:

- Transfer pricing planning using analyses of international databases, especially Amadeus
- Benchmarking studies
- Strategic advice on cross border transactions
- Transfer pricing compliance and preparation of associated documentation
- Representation in negotiations with tax authorities
- Assistance – obtaining Advance Pricing Agreements
- Implementation of intra-group-pricing strategies



If you would like to obtain more information concerning these services, please contact our professionals or visit our website at: www.kpmg.cz.

Corporate Tax

Marie Konečná – Partner
+420 222 123 625
mkonecna@kpmg.cz

Jan Linhart – Partner
+420 222 123 575
jlinhart@kpmg.cz

International and EU Tax

Eva Doyle – Partner
+420 222 123 616
edoyle@kpmg.cz

Radek Halíček – Partner
+420 222 123 546
rhalicek@kpmg.cz

Financial Sector Tax Services

Jan Žůrek – Partner
+420 222 123 625
jzurek@kpmg.cz

Marie Konečná – Partner
+420 222 123 625
mkonecna@kpmg.cz

Radek Halíček – Partner
+420 222 123 546
rhalicek@kpmg.cz

Investment Incentives and other Subsidies

Václav Baňka – Partner
+420 222 123 575
vbanka@kpmg.cz

Jan Linhart – Partner
+420 222 123 575
jlinhart@kpmg.cz

Mergers & Acquisitions Tax Services

Eva Doyle – Partner
+420 222 123 616
edoyle@kpmg.cz

Radek Halíček – Partner
+420 222 123 546
rhalicek@kpmg.cz

Indirect Taxes and Customs

Marie Konečná – Partner
+420 222 123 625
mkonecna@kpmg.cz

Personal Tax

Jana Bartyzalová – Partner
+420 222 123 562
jbartyzalova@kpmg.cz

Jan Žůrek – Partner
+420 222 123 625
jzurek@kpmg.cz

Real Estate Tax Services

Eva Doyle – Partner
+420 222 123 616
edoyle@kpmg.cz

Marie Konečná – Partner
+420 222 123 625
mkonecna@kpmg.cz

Transfer Pricing

Marie Konečná – Partner
+420 222 123 625
mkonecna@kpmg.cz

Jan Žůrek – Partner
+420 222 123 625
jzurek@kpmg.cz

Prague

KPMG Česká republika, s.r.o.
Pobřežní 1a
186 00 Praha 8
Tel.: +420 222 123 111
+420 234 112 111
Fax: +420 222 123 100
+420 234 112 100

Brno

KPMG Česká republika, s.r.o.
Veveří 3163/111
616 00 Brno
Tel.: +420 541 421 311
Fax: +420 541 421 310

České Budějovice

KPMG Česká republika, s.r.o.
Fráni Šrámka 2609
370 04 České Budějovice
Tel.: +420 385 347 175
Fax: +420 385 349 995

Liberec

KPMG Česká republika, s.r.o.
Rumunská 655/9
460 01 Liberec IV – Perštýn
Tel.: +420 222 124 888
Fax: +420 485 102 093

Ostrava

KPMG Česká republika, s.r.o.
28. října 3117/61
702 00 Ostrava – Moravská Ostrava
Tel.: +420 596 158 200
Fax: +420 596 158 201

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