



Czech Republic

WTS Global Country TP Guide

Last Update: December 2017

1. Legal Basis	
Is there a legal requirement to prepare TP documentation?	No
Is the preparation of TP documentation advisable, e.g. to avoid penalties?	Yes
Are TP policies of multinational enterprises in principle accepted by the tax authorities, if they are in line with the OECD TP Guidelines?	Yes
Have the documentation requirements of OECD BEPS Action 13 already been implemented (i.e. the LF, MF and CbCR concepts)?	CbCR Implemented, No MF/LF.
Reference to relevant articles of law, legislative regulation or applicable administrative guidance that are in place for TP documentation in general:	Income Tax Act 23 (7), 35a (2d) Legally non-binding guidance of the Czech Ministry of Finance D-332 (international standards for taxation of transactions between related parties), D-333 (advance pricing arrangements) and D-334 (recommended scope of transfer pricing documentation), and General Financial Directorate guidance D-10 (low value intra-group services).

2. Master File (MF)	Not implemented
----------------------------	-----------------

3. Local File (LF)	Not implemented
---------------------------	-----------------

4. Country-by-Country Reporting	
What is the threshold requirement for the obligation to prepare Country-by-Country Reporting?	EUR 750,000,000
As from which year does this CbCR obligation exist?	2017
When and how do the tax authorities need to be notified who the reporting entity is?	Deadline: last day of the assessed fiscal year Notification electronically via the online application on the website of the tax authority
If the reporting entity (ultimate parent or surrogate parent) is in your country, what is the CbCR submission deadline?	12 Months after the end of the assessed fiscal year
Are there any deviating submission deadlines for the secondary mechanism?	No
Does your country have a requirement that the financial years of the group need to be aligned with?	No
Where is the CbCR to be submitted ?	https://adisepo.mfcr.cz/
How is the CbCR to be submitted, specifically, is there any prescribed standard?	Xml format is required, subsequently sent via data box or verified e-mail address.
What are the possible consequences of not having the CbCR available?	
Penalties?	Yes
Imprisonment?	No
Shifting of the burden of proof?	No

To which extent do your local rules differ from the OECD standard regarding the content requirements for the CbCR as shown in the 2017 OECD TP Guidelines?	Czech rules follow the OECD standard
Did your country sign the Multilateral Competent Authority Agreement on the Exchange of CbC Reports ("CbC MCAA")?	Yes
Did your country enter into other information exchange agreements, such as on a bilateral basis?	No
Can a taxpayer in your country fulfil his CbCR requirement by referring to the reporting entity in the same or another country?	Yes

5. TP disclosure in tax return or transfer pricing specific returns

Does a taxpayer need to disclose information regarding TP documentation in his tax return?	No
When a taxpayer files a tax return for which he understands or should understand that the result reported in that tax return is too low due to incorrect transfer pricing, what could be the legal consequences?	Intentionally submitting an incorrect / too low tax return and failing to inform the tax authorities accordingly constitutes a tax crime. Legal consequences may range from (monetary) fines to imprisonment of up to 10 years in serious cases.
What could be the consequences for the tax advisor/accountant/administrator drafting and filing the tax return of a client where that advisor/accountant/administrator understands or should understand that the result reported is too low due to incorrect TP?	Primary legal responsibility pertains to the taxpayer.
Does a taxpayer need to file TP-specific returns?	Yes
Please state the filing form number and name.	25 5404/E MFin 5404/E, Přehled transakcí se spojenými osobami
What would be the filing deadline?	Same as for tax return.

6. Benchmarking

Is there any local guidance or requirement with regard to the preparation of a benchmark study?	No
Are there any materiality thresholds that apply for the requirement to have a benchmark study available?	No
Does your country apply the general guidance by the OECD to prepare a new benchmarking search every three years and an update of the financial data of the accepted comparable in year 2 or 3?	No
Or is a new search every three years without any financial updates in year 2 and 3 sufficient?	Yes. It is sufficient to prepare a new benchmarking study every three years as long as there have not been any changes to factors affecting transfer prices or the value chain contribution.

7. Year-end adjustments

Are year-end adjustments permissible?	Yes
Does the taxpayer have to comply with any specific features or guidance?	No specific legal provisions on compensating adjustments exist in the legislation. However, domestic legislation does not forbid taxpayers to make these adjustments. The Tax Authority would firstly audit whether the original transaction was set in accordance with the arm's length principle.

8. Transfer Pricing Audit and Dispute Resolution Mechanisms	
<p>What are currently the main TP areas of scrutiny by the tax authorities in your country?</p>	<p>General areas on which attention is focused during controls are as follows:</p> <ul style="list-style-type: none"> - management, marketing and similar services - license fees - financing - correct profit split with respect to the functional and risk profile - long-term loss - transactions with related company situated in a country with more favourable tax regime
<p>Based on your experience, are joint or multilateral audits initiated and carried out?</p>	<p>No</p>
<p>Does the taxpayer have the option to apply for bilateral or multilateral APAs?</p>	<p>Yes</p>
<p>Are there any restrictions?</p>	<p>No</p>

Your contact person:

Ms. Jana Alfery
 jana.alfery@alferypartner.com
 T: +420 221 111 777