



**Ceskoslovenska  
obchodni banka, a.s.**

**The Czech Republic**

# CSOB Custody Bulletin

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Although the items of information in this Bulletin are from sources that CSOB regards as reliable, CSOB does not vouch for their accuracy; some terms may be incomplete or simplified. The view and conclusions presented in this publication are our opinions and are liable to change without notification. The data published in the Bulletin constitutes no legal obligation for CSOB.

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## Changes in taxation of interest paid from Czech bonds

Until the end of 2012 interest income from bonds issued in the Czech Republic was withheld under a specific regime. The tax rate was set separately for each individual security. The tax base of this interest income was then rounded down to whole Czech crowns. In case of bonds with a nominal of 1 CZK, this led to non-taxation of interest income.

A change in this method of rounding was brought by Act No. 192/2012 Coll., Amending Act No. 72/2000 Coll., on Investment Incentives, as amended, and other related acts. It stipulated that not the tax base and income shall be rounded, but only the total amount of tax withheld per each income shall be rounded down to whole crowns. This amendment came into effect on 1 January 2013. The change in the method of rounding was accompanied by a transitional provision under which interest income from a bond issued before the effective date of this Act (i.e. a bond issued before 31 December 2012) shall use the advantageous rounding method which was in effect until 31 December 2012.

Act No. 364/2019 Coll., Amending certain tax laws in connection with the aim to increase public budget revenues, effective from 1 January 2020 (specifically Part II. Amendment to the Income Tax Act, Art. IV Transitional Provisions, point 4) covers also the taxation of the so-called crown bonds (bonds with 1 CZK nominal), in the form of a transitional provision to Section 36 (3) of the Income Tax Act, which itself, however, is not affected by the amendment. In tax periods after this amendment, interest income from bonds issued before 2013 will no longer be rounded on the level of one individual security. In practice, this means that interest on bonds issued in the Czech Republic until the end of 2012, if held by a natural person or a non-resident tax, will also withhold 15% income tax. Newly, the current method of rounding, where only the resulting tax per each taxpayer is rounded, applies to all bonds regardless of the issue date.



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## **Impact on foreign investors:**

A unified rounding method for taxation of interest income paid from Czech bonds, not rounding the tax base but the resulting tax down to whole crowns, will be used from 1 January 2020.

**Source:** CSOB



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