

TAX NEWS



Tax Package 2023

the opportunity to use extraordinary depreciation of assets acquired in 2022 and 2023

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Package of amendments to tax laws (parliamentary press 254) was published in the Collection of Laws on 2 December 2022 as Act No. 366/2022 Coll.

The new law brings:

- windfall tax;
- increase of the threshold for VAT payers to 2 million CZK;
- parametric changes to the lump-sum tax;
- extraordinary depreciation of assets

Extraordinary depreciation can be applied to tangible assets acquired between 1 January 2022 and 31 December 2023.



This is an extension of the existing regime under §30a of the Income Tax Act for tangible assets acquired in 2020 and 2021.

This is only an optional spreading of costs over time, not a reinvestment deduction or other increase in total depreciation.

Extraordinary depreciation is determined to the nearest month. Tangible assets classified in Depreciation Group 1 may be depreciated on a straight-line basis without interruption over 12 months.



Tangible assets classified in Depreciation Group 2 may be depreciated without interruption over a 24-month period on a straight-line basis up to 60 per cent of the cost for the first 12 months and up to 40 per cent of the cost for the immediately following 12 months.

The reason for this is to support taxpayers' investments in a difficult economic period.

According to the general regulation, the taxpayer depreciates the tangible assets in the first group for 3 years, while in the extraordinary depreciation regime only for 12 months. Assets in the second group are generally depreciated for over 5 years, but only for 24 months under the extraordinary depreciation regime.

The downside is the impossibility of interrupting extraordinary depreciation.



In the year of acquisition, the moment of acquisition plays a role. The effect of extraordinary depreciation in the first year is greatest for assets acquired at the beginning of the year.

An example: a passenger car, cost price 1 million, acquired in January 2022. Tax depreciation in 2022?

General regulation, accelerated depreciation in 2022: 1 million CZK / 5 = 200,000 CZK.

Extraordinary depreciation in 2022: 60% * 1 million CZK * 11/12 = 550,000 CZK.

The result of extraordinary depreciation is the applying of higher costs in the year of acquisition.