

than the gift tax. The extremely low rates of the inheritance tax are in contrast with the rates of inheritance taxes in EU countries. Moreover, the law provides many exemptions for inheritance and donation depending on the degree of kin between the heirs or beneficiaries and the testators or donors. For example, the next of kin are fully exempt from the inheritance tax. Exemptions also apply, for example, to changes of ownership by restitution and privatisation, and new buildings not yet in use. The rate of the real estate transfer tax is 3 %.

Inheritance and gift tax returns must be submitted within 30 days from the day the inheritance proceedings are closed, or from the receipt of a contract with a clause on permission for entry in the land register, or any other document certifying ownership, acquisition of movables, etc. Both taxes are payable within 30 days of the receipt of the tax assessment.

As of 1 January 2004, the real estate transfer tax returns must be submitted before the end of the third month following the month in which the ownership rights were entered in the land register, a contract that is not subject to registration in the land registry entered into force, or the certificate of acquisition of property in a public auction was issued, etc. The deadline for the payment of the tax is the same as the deadline for the submission of the tax returns.

The tax returns forms, including instructions, are available at www.mfcr.cz and www.cds.mfcr.cz

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TAX WRITE-OFFS IN THE CZECH REPUBLIC IN 2006

Changes in tax write-offs stipulated by the Act No. 586/1992 Coll. on Income Tax have been made only in the depreciation of intangible assets.

The list of assets regarded as intangible was expanded, for example, with greenhouse gas emission permits, preference limits, i.e. especially individual referential amount of milk, individual production quota, and individual limits of premium rights according to a special legal regulation.

The method of calculating depreciation was specified as were steps when the technical value of intangible assets is upgraded. The relevant provisions of the Income Tax Act did not regulate these details and provisions for tangible assets had been applied to the depreciation of intangible assets.

A new provision stipulates that the depreciation of intangible assets is specified in whole months as of the month following the day on which the write-off terms are met, i.e. on which the asset is put into use.

But if the payer has the right to use intangible assets for a limited period, the time depreciation can be specified in days and not only in months.

Also specified was the definition of the technical upgrading of intangible assets – it is expenditure on completed expansion of equipment or usability of intangible assets or other operations changing the purpose of intangible assets if the value of the upgrading of a particular asset exceeds CZK 40 000 (EUR 1 396).

When the technical upgrading which increases the input price is included in the property, the payer continues the depreciation calculated from the increased input price lowered by the previous write-offs as of the month following the month in which the technical upgrading is completed. The depreciation is even and uninterrupted for the remaining depreciation period which, however, must not be shorter than:

- 9 months in the case of audiovisual work
- 18 months in the case of software and intangible results of research and development
- 36 months in the case of other intangible assets.

The technical upgrading of written-off intangible assets is depreciated separately for the period stipulated as minimum.

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(EUR 1 = CZK 28.650 – exchange rate of the Czech National Bank, March 2006)