



Tax Certainty in the Czech Republic

Deloitte Survey within the EMEA Region

September 2012



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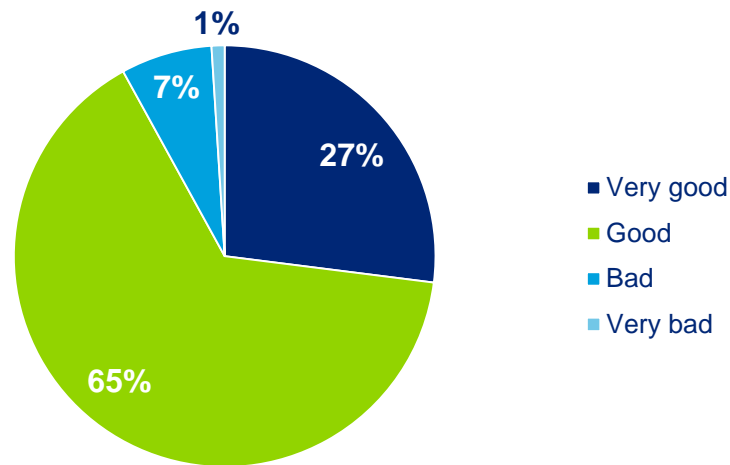
About the Survey

- The data was collected in **May** and **June 2012**
- A total of **1,328 respondents** from **24 EMEA countries**
- Respondents: over **100 large companies in the Czech Republic**
- **80% of companies** surveyed reported an annual **turnover exceeding CZK 1 billion**
- Structure of the participating firms by industry:
 - Industrial production (26%)
 - Technology, media and telecommunications (13%)
 - Financial services (12%)
 - Consumer goods and transport (12%)
 - Pharmaceutical industry (6%)
 - Energy industry (6%)
 - Other (25%)

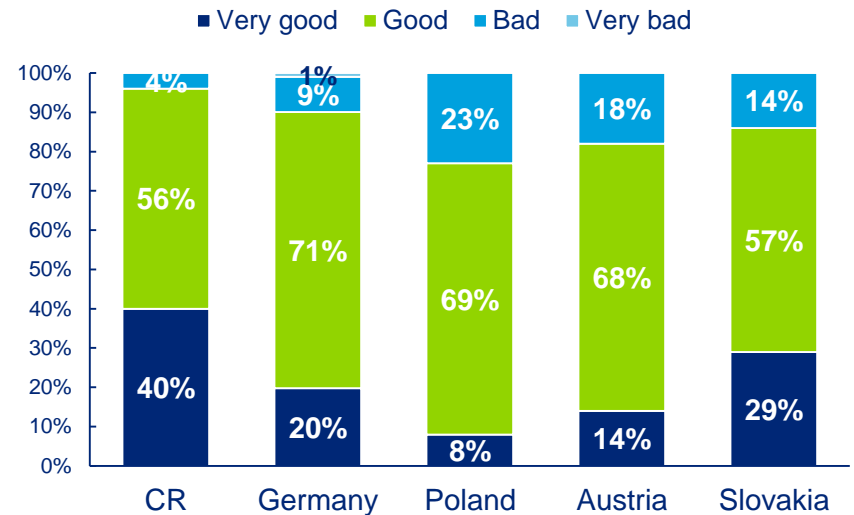
Relationships with Tax Authorities

Relationships with Tax Authorities

How would you generally describe your company's relationship with the tax authorities?



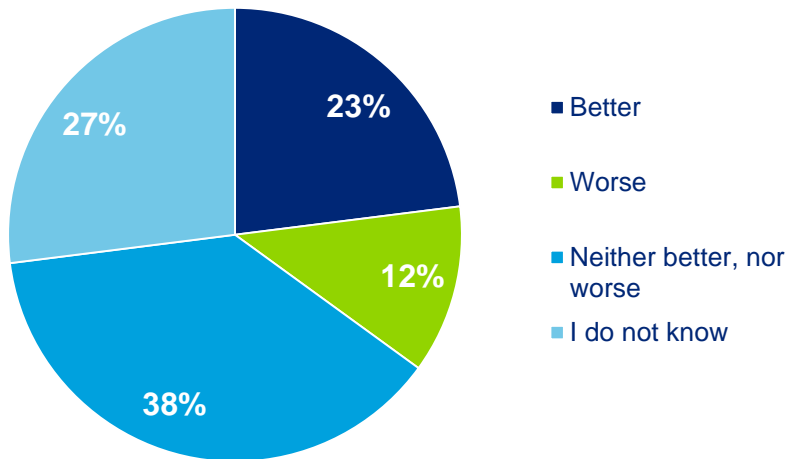
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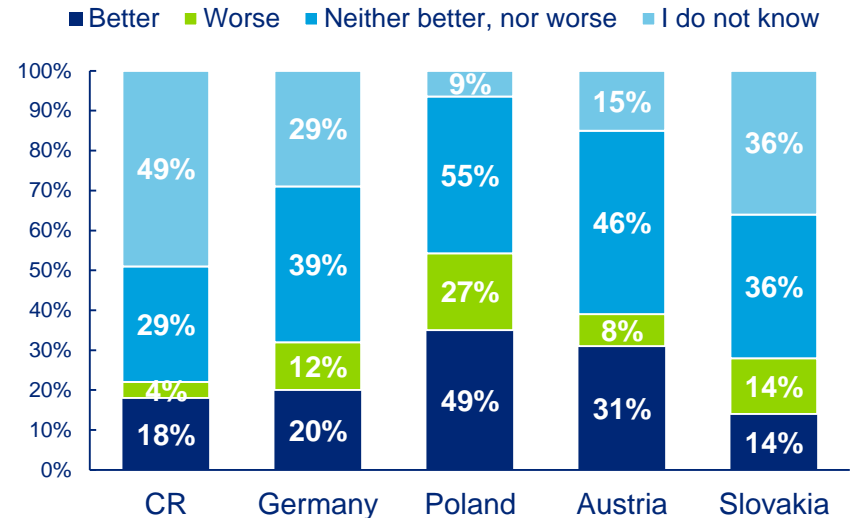
- Generally, companies in the EMEA region have a good relationship with individual tax authorities.
- Nearly two thirds (65%) of respondents described their relationship as good.
- More than one quarter (27%) evaluated it as very good.
- However, more than 15% of respondents in Poland or Austria consider their relationship with the tax authorities to be bad or very bad.
- In the Czech Republic, the general satisfaction with the relationships with tax authorities is above average.

Relationships with Tax Authorities

Comparison of the relationship with local tax authorities to that with tax authorities abroad



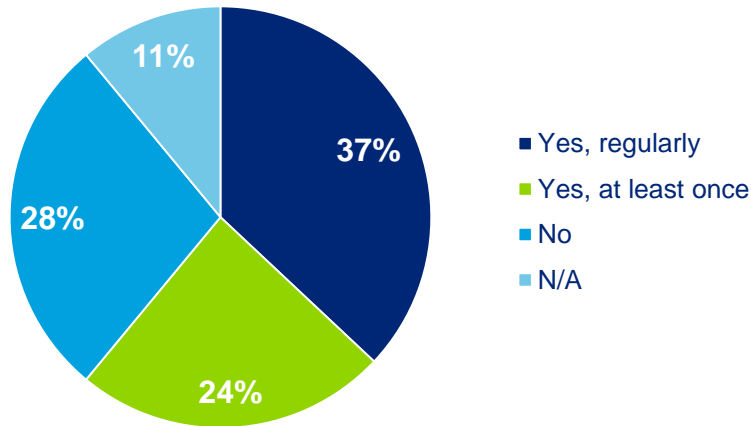
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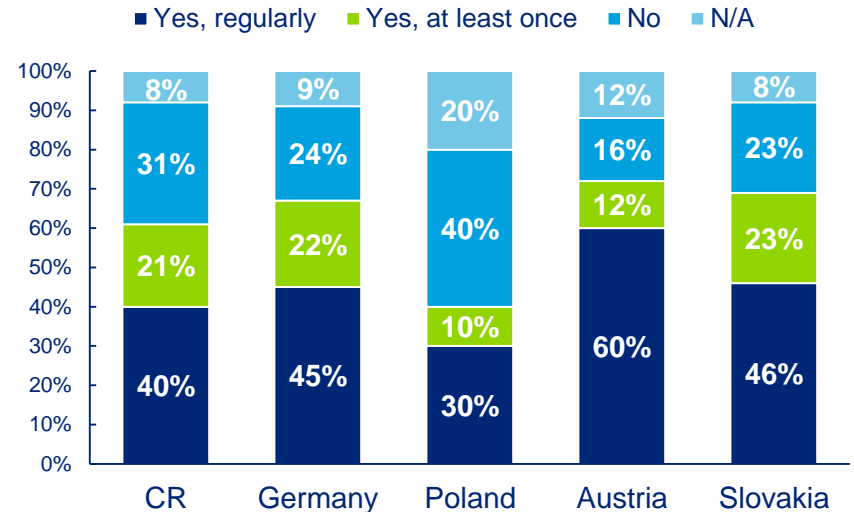
- More than one third of respondents (38%) answered that they do not perceive any major difference between their relationship with a tax authority abroad and with the tax authority in their country.
- One quarter (23%) claims to have a better relationship with the tax administrator in their country, while 12% have a better relationship with tax authorities abroad.
- The answers of the Czech respondents are probably influenced by having relatively less experience with tax administration abroad.

Relationship with Tax Authorities

Did the tax administrator require the provision of information in electronic form in the last two years?



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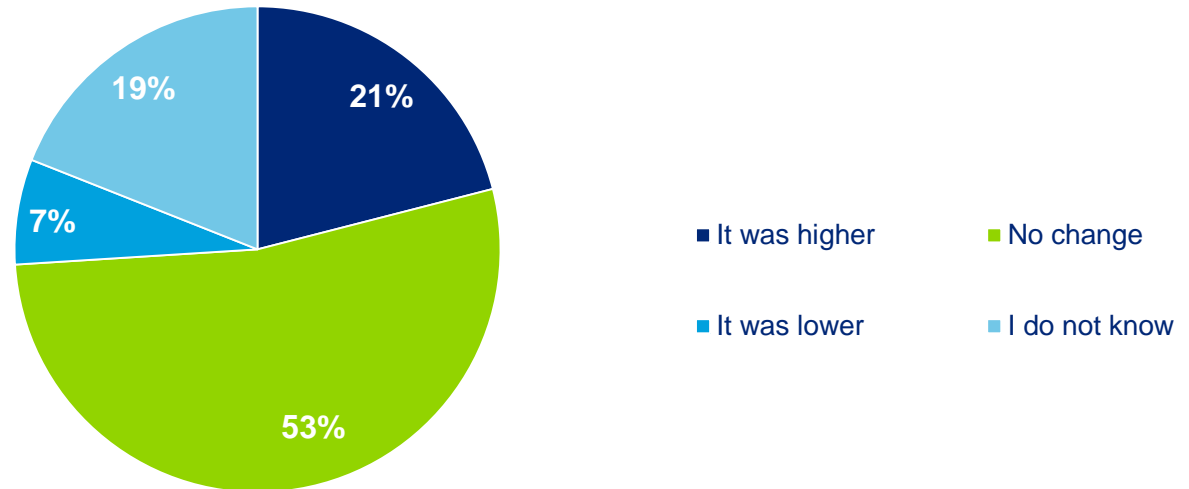
- Within the EMEA region, 83% of respondents answered that the tax authority enables the provision of information electronically, while 4 % stated that this is not the case. Surprisingly, 13 % of respondents were unable to answer the question.
- The answer to the question regarding whether the tax administrator requested the information to be provided electronically in the last two years was positive only in 61% of cases, of which only 37% of respondents stated that the tax authorities request the provision of information in electronic form regularly.
- The Czech Republic keeps up with other EMEA countries in this respect: 40% of respondents in the Czech Republic stated that the tax administrator requests information in electronic form regularly.

Tax Audits

Tax Audits

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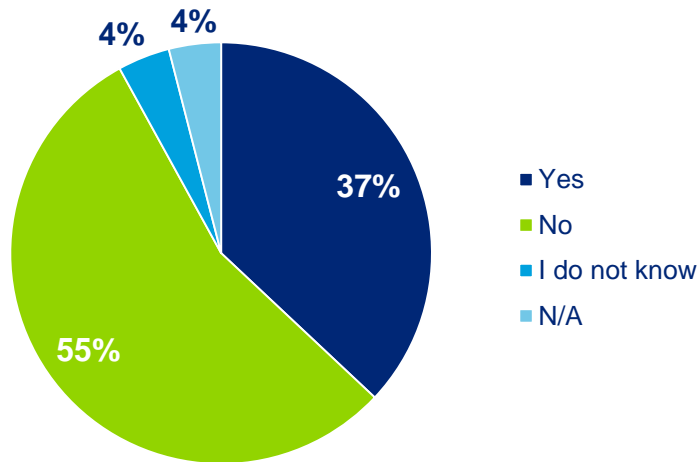
Did your company notice a change in the frequency of tax audits during the last 12 months?



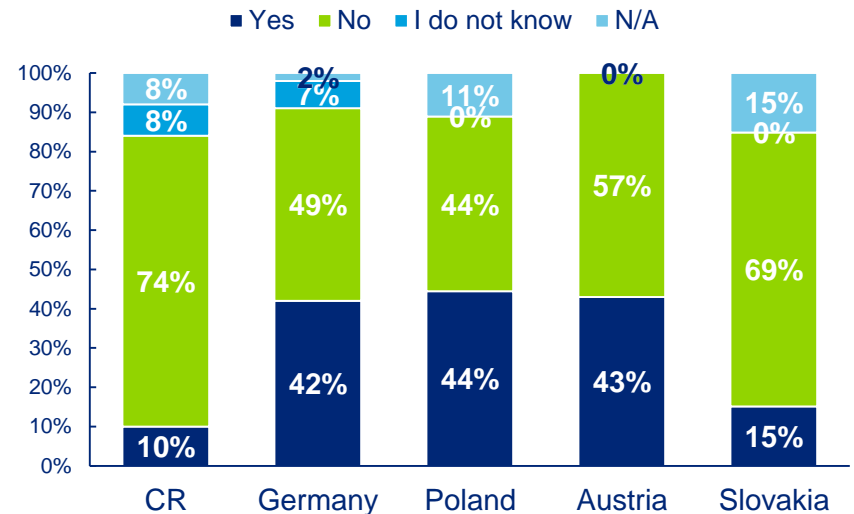
- Like two years ago, the respondents confirmed that most tax audits in EMEA countries are conducted with regard to VAT and income tax. We anticipate that the situation in the Czech Republic is similar.
- More than half of respondents (53%) stated that the intensity of tax audits has not changed in the last year.
- Despite the fact that many countries are currently trying to maximise their tax income and restrict evasion, only one fifth (21%) believes that the tax administrators were more active in the past year.

Tax Audits

Does your company report open cases with the tax administrators for more than two years?



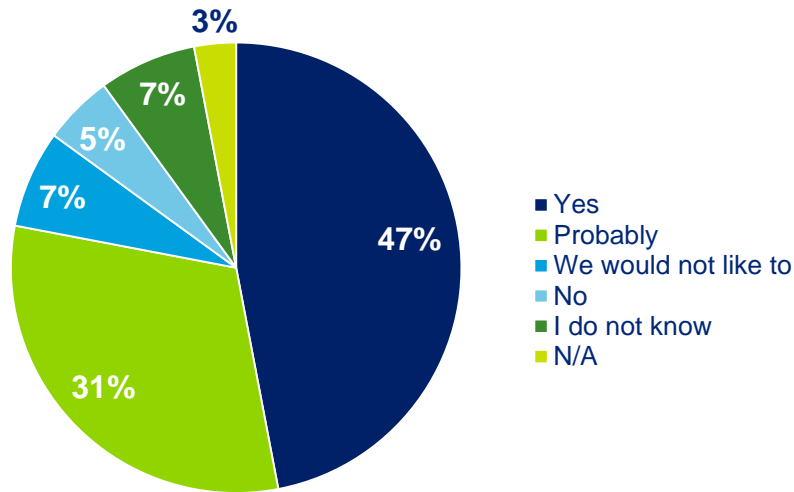
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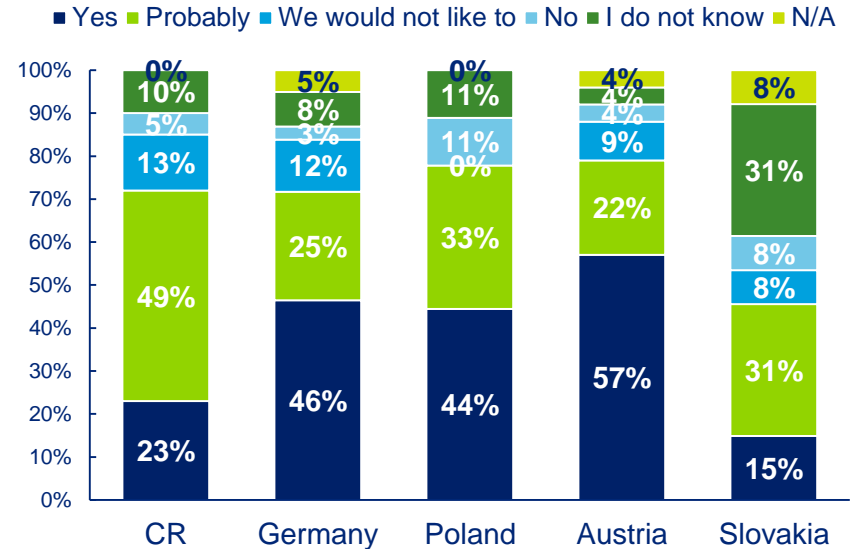
- Within the EMEA region, most respondents (55%) answered that they do not have any, whereas 37% respondents confirmed that they have such cases.
- Despite the generally-widespread conviction that tax proceedings in the Czech Republic last disproportionately long, the results of the survey rather suggest the opposite.
- Only 10 % of Czech respondents reported tax proceedings that regularly exceeded two years.

Tax Audits

Is your company prepared for active involvement in lawsuits?



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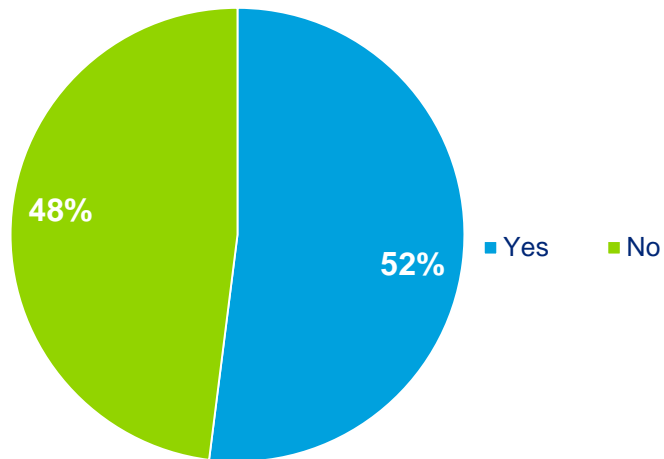
- Almost one half of respondents (47 %) is prepared to litigate, while less than one third (31%) claimed that they would probably litigate.
- It is generally known that there are not too many legal disputes with regard to tax in the Czech Republic. Only one quarter of respondents would definitely litigate (23%), while one half (49%) stated that they would probably litigate.
- Despite the relatively-high determination to defend a lawsuit, firms actually litigated only seldom in the last three years. At the EMEA level, 74 % did not litigate, while in the Czech Republic 92% of respondents were not involved in a lawsuit.

Perception of Tax Certainty

Perception of Tax Certainty

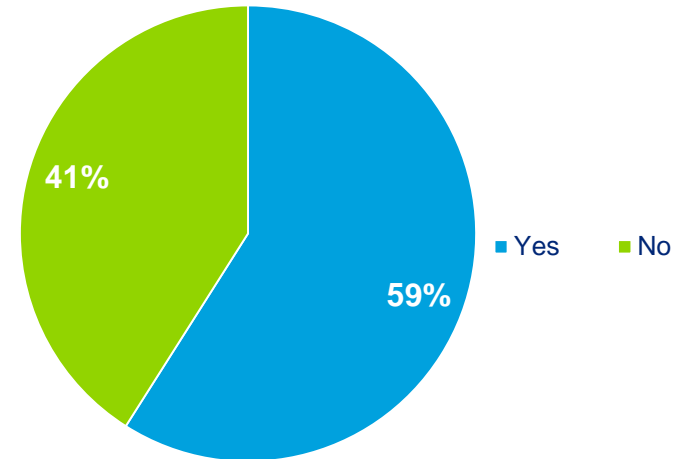
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Does tax uncertainty impact or even damage your business operations?



Czech Republic

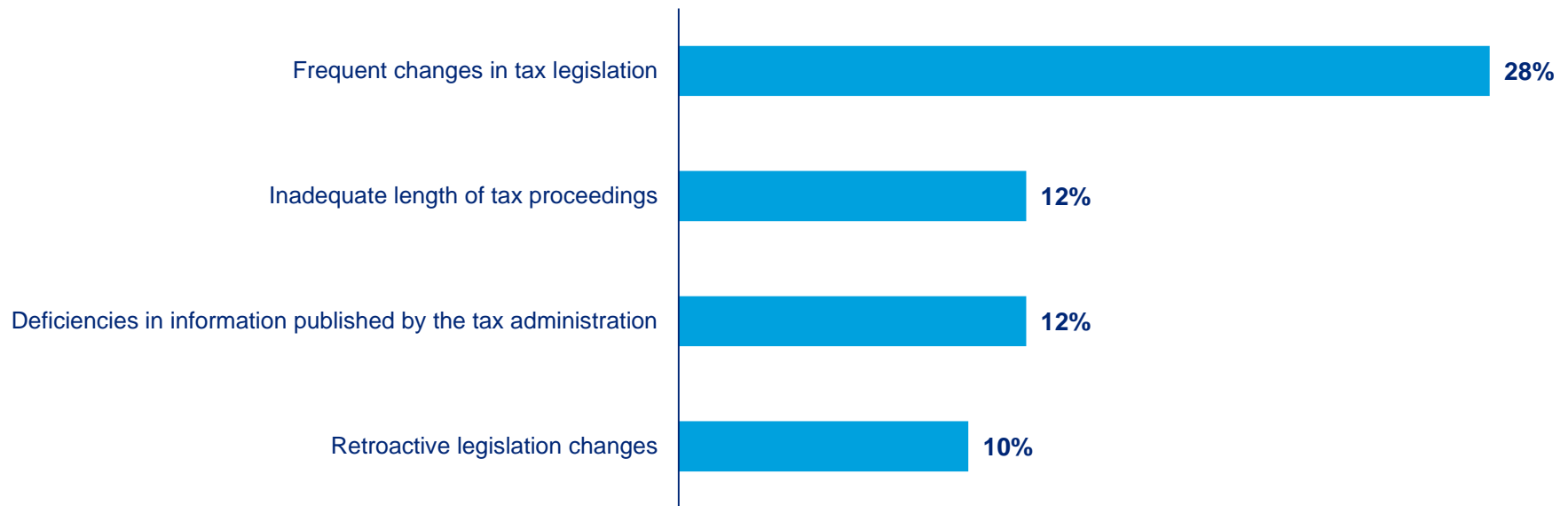
Does tax uncertainty impact or even damage your business operations?



- 52% of respondents in EMEA countries believe that tax uncertainty in their country impacts or even damages their business operations.
- In the Czech Republic, 59% of respondents confirmed this opinion, which is not a flattering outcome of the survey.

Perception of Tax Certainty

What are the two major causes of tax uncertainty in your country?



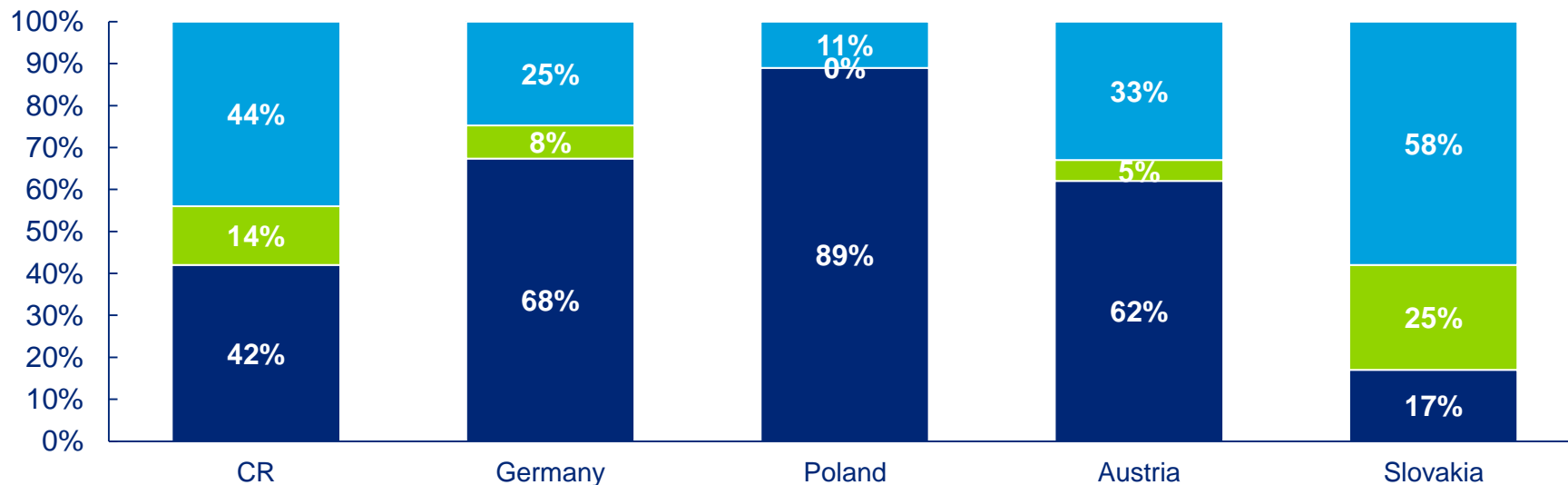
- 28% of EMEA respondents stated frequent changes in tax legislation to be the major cause of tax uncertainty. We believe that this is also a key reason for the perception of tax un/certainty in the Czech Republic.
- This was followed by the inadequate length of tax proceedings, which were the cause in 12.4% of cases.
- Deficiencies and inconsistencies in the opinions of the tax administration were the third most important reason for tax uncertainty (12.1%).

Advanced Ruling Practice

Advanced Ruling Practice

Do advanced rulings exist/are they used in your country?

■ Yes ■ No ■ I do not know



- Advanced rulings issued by tax administration bodies can be a useful tool in increasing tax certainty. Therefore we were interested in determining whether the survey participants are aware of them and whether they use them in practice.
- Only 42% of respondents correctly answered that advanced rulings exist in the Czech Republic, 12% stated that they do not exist and 44% of respondents answered that they do not know.
- According to the answers in our survey, only 6% of respondents have already asked the tax administration for an advanced ruling, while 67% have not yet used this opportunity.

Summary of the Survey

More than a half of Czech companies believe that the low level of tax certainty impacts or even damages their business operations

Generally, companies have good relationships with their tax offices

Czech and Slovak companies are generally not keen on filing lawsuits with the tax administration

Companies are most bothered by frequent changes in tax legislation

Tax certainty could be increased through legal stability, faster tax proceedings and a higher quality of information published by the tax administration

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