



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

The Czech Republic

CSOB Custody Bulletin

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Contents

Changes in taxation of bonds - update.....	3
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Changes in taxation of bonds - update

The Amendment of the Banking Act no. 353/2021 Coll., approved in September 2021 and applicable from 1 October 2021, will have impact on the changes to taxation of bonds issued abroad by issuers domiciled in the Czech Republic, communicated in CSOB Custody Bulletin No. 1 in January 2021.

The Amendment reintroduces tax exemption from interest income from bonds issued abroad by issuers domiciled in the Czech Republic (e.g. Eurobonds) for foreign investors, unless they are directly or indirectly economically or legally connected with the issuer (i.e. have direct or indirect control over 25% or more of the issuer's capital and/or voting rights).

Foreign investors - individuals as well as corporates - directly or indirectly economically or legally connected with the issuer will pay withholding tax in accordance with the applicable double taxation treaties (DTT), or 15% in case of residents of EU/EEA/TIEA countries, the non- DTT/EU/EEA/TIEA residents will be taxed with the default rate of 35%.

In case of Czech residents, a 15% withholding tax will apply in case of individual investors, corporate investors will need to include the interest income in their annual tax returns.

The above changes will apply to bonds issued abroad by issuers domiciled in the Czech Republic on or after 1 January 2022.

Impact on foreign investors:

Foreign investors will be exempt from taxation of income from bonds issued outside the Czech Republic by Czech issuers on or after 1 January 2022, unless they are directly or indirectly legally or economically linked to the issuer, Czech private individual investors will be subject to 15% withholding tax.

Source: CSOB



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