



cutting through complexity

Tax Services

kpmg.cz

KPMG in the Czech Republic

TAX
OUTSOURCING

CORPORATE TAX SERVICES

TRANSFER PRICING

EXECUTIVE SERVICES

INVESTMENT INCENTIVES
AND OTHER SUBSIDIES

INTERNATIONAL
TAX

VAT AND OTHER INDIRECT TAX

MERGERS &
ACQUISITIONS

Tax is an integral part of the corporate environment...

...irrespective of whether you are a large or medium-sized company or a sole trader. 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. The situation is further complicated as a result of frequent changes in legislation.

Our approach:

- We actively cooperate and communicate with our clients.
- We propose procedures that may potentially bring tax savings or help to manage tax risks.
- We carefully monitor developments in accounting and tax legislation.
- We take into account the special needs of each individual client and simultaneously see taxes as a necessary part of a functioning society and economy.
- We cooperate with our clients on a long-term basis.
- We use knowledge of the global network of KPMG professional firms and experience from abroad.
- We are in regular contact with the relevant state authorities and offices. We can therefore provide advisory services based on knowledge of tax legislation.
- We offer a wide range of services, including accounting and legal advice.

Our team consists of more than one hundred professionals who can help you deal with tax issues in our offices in Prague, Brno, Ostrava, Liberec and České Budějovice.





We offer tax services in the following areas:

- Corporate Tax Services
- Executive Services
- VAT and Other Indirect Tax
- Investment Incentives
and Other Subsidies
- International Tax
- Mergers and Acquisitions
- Transfer Pricing
- Tax Outsourcing

We operate in groups specialised in specific areas of business. Our tax expert groups with vast long-term experience operate in the following areas:

- banks, insurance companies
and other financial institutions
- real estate
- energy
- manufacturers
- public sector

Corporate Tax Services

Corporate Tax Services

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, reconciliations of the effective tax rate, a more investigative approach by the tax authorities and harsher penalties for non-compliance, the tax burden can be significantly larger than one might hope.

How can we help?

We will:

- analyse the overall tax charge for your company, or part of your company (such as financing, fixed assets, advertising and marketing, establishment of provisions and adjustments, lease relations, etc.);
- prepare a corporate income tax return and do other necessary reporting to the tax authorities using our own proven methodology;
- calculate a current tax liability for the financial statements, including deferred tax;
- advise you on tax-efficient financing structures including aspects of thin capitalisation;
- develop and review corporate tax policies;
- review internal tax controls and systems for effectiveness and efficiency;
- provide comprehensive accounting, tax and legal advice on establishing or liquidating a company;
- assess key tax implications of business restructuring;
- evaluate the aspects of a permanent establishment in the Czech Republic or abroad;
- help you utilise research and development deductions;
- assist you during tax inspections and subsequent court proceedings;
- assess the implications of Czech and EU court decisions for client operations;
- organise workshops and training on selected topics (e.g. on changes in legislation);
- offer you continuous advice through our tax phone line.



Executive Services

Executive Services

Our clients are usually Czech and foreign companies seeking assistance with tax issues associated with their employees. We also assist individuals who need advice in personal income tax including social security and health insurance in the Czech Republic and abroad.

How can we help?

We will:

- assist with personal income tax and social security/health insurance matters in the Czech Republic, including fringe benefits tax, salary packaging and payroll taxes;
- advise you on the development and implementation of short- and long-term remuneration plans;
- propose procedures in taxing stock option plans and executive remuneration programmes;
- work with you to develop global mobility programs and administrative practices, including assignment-related remuneration and benefit policies relating to work outside the Czech republic;
- prepare home- and host-country tax returns for assignees;
- assist with optimisation of social security and health insurance solutions, including advisory on international aspects of social security;
- keep or just review payroll records, including social security and health insurance.

VAT and Other Indirect Tax

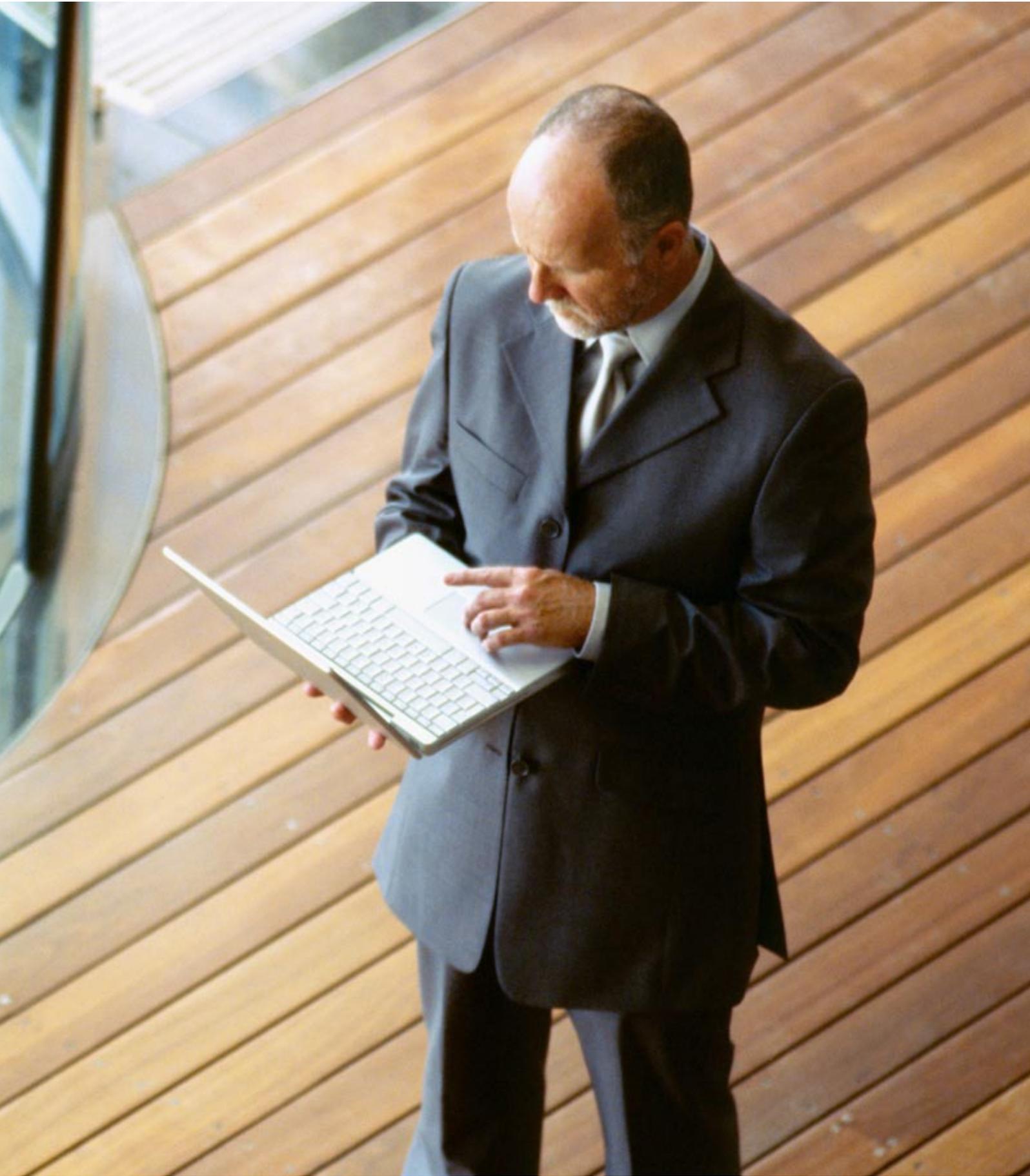
VAT and Other Indirect Tax

The area of indirect taxes can have a significant impact on the tax efficiency of companies. In fact, turnover of these taxes can represent up to a third of a company's annual turnover. Poor indirect tax management can squeeze cash flow, cause over or underpayment of tax, attract stiff penalties for non-compliance and have a major influence on a company's operational and financial performance.

How can we help?

We will:

- review and increase the efficiency of the system for dealing with VAT and other indirect taxes;
- recommend opportunities for tax savings in selected areas;
- advise you on cross-border transactions including assessment of the impact of these transactions abroad;
- perform an analysis of business transactions and internal processes in the area of VAT;
- simulate a tax inspection focussing on VAT;
- register a company for VAT and advise you on VAT compliance in the Czech Republic and also abroad (e.g. VAT returns, EC Sales lists, Intrastat reports);
- assist you in claiming refunds of VAT paid on goods or services abroad;
- advise you on determining the base for customs duty and on other customs areas;
- represent you and provide specialised assistance during a tax or customs office inspection;
- focus on problems arising when claiming exemption from environmental tax;
- train your employees.



Investment Incentives and Other Subsidies

Investment Incentives and Other Subsidies

Incentives may be granted to new or existing companies. Manufacturing companies can be granted investment incentives in the form of full or partial corporate tax relief for up to five years, accompanied by a subsidy for creating new jobs or employee retraining programmes.

Certain projects can also be subsidised with EU funds, e.g. shared service centres, research and development centres, or technology and training centres.

How can we help?

We will:

- assess the project and determine the most appropriate subsidy scheme;
- perform structuring of the investment;

- prepare the application for investment incentives or EU funds;
- lead negotiations with state authorities;
- continuously monitor or carry out regular reviews on the fulfilment of conditions for claiming investment incentives or EU funds;
- advise on achieving compliance with corporate income tax regulations by companies using investment incentives in the form of a tax relief;
- provide assistance during inspections by the tax authorities.

International Tax

International Tax

Cross-border transactions require tax evaluation in each individual country concerned as the emphasis put on tax collection has been rising continuously, inspections have become increasingly strict, and the tax authorities in individual countries have established much closer forms of cooperation.

How can we help?

We will:

- design and implement tax efficient structures as well as the optimum tax strategy for conducting business in the Czech Republic and abroad;
- advise you on what locality is most suitable for establishing a holding, a company funding a group, or a company providing a right to use intangible assets (licences);
- focus on withholding taxes (interest, dividends, licence fees) when designing the structure and on taxation in individual countries;
- advise you on tax implications relating to the presence of a Czech company abroad within, for example, construction-assembly projects, sales of technologies, support of cross-border acquisitions, etc. (e.g. establishment and taxation of a permanent establishment abroad);
- focus on allocation of expenses and revenues between companies of a supplier-customer chain or between the headquarters in the Czech Republic and permanent establishments abroad (i.e. transfer pricing);
- assist you in cross-border mergers and acquisitions;
- evaluate Czech, local and EU legislation when providing advice on transactions within the European Union.

Mergers and Acquisitions

Mergers and Acquisitions

Taxes are likely not viewed as a main driver to enter a particular acquisition or merger. They are, however, a very important input, and one which may influence the overall parameters of the transaction and determine the final profits or losses. The right timing and coordination of the individual steps plays an important role here.

How can we help?

We can offer you:

- our strong orientation in global trends and the use of the latest techniques applicable to the funding and conclusion of such transactions;
- our ability to reveal hidden obstacles, as well as opportunities;
- our focus on simple and flexible solutions which result in transparent set-up and operation of the target structure and also the future exit;
- our specialised teams, which will ensure clear progress during all phases of a deal;
- tax due diligence;
- tax structuring of an acquisition.



Transfer Pricing

Transfer Pricing

Transactions within multinational enterprises in different countries account for a significant share of the total business activities in the Czech Republic. The Czech tax authorities have recently focused on scrutinising intercompany transactions; particularly with respect to their proper pricing. Missing or insufficient documentation on intercompany transactions usually means that a transfer pricing risk has been underestimated, which results in the increased attention paid to this area by the tax authorities.

How can we help?

We will:

- assist you in preparation of transfer pricing documentation complying with Czech regulations, respecting the OECD transfer pricing guidelines and recommendations of the EU JTPF (Joint Transfer Pricing Forum);
- assist you in preparation or review of global transfer pricing documentation – we will review the master file in terms of compliance with Czech regulations and will prepare specific documentation, i.e. the local file;
- use benchmarking studies to examine profit indicators. We will use both international and local databases (such as Amadeus, CreditInfo, RoyaltySource, One Source, Reuters, Bloomberg);
- help you prepare an application for the advance pricing agreement and will use our experience in negotiating with the Czech tax authorities;
- recommend how business models should be planned and transactions structured, taking into account your business plans, transfer pricing regulations and tax effectiveness;
- propose changes of business models as a result of developments in the market or legislation, taking into account the rules for setting transfer prices;
- assist you during tax inspections and court litigations relating to transfer pricing and help you present substantive arguments and recommend further steps.

Tax Outsourcing

Tax Outsourcing

Whether you are a big multinational company expanding to the Czech Republic or a Czech company trying to penetrate CEE or other markets, you need to effectively manage tax, accounting and other regulatory requirements of the entire group. This requires a large team of professionals. Having such a team in-house would increase your costs significantly. We therefore offer you outsourcing of tax, accounting and regulatory services through our global network of professional firms. With us you can effectively manage the entire group with reduced payroll expenses, simplified administration, and one contact point – and all this always in compliance with relevant legislation, without any errors and on a timely basis.

How can we help?

We will:

- assist you during tax authority inspections;
- assist you with bookkeeping, preparation of the statutory financial statements, and with any issues related to employment tax;
- make the life of our clients easy by offering a robust internet based technology which assists with monitoring of the whole compliance process of all your operations throughout the world at one time on one computer.
- prepare tax returns and help ensure compliance with regulatory requirements applicable in any country where your company is present;
- assist you with tax accounting;

Contacts



Radek Halíček

Partner in charge of Tax and Legal Services

T: +420 222 123 535

E: rhalicek@kpmg.cz

Corporate Tax Services

Pavel Rochowanski

Partner

T: +420 222 123 517

E: prochowanski@kpmg.cz

Executive Services

Jana Bartyzalová

Partner

T: +420 222 123 437

E: janabartyzalova@kpmg.cz

VAT and Other Indirect Tax

Petr Toman

Director

T: +420 222 123 602

E: ptoman@kpmg.cz

Investment Incentives and Other Subsidies

Jan Linhart

Partner

T: +420 222 123 617

E: jlinhart@kpmg.cz

International Tax

Václav Baňka

Partner

T: +420 222 123 505

E: vbanka@kpmg.cz

Mergers and Acquisitions

Eva Doyle

Partner

T: +420 222 123 564

E: edoyle2@kpmg.cz

Transfer Pricing

Marie Konečná

Partner

T: +420 222 123 438

E: mkonecna@kpmg.cz

Lubomír Moučka

Senior Manager

T: +420 222 123 514

E: lmoucka@kpmg.cz

Tax Outsourcing

Jan Linhart

Partner

T: +420 222 123 617

E: jlinhart@kpmg.cz

Karel Engliš

Senior Manager

T: +420 222 123 508

E: karelenglis@kpmg.cz

www.kpmg.cz

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2012 KPMG Česká republika, s.r.o., a Czech limited liability company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.

The KPMG name, logo and "cutting through complexity" are registered trademarks or trademarks of KPMG International.

The reference to KPMG Czech Republic includes all companies associated with KPMG in the Czech Republic.

Designed and produced by KPMG Česká republika, s.r.o.

Printed in the Czech Republic

November 2012