

## News Release

### High Degree of Tax Uncertainty Perceived by 71% of Businesses in the Czech Republic

Prague, 9 December 2014 – Businesses and entrepreneurs in the Czech Republic continue to perceive a high degree of tax uncertainty. While the number of respondents in the EMEA countries reporting a high degree of tax uncertainty decreased from 60% to 54.2% year-on-year, the situation in the Czech Republic remains unchanged; a high level of tax uncertainty is reported by 71% of the companies surveyed (as opposed to 70.5% last year). As in previous years, companies and entrepreneurs state that frequent legislative changes, ambiguity, deficiencies and sudden twists in the opinions of the tax authorities are among the most obtrusive factors in conducting their business activities. These are the results from the latest 4<sup>th</sup> annual Deloitte's survey completed by more than 800 participants from 25 European countries. The survey predominantly focused on three areas: relationships with tax authorities, tax audits and the perception of tax uncertainty.

*"In terms of the perceived degree of tax uncertainty, the Czech Republic is the most pessimistic country in the central European region. A high level of tax uncertainty was reported by two thirds of respondents in Slovakia, 44.1% in Germany and only by 37.1% in Austria. In comparison with the average results in the EMEA countries, the results in the Czech Republic worsened by 16.8 percentage points,"* said Radka Mašková, Director in Deloitte's Tax function, and added: *"The main reasons for tax uncertainty remain the same: frequent changes in tax legislation and ambiguity, deficiencies and sudden twists in the opinions of the tax authorities."*

*"Compared with the last year's survey, there has been a rise in the number of companies in the Czech Republic that perceive the degree of tax uncertainty to be higher than in other European countries. This was reported by six out of 10 companies this year and only by four out of 10 companies in the previous survey,"* added Petr Neuschl, senior manager in Deloitte's Tax function.

The Czech companies surveyed would appreciate especially a higher degree of certainty in the tax system in the future (67.1% of respondents), its simplification (74.7%) and improved predictability of and interaction with tax authorities (24.1%).

The vast majority of respondents (93.1%) would appreciate if tax-related legislation changes would always come into effect on one or two specific days in the year, such as on 1 January or 1 July. *"This change would require relatively simple organisational and legislative measures to be performed by the government; nevertheless, it would have a significant impact on the clear arrangement of the legal environment for the companies,"* added Tomáš Babáček, senior lawyer at Ambruz & Dark Deloitte Legal and chairman of the organisational committee and nomination board of the Act of the Year survey.

#### Relationship with Tax Authorities

The majority of respondents in the Czech Republic (71.8%) believe their relationship with the tax authority to be good or excellent, which is a slight improvement compared to the last year's results (69.8%). In comparison with Slovak and German survey participants, Czech respondents evaluate their relationship with tax authorities in a more-negative fashion; however, their perception is still highly positive when compared with the average results in the EMEA countries.

Similar to last year, Czech tax authorities focus predominantly on the key areas of tax, such as VAT and corporate income tax. Survey participants have also experienced more frequent audits focusing on transfer prices and international taxation in line with the goal of tax authorities announced a long time ago.

### **Tax Audit**

Respondents have yet to experience the intention of the tax authorities to perform multiple audits. In a similar vein to last year, the Czech Republic ranks among the countries with the lowest frequency of tax audits. More than a third of the companies surveyed were not audited in the past three years while tax audits were performed at 80% of respondents in Slovakia and Austria and even 97% of the surveyed businesses in Germany. On average, 70% of audits took place in the EMEA countries in the past three years.

Brief conclusions from the survey of perceiving tax certainty are available at:  
<http://www.deloitte.com/cz/danova-iistota>.

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