

**Deloitte.**

Tax Certainty  
in the Czech Republic  
Deloitte Survey  
in European Countries

March 2016  
5<sup>th</sup> edition



# Presentation Contents

## Presentation of the Survey

- Companies' experience with taxes and tax administration
- Perception comparison between Czech and foreign companies
- Development between 2014 and 2015

## Areas of Focus

- Relationship to tax authorities
- Tax audits
- Tax certainty perception

## Summary

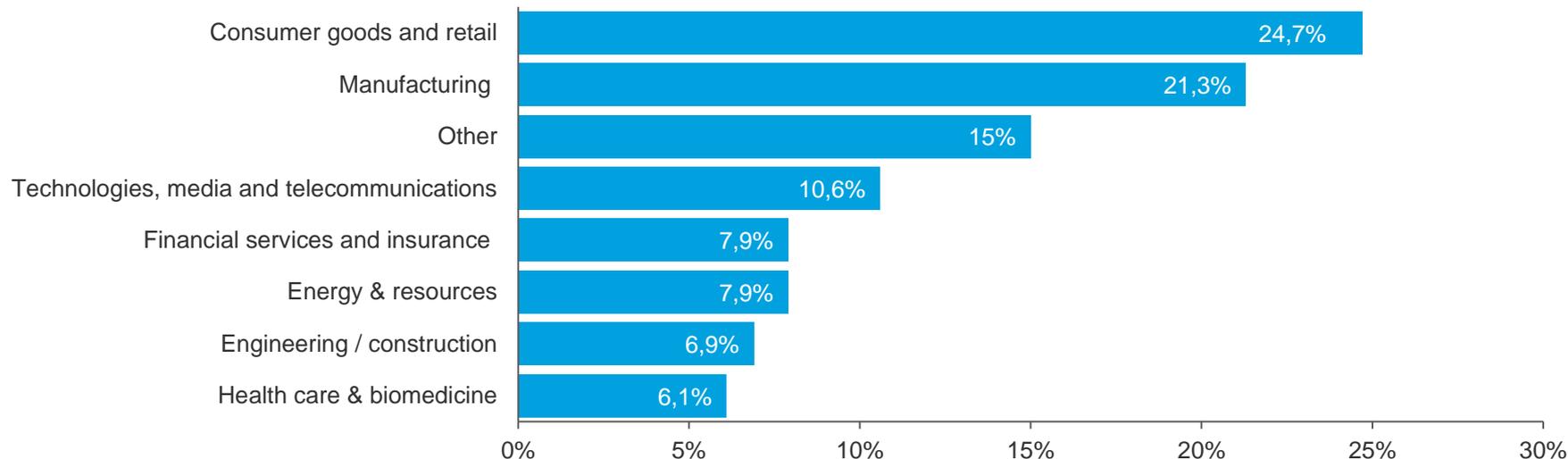
# About the Survey

It is the **5th regional survey** conducted in Europe, including the **Czech Republic**

The data collection took place in **late 2015**

It saw the participation of over **800 respondents** across **21 European countries**

## Participating companies by industry (largest share)



# Relationship to Tax Authorities

# Relationship to Tax Authorities in the Czech Republic 2014/2015 Comparison

In general, how would you describe your company's relationship to the tax authority?

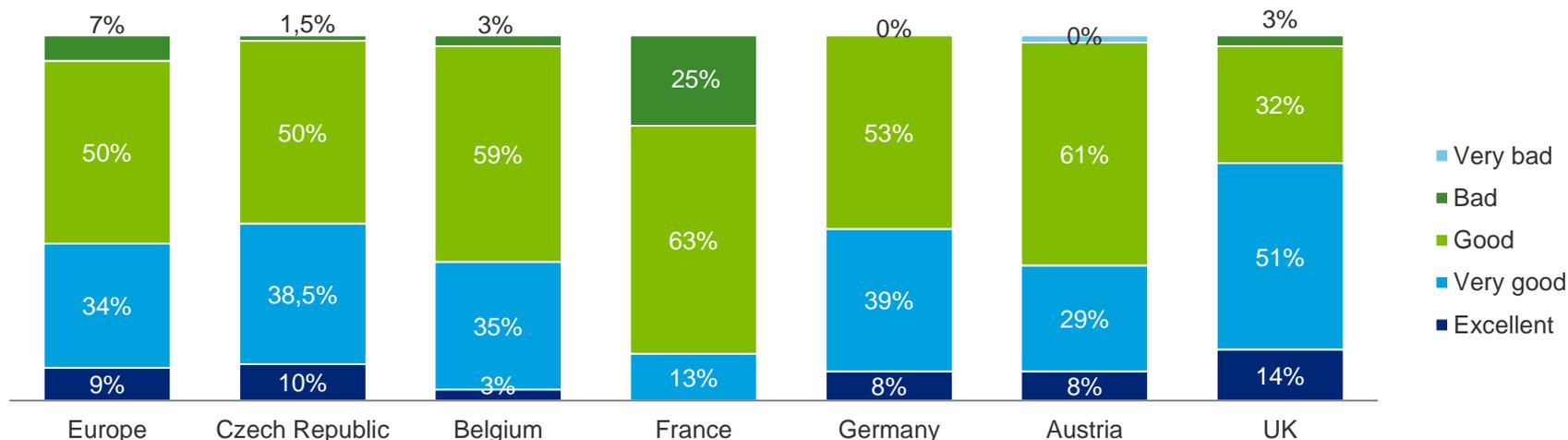


In 2015, most of the Czech taxpayers stated that they had a positive relationship with tax authorities (TA). According to our findings, one in ten respondents has excellent experience with tax authorities, with more than one third of the respondents describing the relationship as very good (38.5%). Half the respondents stated the relationship was good.

The survey results show that the relationship with the TA has not been adversely affected by the wave of in-depth tax audits to any substantial degree.

# Relationship to Tax Authorities in Selected Countries

In general, how would you describe your company's relationship towards the tax authority?



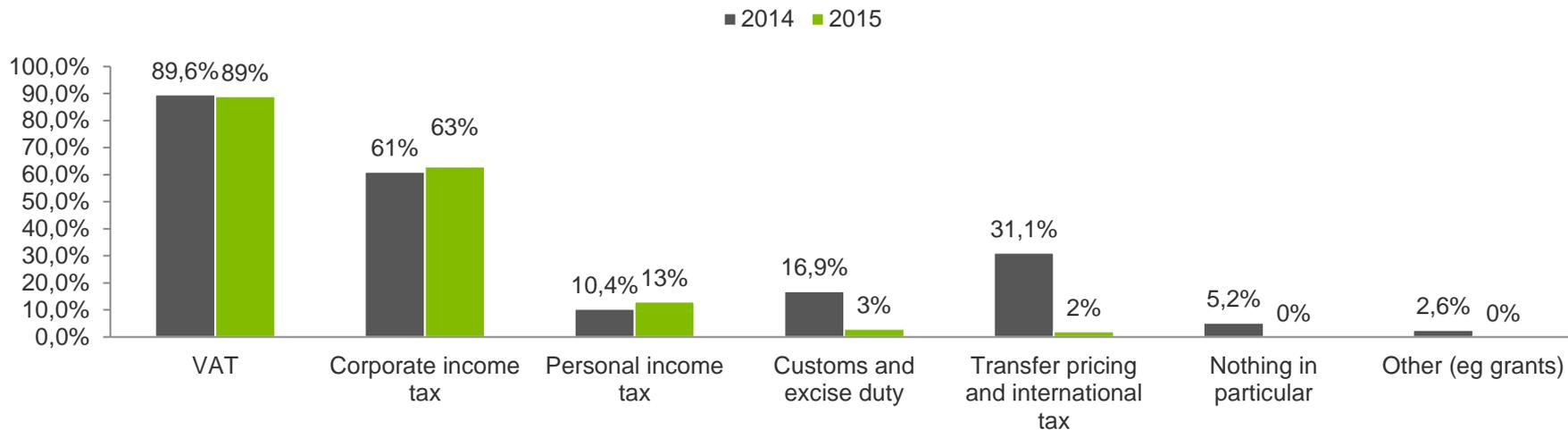
*In Europe, individual companies have relatively good relationships with tax authorities.*

*Czechs describe their relationship in a nearly identical way to that of Germans and similarly to Austrians or Belgians.*

*Britons have the best relationships with tax authorities, while the French have the worst.*

# Relationship to Tax Authorities in the Czech Republic

## What field does your tax administration focus on the most?

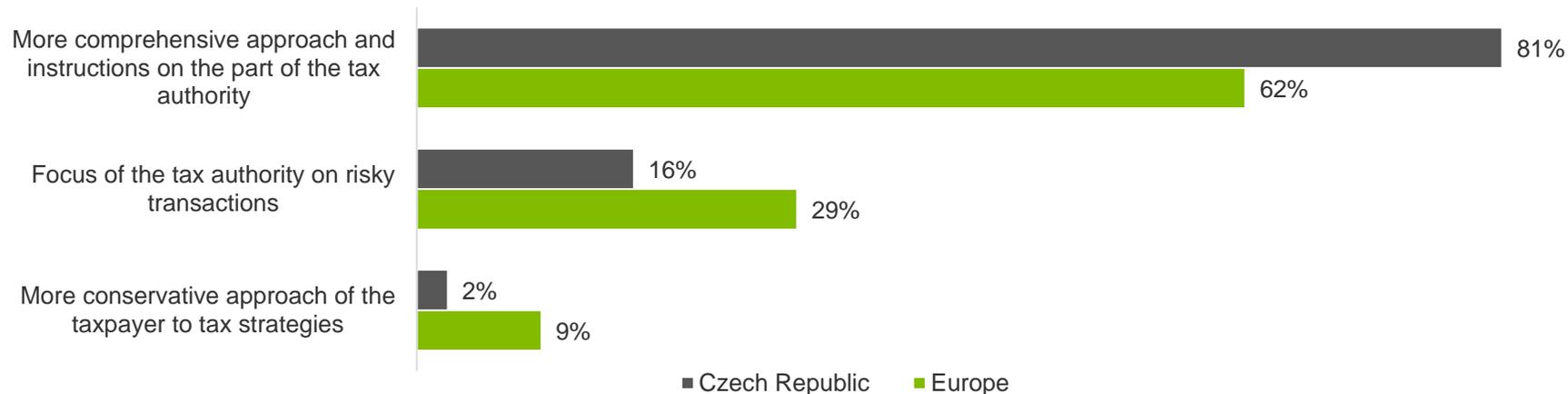


*As in previous years, tax authorities continue to focus on traditional fields – VAT and corporate income tax.*

*The survey suggests that compared to last year, the number of transfer pricing inspections significantly decreased. However, experience shows that transfer pricing inspections might be less frequent but they are more sophisticated and, therefore, more time- and expertise-intensive. A more active approach on the part of the General Financial Directorate might be expected in terms of future inspections as it plans to collect up to CZK 5 billion a year through better transfer pricing inspections.*

# Relationship to Tax Authorities in the Czech Republic

## Factors that could lead to an improved relationship with tax authorities

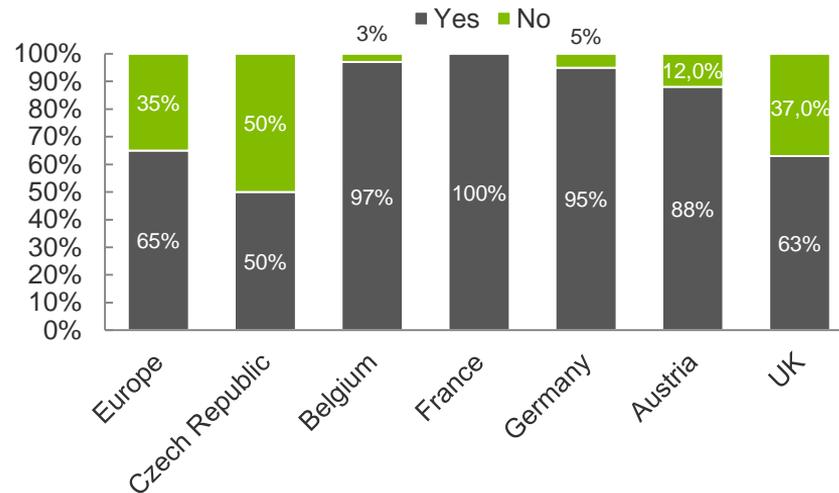
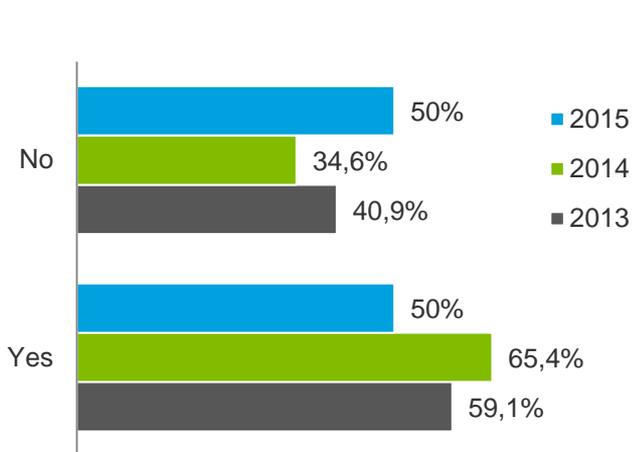


*Out of the options suggested, clear and comprehensive instructions from tax authorities would be the most beneficial for companies in the Czech Republic as well as other European countries. The survey results suggest that Czech taxpayers do not have worsened relationships with the TA on account of the selected tax strategies, but of ambiguous instructions related to the correct application of taxes.*

# Tax Audits

# Tax Audits (Czech Republic and Europe)

Has your company been inspected by the tax administration in the past three years?



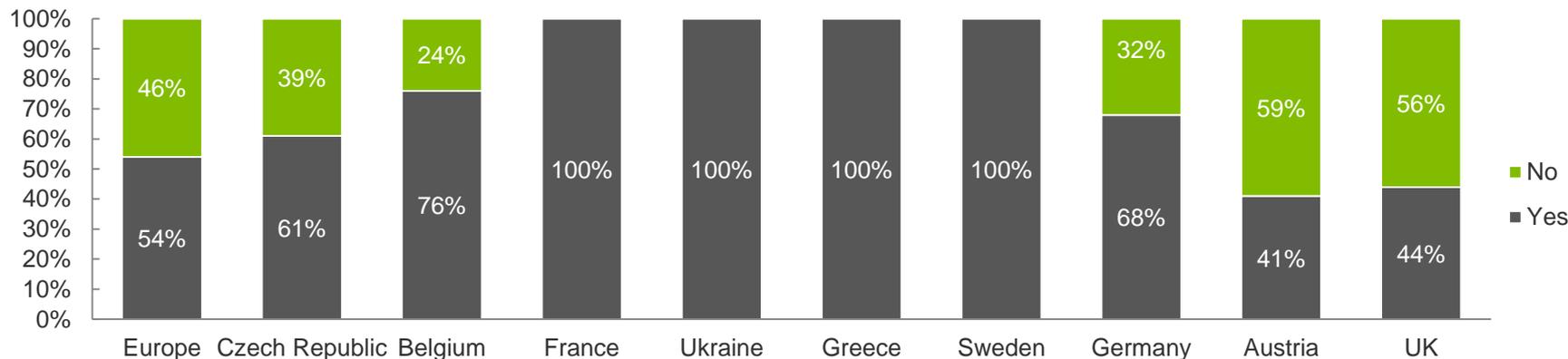
Just like last year, the Czech Republic is among those countries in which the respondents stated the lowest frequency of tax audits. Half of the companies questioned have not been inspected by the tax authorities at all in the past three years.

In Belgium and Germany, over 90% of the respondents were inspected and in France it was 100%.

# Tax Certainty Perception

# Tax Certainty Perception

Do you think there is a high degree of tax uncertainty in your country (in which you are based)?



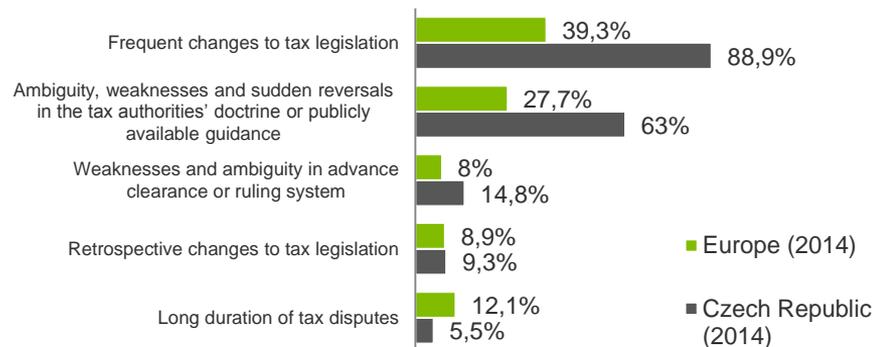
Overall, the number of respondents who believe that there is a high degree of tax uncertainty in the country where their company is based has not changed.

Year-on-year comparison suggests that Czech respondents are a bit more optimistic. A high degree of tax uncertainty is perceived by 61% of Czech respondents, which is 10% less than last year. The highest degree of uncertainty is perceived in France, Greece, Sweden or Ukraine. In contrast, the lowest degree of tax uncertainty is perceived in the Netherlands, Switzerland or Luxembourg.

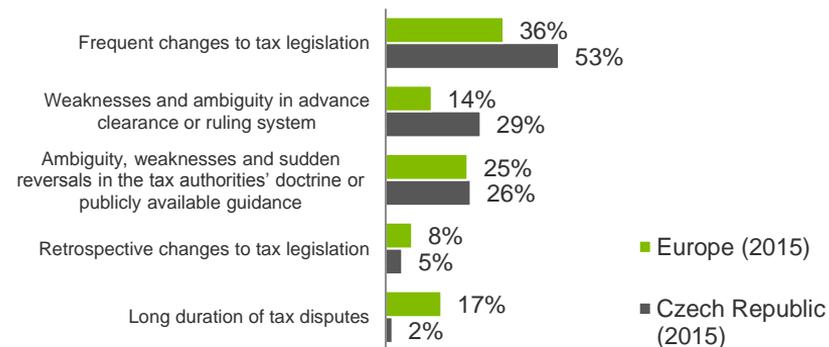
# Tax Certainty Perception in the Czech Republic and Europe (2014 and 2015)

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

2014



2015

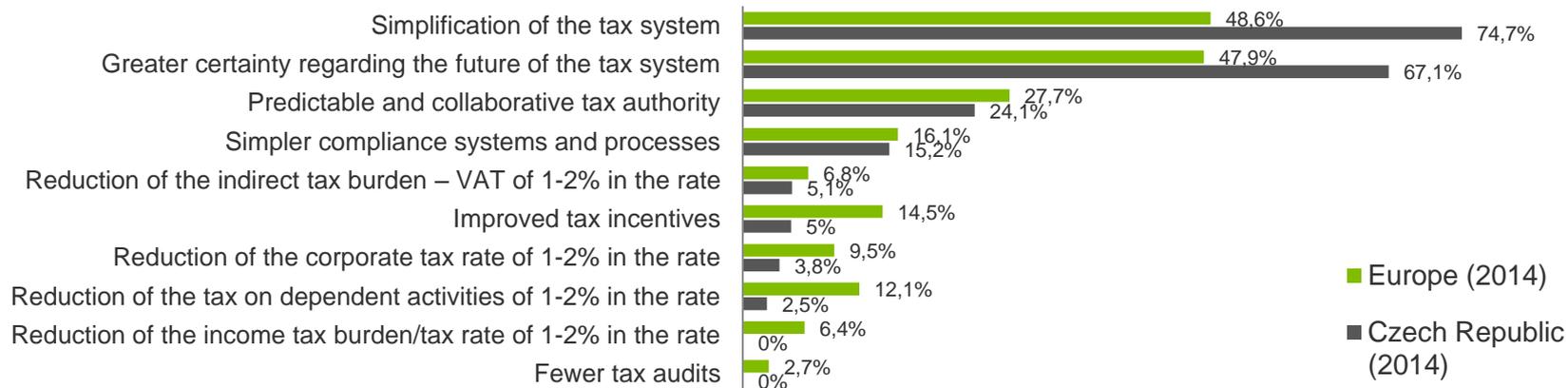


*In the Czech Republic, similarly to other European countries, the respondents agreed that the main cause of tax uncertainty lies in the frequent changes to tax legislation, as well as the ambiguity, weaknesses and reversals in the tax authorities' doctrine. For taxpayers, tax uncertainty represents a major decisive factor in doing business and making investments.*

# Tax Certainty Perception in the Czech Republic and Europe (2014)

**What change(s) to your country's tax legislation do you think would have the greatest positive impact on your country's commercial competitiveness?**

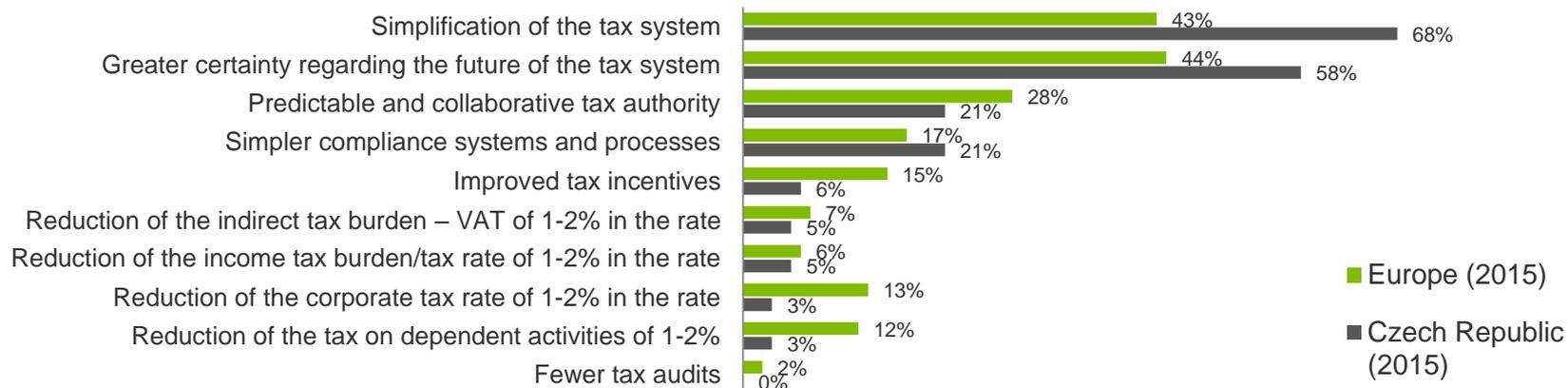
*(The respondents were supposed to select up to two choices.)*



# Tax Certainty Perception in the Czech Republic and Europe (2015)

**What change(s) to your country's tax legislation do you think would have the greatest positive impact on your country's commercial competitiveness?**

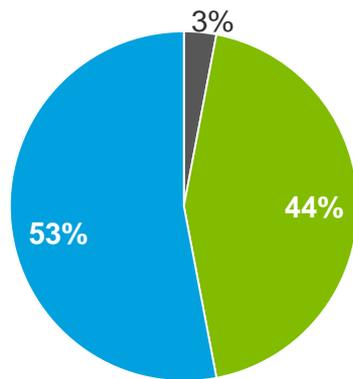
*(The respondents were supposed to select up to two choices.)*



*First and foremost, companies would welcome a streamlined tax system and greater certainty regarding the future of the tax system. In the long term, the Czech respondent's call for these changes has been more pronounced than that of the respondents from other European countries. Lower taxes and fewer tax inspections do not, according to respondents, have such a major influence on the competitiveness of their companies.*

# Tax Certainty Perception Czech Republic (2015)

Do you believe tax uncertainty in your country is:



- Greater than in other European countries
- Lower than in other European countries
- About the same as in other European countries

*Only 3% of the respondents assess the tax certainty in the Czech Republic as being greater than in other European countries.*

# Survey Conclusions



In 2015, **most of the Czech taxpayers** stated that they had a **positive relationship with tax authorities** (TA). According to our findings, one in ten respondents has excellent experience with tax authorities, with more than one third of the respondents describing the relationship as very good (38.5%).



As in previous years, tax authorities continue to focus on traditional fields – VAT and corporate income tax. The survey suggests that compared to last year, **the number of transfer pricing inspections significantly decreased**.



First and foremost, companies would welcome a **streamlined tax system** and greater **certainty regarding the future** of the tax system.



Out of the options suggested, **clear and comprehensive instructions from tax authorities** would be the most beneficial for companies in the Czech Republic as well as other European countries.

# Contacts



**Jaroslav Škvrna**

**Partner in Charge, Deloitte Tax & Legal Function**

Tel.: + 420 246 042 636

E-mail: [jskvrna@deloitteCE.com](mailto:jskvrna@deloitteCE.com)



**Marek Romancov**

**Partner, Deloitte Tax & Legal Function**

Tel.: +420 246 042 889

E-mail: [mromancov@deloitteCE.com](mailto:mromancov@deloitteCE.com)



**Radka Mašková**

**Director, Deloitte Tax & Legal Function**

Tel.: +420 246 042 752

E-mail: [rmaskova@deloitteCE.com](mailto:rmaskova@deloitteCE.com)



**Petr Neuschl**

**Senior Manager, Deloitte Tax & Legal Function**

Tel.: +420 246 042 457

E-mail: [pneuschl@deloitteCE.com](mailto:pneuschl@deloitteCE.com)



## Mobile Applications Deloitte CZ



[Newsletters](#) | [Studies](#) | [Seminars](#) | [News](#) | [Videos](#)

# Deloitte.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee (“DTTL”), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as “Deloitte Global”) does not provide services to clients. Please see [www.deloitte.com/cz/about](http://www.deloitte.com/cz/about) for a more detailed description of DTTL and its member firms.

Deloitte provides audit, tax, consulting, financial advisory and legal services to public and private clients spanning multiple industries. With a globally connected network of member firms in more than 150 countries and territories, Deloitte brings world-class capabilities and high-quality service to clients, delivering the insights they need to address their most complex business challenges. Deloitte’s more than 225,000 professionals are committed to becoming the standard of excellence.

Deloitte Central Europe is a regional organization of entities organized under the umbrella of Deloitte Central Europe Holdings Limited, the member firm in Central Europe of Deloitte Touche Tohmatsu Limited. Services are provided by the subsidiaries and affiliates of Deloitte Central Europe Holdings Limited, which are separate and independent legal entities. The subsidiaries and affiliates of Deloitte Central Europe Holdings Limited are among the region’s leading professional services firms, providing services through more than 5,000 people in 41 offices in 17 countries.