

## Real Estate in the Czech Republic

### Tax Implications

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## Introduction

In 2003, real estate prices in the Czech Republic rose by an average of 20% - and in some places, including Prague, it was much higher. There was a tremendous increase in volume in the mortgage market triggered by a lowering of interest rates and a belief that the prices would continue to rise. In the first few months of 2004 there was a slowdown in the housing market - but this was not surprising, given that with the looming shadow of the EU, most sectors experienced slower growth in this pre-accession period. But there was another factor in the real estate slowdown - confusion over changes to the tax legislation, which eventually resulted in the 19% VAT on the majority of services and goods for the real estate industry. But by April 2004 the construction industry was booming, reaching its highest levels of activity since the fall of communism. During 2005 the development boom continued as more foreign companies were lured to invest in the Czech Republic due to the low level of interest rates and general increase in purchase prices of real estate. The other strong incentive for the rise in the number of development projects was the fact that 5% VAT is imposed on the supply of goods and services relating to residential housing until the end of 2007. In the forefront of the new development wave are projects in Prague and other large cities which usually include office buildings and multi-functional shopping malls. However, the office market is becoming more and more saturated with each passing year and developers are starting to look for new opportunities in smaller municipalities and rural areas. Some interesting residential projects and high-tech logistic parks are on the horizon in this respect.

Many analysts believe that demand will remain strong, in spite of the increasing supply of housing. This greater supply brings the benefit of choice to buyers - making developers focus on higher quality projects to remain competitive. The simplification of real estate rules in the Czech Republic has made the market much more attractive to foreign investors. Now, with continued economic growth in the Czech Republic bringing an increase in purchasing power, the increasing accessibility of mortgages and a continuation of the current low levels of interest rates, there is a feeling that demand - and therefore prices - could remain high for the next few years. For developers, the real estate market in the Czech Republic still represents great potential and vast opportunities.

In this document we have provided an introduction to the taxation issues that affect real estate in the Czech Republic -

on purchase, ownership, lease and all the way through to sale. If you would like more information on any aspect of the taxation implications of Czech real estate, please contact us at the details provided at the end of the brochure.

## Acquisition of Real Estate

An investor may decide either to hold Czech real estate directly or to invest indirectly via a Czech entity.

## Direct Investments in Real Estate

Before 2002, real estate could only be acquired by a domestic subject, defined in the Foreign Exchange Act as an individual who resides in the territory of the Czech Republic or as a Czech legal entity which has its seat registered in the Czech Republic.

As of 1 January 2002, foreign entities - corporations which conduct business on the territory of the Czech Republic through enterprises or branches located in the Czech Republic - may acquire real estate (with a few exceptions such as forestry and agricultural lands).

Foreign individuals who do not have "permanent residence" in the Czech Republic (with the exception of EU nationals - see below) may not acquire ownership rights to real estate in the Czech Republic except in specific cases (e.g. inheritance).

The conditions for the acquisition of real estate by other EU nationals have been relaxed significantly since the Czech Republic's accession to the EU. However, certain restrictions still apply, due to transitional periods negotiated with the EU authorities.

Under these restrictions, nationals of other EU Member States are allowed to acquire Czech real estate (with the exception of forestry and agricultural lands), provided that they have obtained in the Czech Republic a certificate of residence (permit) for citizens of an EU Member State (for either temporary or permanent residence). EU nationals are, generally, entitled to apply for such permit if they intend to stay in the Czech Republic for a period of three months or longer.

The rules for acquiring Czech forestry and agricultural lands are, however, more rigorous. EU nationals wishing to acquire

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forestry and agricultural lands should hold a permanent residence permit and permanently reside in the Czech Republic for a period of three years. Nationals of EU Member States are, generally, entitled to apply for such permit, provided that, among other things, they have been employed in the territory of the Czech Republic for a continuous period of three years, or if they perform business activities in the Czech Republic, or are members of the statutory body of a Czech legal entity. Additionally, they have to register with the relevant municipality.

The above-mentioned restrictions with respect to acquiring Czech forestry and agricultural lands will apply for a period of seven years as of the Czech Republic's accession to the EU, while those in relation to other real estate for a maximum of five years. After these transitional periods, EU nationals can acquire real estate in the Czech Republic without the need to fulfil any special requirements (e.g. certificate of residence).

## Indirect Investments in Real Estate

An investor may either establish a Czech legal entity that will acquire the real estate directly or acquire shares in a Czech special purpose company that owns the property. The principal business entities in the Czech Republic are:

- Limited liability companies (společnost s ručením omezeným - s.r.o.)
- Joint stock companies (akciová společnost - a.s.)
- General partnerships (veřejná obchodní společnost - v.o.s.)
- Limited partnerships (komanditní společnost - k.s.)
- Co-operatives (družstvo)

In addition, a foreign business entity may conduct business in the Czech Republic through a branch office registered in the Czech Republic.

## Financing the Investment

A foreign investor may use the following methods to finance an investment:

- Equity financing:
  - registered capital paid in cash or through contributions in kind, either at incorporation or at a latter date when the registered capital is increased;
  - additional contribution into other capital funds.

- Debt financing:
  - shareholder or group loans;
  - loans from banks and other financial institutions;
  - leasing of fixed assets.

## Income Tax Aspects of Equity Financing

- The Parent-Subsidiary Directive was implemented as of 1 May 2004 for dividends to and from both qualifying EU companies and domestic companies. Under the new rules, a dividend payment from a qualifying real estate company to a qualifying Czech intermediate holding company or to a qualifying EU investor is free of withholding taxes.
- In other cases, domestic withholding tax at the rate of 15% is levied on dividends paid to both domestic and foreign participants. This tax may be reduced under the terms of the relevant tax treaty binding for the Czech Republic.

## Income Tax Aspects of Debt Financing

- Interest on loans used for the acquisition of the real estate is generally tax deductible, provided that an arm's length interest rate was used (if the lender and borrower are related parties). The deduction may be taken for the period in which the interest was accrued, irrespective of whether the interest has been paid.
- Cross-border interest payments from a Czech real estate company to a foreign entity are liable to domestic withholding tax of 15%, unless the relevant tax treaty reduces it. Furthermore, effective from 1 May 2004, the Interest and Royalties Directive was implemented in the Czech Republic and, based on this, no withholding tax is imposed on interest payments to a recipient in another EU Member State, provided the Czech company is directly related to the EU recipient through capital for a period of at least 24 consecutive months.
- The thin capitalization rules may limit the tax deductibility of interest payments on loans from "related entities". The limitation of the debt/equity ratio is 4:1 (6:1 for banks and insurance companies). Until 2004, the thin capitalization rules did not apply in the year of the borrower's incorporation and in the three subsequent years. However, effective from 2004, this exemption was abolished. A transitional rule applies to entities incorporated before the end of 2003.

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- New thin capitalization rules were introduced in 2005:
  - not applicable to interest from loans and credits incurred under contracts concluded prior to 1 January 2004;
  - broader scope includes also other related parties such as sister companies as of 1 January 2005. Therefore, currently utilized financing models (e.g. via loans from sister entities) may prove inefficient from a tax perspective.
- According to the latest amended wording of the Czech Income Taxes Act, as of 1 January 2006, the new thin capitalization rules apply to interest payments based on the amendments to loan agreements concluded after 1 January 2004 which change the amount of loan or credit concluded before 1 January 2004.

## General Corporate Income Tax Issues

The following key points are worth highlighting regarding Czech taxation:

- Czech resident companies are subject to Czech corporate income tax on their worldwide income.
- The corporate income tax base is the trading result (i.e. accounting profit or loss) adjusted in accordance with the Income Taxes Act (by non tax-deductible expenses and non-taxable revenues).
- The Czech taxable period is the calendar year or the economic year. The deadline for filing the annual tax return is generally no later than 3 months after expiry of the previous taxable period (with the possibility of the extension by another 3 months under certain conditions).
- Revenue for Czech real estate companies is generally the income from renting out the real estate and capital gains realized on the sale of the real estate. As there is no separate capital gains tax, such gains are included in the tax base and taxed as ordinary income.
- The corporate income tax rate is decreasing from 26% to 24% in 2006. The special rate for taxable profits of investment funds is now 5%.
- Tax deductible expenses are expenses incurred to generate, maintain, and/or assure taxable income. These expenses generally include depreciation of buildings, (reserves for) the repair of buildings, real estate taxes and real estate transfer taxes paid and interest on loans that are used to finance the acquisition of the real estate.
- Capital losses on the sale of real estate (except land which is tax deductible to the amount of income received) are generally tax deductible.
- The possibility of carrying forward tax losses for offsetting against taxable profits has been reduced from seven to five years effective from 2004. Losses suffered before 2004 will remain deductible from future profits over seven subsequent years. There is no possibility for a carry-back of losses.
- The Income Tax Act wording valid for 2004 introduced more restrictions for tax losses. The assessed tax loss can not be deducted from the taxable base if there is an essential change in the structure of the persons that are participating directly in the management or capital of the taxpayer who incurred the loss. If 80% of the revenues were created by the same activity the taxpayer practised in the period in which the tax loss arose, the paragraph regarding non tax-deductible loss is not applied. However, based on amendments to the Czech Income Taxes Act, as of 1 January 2004, it is possible to deduct tax losses from the taxable base in specific cases even if no revenues were generated in the period when the loss was incurred (e.g. development company which incurred costs during the construction stage of the project and later generates income from lease of this real estate property can deduct the accumulated tax losses from the corresponding revenues).
- All transactions with related parties must be conducted at arm's length. If the tax authorities find that a company does not deal with related parties at arm's length, the tax administrator will adjust the company's tax base accordingly.
- Expenses related to the acquisition of the real estate (e.g. notary fees) represent a part of its acquisition price.
- For "construction interest" (interest expenses incurred during the construction of a building), there is an option of either directly deducting the interest from the tax base as an operating cost or capitalizing it into the acquisition value of the building.
- As of 1 May 2004, the Parent-Subsidiary Directive was implemented in the Czech Republic. Requirements for the applicability of the Parent-Subsidiary Directive are minimum interest of 25% and a minimum holding period of 24 calendar months ("qualifying share/quota holding"). Under these new rules, it is no longer possible to deduct expenses related to a qualifying share/quota holding in a limited liability or joint stock companies. Therefore, the interest on

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loans used for the acquisition of a qualifying share/quota holding in a real estate company is not tax deductible. In the event a qualifying share/quota holding in a real estate company is acquired, the non tax-deductibility may be ended by merging the Czech intermediate holding company with the Czech real estate company.

- New amendments to the Parent-Subsidiary Directive application have been introduced:
  - decrease of the capital participation requirement from 25% to 20% (as of 2005) and later to 10% (as of 2006);
  - decrease of the holding period requirement from 24 to 12 months (as of 2006);
  - this applies to dividends declared by the general meeting after 1 January 2006.
- In addition, an agreement between the EU and Switzerland was concluded during 2005 which stipulates that dividend income from/to Swiss companies is exempt from withholding tax according to the Parent-Subsidiary Directive requirements mentioned above.

## General VAT issues

As in the other Member States, the role of indirect taxes, including VAT, is slowly increasing and may represent (under certain circumstances) significant costs to the purchaser or owner of the real estate. Below, we comment on the main characteristics regarding the application of VAT in the Czech Republic.

- According to the VAT Act No. 235/2004 Coll. (hereinafter "VAT Act") which came into force as of 1 May 2004, when the Czech Republic joined the European Union, the supply of goods, provision of services and transfer of real estate for consideration with the place of supply in the Czech Republic is subject to VAT.
- As the place of supply for the transfer of real estate is the place where the real estate is located, only real estate located in the Czech Republic may be subject to Czech VAT.
- The place of supply of services relating to real estate, including services of real estate agents, evaluation experts or architects and construction supervisors, shall be the place where the real estate is located. Based on this situation, services which relate to real estate in the Czech Republic shall be subject to Czech VAT.
- If the services related to real estate are supplied by a foreign person or a person registered for tax in another Member

State who does not have its business seat or a fixed establishment in the Czech Republic to a taxpayer or a person identified for tax, the person to whom the service is supplied is obliged to self-assess the tax in its VAT return.

- On the other side, if such services are supplied to a non-taxpayer or a person not identified for tax, the provider of the service may be required to VAT register in the Czech Republic and apply Czech VAT on its supplies to the customers.
- Certain types of supplies may be subject to Czech VAT despite the fact that they are not provided for consideration (i.e. technical appreciation performed by a lessee under certain circumstances).
- Pursuant to the VAT Act, a standard VAT rate of 19% or a reduced VAT rate of 5% is applicable to the supply of goods and services. Certain supplies related to real estate (i.e. rent and transfer of real estate under certain circumstances) may be tax exempt.
- A taxpayer may claim its right to an input VAT deduction provided that it uses the received supplies generally for its economic activities which are subject to VAT or tax exempt with entitlement to an input VAT deduction (such supplies may be also referred to as "zero-rated").
- A taxpayer may be obliged to reduce its entitlement to an input tax deduction by a coefficient if it uses the received supplies both for supplies which are taxable and supplies which are tax exempt without the right to an input VAT deduction.
- No entitlement to an input VAT deduction exists in respect of taxable supplies which are used solely for VAT exempt purposes.
- The tax deduction for acquired long-term tangible assets may have to be adjusted if the right to a tax deduction changes as a result of a change of the purpose of use of such assets in the period of five subsequent calendar years starting from the year when the assets were acquired. The tax deduction adjustment should be made only in respect of long-term tangible assets with value exceeding CZK 40,000.

## Ownership of Real Estate

Ownership of real estate can be acquired e.g. through a purchase contract or donation, on the basis of a contribution to a company, or on the basis of other matters stipulated by law (e.g. inheritance).

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## Income Tax Issues of Ownership

Real estate, except land which is non-depreciable property, is generally depreciable for tax purposes:

- Tax depreciation can be started after the construction is completed to a level allowing usual usage, i.e. the construction is completed and its technical functions and duties comply with special legal regulations for usage.
- Prior to 1 January 2004, real estate generally fell within the 5th tax depreciation group and was depreciated over 30 years.
- Effective 1 January 2004, a new 6th tax depreciation group was introduced. This includes administrative buildings, hotels, buildings of commercial centres and department stores, buildings for social and cultural events, museums, libraries and historic and protected monuments. The tax depreciation period for these assets is 50 years.
- Construction works are classified into depreciation groups based on their main usage, determined according to the prevailing purpose (e.g. manufacturing, administrative) of the total usable floor area.
- There is a choice of calculating the annual tax depreciation using either the straight-line or accelerated method. Generally, the owner shall, for tax purposes, determine the method of tax depreciation for newly acquired assets. The method of tax depreciation cannot be changed during the depreciation period.

## VAT Issues of Ownership

The owner of the real estate acquires from its suppliers services (i.e. repairs, architect and consultant services) and goods (i.e. electricity, gas and water which are considered goods for VAT purposes). All of these supplies are subject to Czech VAT which may represent significant costs for the real estate owner.

- The standard rate of 19% applies to most services related to real estate.
- Heating and cooling is subject to the reduced rate of 5%.
- The supply of construction and assembly work related to residential housing is subject to a 5% VAT rate until the end of 2007. The Czech government proposed recently that the supply of construction and assembly work related to certain residential housing will remain subject to 5% VAT rate even after the end of 2007. This exemption would relate only to residential housing defined as "social housing". Criteria for social housing have been determined as residential flats under 90m<sup>2</sup> and residential houses under 150m<sup>2</sup>. The

proposal has not yet been officially approved by the Czech government and submitted to the Parliament for legislative approval.

- Accommodation services are subject to a 5% VAT rate.
- The owner will be entitled to claim the incurred VAT, provided that it is a VAT payer and the acquired goods and services are used for rendering taxable supplies in respect of which the entitlement to input VAT exists.

## Leasing of Real Estate

### Income Tax Issues of Leasing

Key factors of the leasing of real estate:

- Lessor/Landlord - timely accrued taxable revenues.
- Lessee - timely accrued tax-deductible costs, but in the case of a financial lease certain specific conditions are defined.

Expenses incurred by a lessee in respect of the reconstruction or modernisation performed on a construction and exceeding CZK 40,000 within a single taxable period shall be considered as a technical improvement.

A lessee may depreciate a technical improvement for tax purposes if all the conditions below are met:

- The technical improvement is recorded in the lessee's property register.
- The technical improvement is of a leased tangible asset.
- The technical improvement is paid by the lessee.
- Written consent issued by the owner of the leased asset exists.
- A written contract between the lessee and the owner exists.
- The acquisition value of the leased asset recorded by the owner is not increased by this technical improvement.

Other key factors of the technical improvement of leased real estate settled by the lessee:

- Effective from 1 January 2004, the fit outs made to leased real estate which are still being completed are considered as technical improvements for tax purposes that could be expensed through tax depreciation performed by the lessee or the owner. This depreciation shall not be commenced before the commencement of the leasing and recording the technical improvement in the lessee's property register (i.e. putting the technical improvements into use).

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- As of the termination of the lease contract, the tax residual value of the technical improvement constructed by the lessee is tax deductible for the lessee only up to the compensation received from the landlord.
- As to the tax residual value of technical improvement not settled by the landlord in the tax period when the lease agreement was terminated, the landlord is obliged to record in his revenues (1) the tax residual value of the technical improvement computed under the straight line method or (2) the value of the technical improvement as of the termination date according to a state-authorized evaluator. The landlord should then tax these non-monetary revenues using the tax rate applicable in the taxable period when the lease is terminated.
- If agreed with the landlord that as of the termination of the lease contract the technical improvement constructed by the lessee should be removed, the cost of the removal of outfits is fully tax deductible for the lessee.

## VAT Issues of Leasing

- Leasing of land, buildings, residential and non-residential real estate is generally VAT exempt without the right to tax deduction with the exception of:
  - short term leasing;
  - leasing of premises and sites for parking of vehicles;
  - leasing of permanently installed equipment and machinery which are classified into a different depreciation group than the building; and
  - hire of safes.
- A taxpayer may opt to apply VAT at the rate of 19% on the leasing of land, buildings, residential and non-residential real estate if the lessee is a Czech VAT payer which will use the subject of the lease for business purposes.
- If the landlord opts to apply VAT on the leasing of land, buildings or residential and non-residential real estate, this decision must be announced to the tax authorities within 30 days after concluding the lease agreement.
- Financial leasing of buildings, residential and non-residential real estate is VAT exempt with the exception of a financial lease agreement concluded within 3 years after the acquisition of the real estate or obtaining the official approval for use of the real estate.

## Sale/Transfer of Real Estate

### Income Tax Issues of Sale/Transfer

The tax consequences of a sale of Czech real estate:

- Income from the sale of Czech real estate is considered income on the territory of the Czech Republic. If a tax treaty applies, the gain from the sale of Czech real estate is generally taxable in the country where the property is situated and therefore is liable to Czech taxation.
- Buildings - the residual value is a tax-deductible cost at sale.
- Land - the purchase price is tax-deductible only up to the revenue from the sale.
- Where a leased object under an operational lease is sold to the lessee on termination of such contract, there are specific requirements for the rent payments paid in the past to be tax deductible for such lessee.

The tax consequences of a sale of the share/quota holding in a real estate company depend on the legal form of the real estate company and on the seller's status:

- A sale of a share/quota holding between Czech non-residents which do not have a permanent establishment in the Czech Republic is outside the scope of Czech taxation.
- A capital gain realized by a non-resident foreign investor on the sale of a share/quota holding in a Czech real estate company where the purchaser is a Czech resident falls generally within the scope of Czech taxation. If a tax treaty applies, the capital gain is usually taxable only in the country of residence of the foreign investor and is exempt from tax in the Czech Republic.
- A gain realized on the sale of a share/quota holding in a Czech real estate company by another Czech intermediate holding company is reflected in its taxable income. If the real estate company is a joint stock company, only losses derived from the sale of shares in the joint stock company that are revaluated to their market value for accounting purposes (current assets) may be deducted from taxable income. Otherwise, a loss derived by a Czech intermediate holding company from a disposal of the shares in a joint stock company is not tax deductible. Losses from a sale of a quota holding in a Czech limited liability company or a share from a limited partner in a limited partnership are not tax deductible.

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## VAT Issues of Sale/Transfer

With regard to the VAT treatment of transfers of real estate located in the territory of the Czech Republic, a distinction between the transfer of residential and non-residential real estate has to be made:

- The transfer of residential real estate is subject to 5% VAT until the end of 2007 if this transfer occurs within 3 years after the acquisition or obtaining the official approval for use of the real estate. According to the current proposal of the Czech government, transfer of residential real estate which will qualify as "social housing" should remain subject to 5% VAT even after the end of 2007.
- The transfer of non-residential real estate within 3 years after the acquisition or obtaining the official approval is subject to a 19% VAT rate.
- The transfer of both residential and non-residential real estate after the period of 3 years after the acquisition or obtaining the official approval is VAT exempt. Such transaction may, therefore, negatively influence the entitlement of the seller to recover input VAT.
- The transfer of land is exempt from VAT without the right to input VAT recovery, with the exception of building land which is subject to a 19% VAT rate. Building land shall mean any unimproved land on which construction can be built according to the construction approval.
- A sale of a share/quota holding in a Czech real estate company is not subject to Czech VAT.

Please note that companies which are currently not registered for VAT in the Czech Republic and plan to sell real estate in the Czech Republic should review their potential VAT registration obligation.

## Real Estate Tax

The ownership of plots of land and buildings is subject to real estate tax. Real estate tax comprises land tax and tax on buildings. The taxation period is a calendar year (due 31 January), but it is generally payable quarterly through advance payments paid by the registered owner of the land or buildings located on the Czech Republic.

Land tax is imposed on plots of land entered in the Czech Real Estate Cadastre and is payable by the owner or user. A rate of 0.75% of the official price applies to arable land, hop-fields, vineyards, gardens and orchards, whereas a rate of 0.25% of the official price applies to meadows, pastures, commercial forests, and ponds used for fish farming. Land tax on building land for which a building permission has been granted amounts to CZK 1 per sqm.

Building tax is calculated according to the registered ground area of the building: CZK 1, 5 or 10 per sqm in the case of business premises, CZK 1 or 3 per sqm for residential buildings, CZK 1 per sqm in the case of flats, CZK 4 per sqm in the case of garages, CZK 3 per sqm in the case of other buildings; this amount rises by CZK 0.75 per sqm for each additional floor.

Furthermore, rates in respect of building land or built-up areas are multiplied by a coefficient which varies according to locality, ranging from 0.3 to 4.5 in Prague.

## Real Estate Transfer Tax

Real estate transfer tax is levied on the transfer of the ownership of real property located in the Czech Republic. The seller usually pays the real estate transfer tax, while the person acquiring the real estate is the guarantor. A decrease in the tax rate from 5% to 3% went into effect as of 2004. The tax is levied on either the agreed purchase price or the officially assessed value, whichever is higher.

There are a number of exemptions from real estate transfer tax, including:

- The transfer of real estate as an "in-kind" contribution to the registered capital of the company, provided that the contributing company retains a participation in such company for at least 5 years following such contribution;
- The transfer of shares in a Czech real estate company;
- The first transfer, as a part of the seller's business, of uncompleted construction and completed construction that has not been used; and
- The transfer of real estate in the course of a merger and/or de-merger of a company.

# Real Estate in the Czech Republic

## Our Services

At Deloitte, we have created a team of dedicated real estate specialists who are ready to assist domestic and foreign investors with all issues related to real estate business. Our aim is not only to allow investors to maximize the amount of monetary funds utilized, but also to minimize the risks that can arise from investment in real estate in the Czech Republic.

Drawing on the industry expertise of a range of professionals, our tax team understands the issues around construction, ownership and leasing of property, and delivers a comprehensive service to a wide range of property companies and property users. Our services are always tailored to meet your precise requirements but the areas where we particularly specialise are:

### Advisory Services Focused on Acquisition of Real Estate

- Tax planning in the event of real estate investments, i.e. tax aspects of debt/equity financing, tax efficient financing to minimize interest charges to be capitalized, establishment of tax wise ownership structure, profit optimisation including repatriation strategies, subsequent re-structuring, maximizing corporate income tax losses utilisation;
- Tax optimisation in the event of transactions (buying/selling), i.e. asset/share deals with non/residents, treatment of expenses related to the acquisition of the real estate, issues related to the acquisition of infrastructure;
- Consulting on tax-driven mergers and acquisitions;
- Our services relating to proper tax treatment of infrastructure built by a developer, optimization of the expenses incurred on various constructions to be handed over to municipal authorities, as mostly required in local authority approvals; and
- VAT optimisation strategies during and after reconstruction, with the objective to recover maximal amount of input VAT incurred in connection with the reconstruction in the shortest possible period of time.

### Advisory Services Focused on Ownership of Real Estate

- Tax optimisation of real estate portfolios, i.e. we can help with issues connected with the classification of real estate for tax purposes, tax depreciation charges computation, technical improvements of the real estates, infrastructure, easements and other services connected with this area;
- Review of contracts such as leasing agreements, service agreements with foreign parties and related party transactions, in order to assess whether the maximum corporate deductions are achievable under the contracts as concluded;
- Leasing of real estate, i.e. the tax consequences of concluding leases and other contracts, issues related to the fit outs made to leased real estate by tenant, tax consequences of termination of lease contracts;
- Review of current transfer pricing policy and outlining main areas of exposure, if any, with respect to overall group tax position and long term business strategy;
- Tax methodology aid for inter-group companies; analysis of the tax treatment of cash flows between such companies; solving risky tax issues; and
- Real estate tax issues.

### Advisory Services Focused on the Sale/Transfer of Real Estate

- Tax optimisation in the event of transactions (sale/transfer), i.e. asset/share deals with non/residents;
- Elimination of prospective risks and negative impacts of the transaction process;
- Optimization and tax structuring of the sale/transfer process with respect to financing and other aspects; and
- VAT and real estate transfer tax consequences.

The experience and knowledge of our Deloitte specialists can ensure that tax-efficient solutions can be achieved for both local and international clients.



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