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Summer tax news

**Employees' benefits and VAT - solution
Electronic submissions paid
Transfer Pricing**

1. Taxation of employees' benefits

For a short time, namely in the period from 1 January until 29 April 2010, the market price was considered as the VAT base for employee's benefits. As a result of stormy debates which took place at the beginning of this year, the VAT base for benefits is again equal to the so-called reduced price, i.e. the actual cost to the company at which the benefit is provided to the employee. Moreover, this provision has a retroactive effect from 1 January 2010. Consequently, the tax base and hence the VAT liability for the first three months of many employers has been decreased. A refund of the tax already declared and paid can be obtained in two ways:

- either by submission of an additional tax return, whereby this must be submitted for each period, which is affected by the correction,
- or by performance of a correction of the tax base and tax liability as described in the VAT Act.

According to the information from the Ministry of Finance of the Czech Republic, taxpayers may choose the way of correction of tax base.

2. Transactions subject to administrative fees

With effect from 1 July 2010, the exemption from the administrative fees in cases of transactions requested and executed electronically and signed with guaranteed electronic signature was repealed. As a result of this change, all electronic submissions are now subject to an administrative fee according to the tariff. The fee must be paid to the special bank account opened by the administrative authority concerned in the Czech National Bank. In this respect, we would like to alert you that the change outlined here does not relate to those submissions which are not and have never been subject to administrative fees, e.g. tax return submission both electronically and by mail.

3. New OECD transfer pricing guidelines

On 22 July 2010, the revision of OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Authorities was published. Specifically, Chapters I-III have been revised. These regulate the recommended order of application of transfer pricing methods, comparability analysis as well as application of transactional profit methods. Further, a new chapter (IX) in respect of taxation of internal business restructuring was published, whereas the most important consequence for enterprises as well as for tax administrations is the detailed regulation of the tax administrator's ability to count a taxpayer's restructuring invalid.

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