Local Version: Czech Republic
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1 Quick Facts

Here you find general information about the Czech Republic.

Key Strengths

The local version for Czech Republic is part of SAP standard local version. It supports legal compliance features at various business transactions enabling businesses to run simple.

Challenges

Legal changes are quite frequent and published in short term before are effective.

Legal Compliance

<table>
<thead>
<tr>
<th></th>
<th>FI/Logistics</th>
<th>Human Capital Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>Law Complexity Ranking</td>
<td>Medium Complexity</td>
<td>Medium Complexity</td>
</tr>
<tr>
<td>Frequency of Legal Changes</td>
<td>Dynamic, mostly at year beginning</td>
<td>Dynamic, over the year</td>
</tr>
<tr>
<td>Official Local Language</td>
<td>Czech</td>
<td>Czech</td>
</tr>
</tbody>
</table>

Language

All core modules are translated.
2 Supported Legal Requirements

Cross-Function Requirements

- Local currency is CZK.
- Fiscal year – used is calendar year or fiscal year.

Financial Accounting (FI)

- The mandatory legal reports for accounting are balance sheet and income statement. Certain companies also use a cash flow report.
- For exchanging data with banks, there is available SEPA interface.
- There are several VAT reports required by the Czech tax administration office. Supported are following reports – VAT statement (summary VAT report), VAT control ledger (detailed VAT transactions report) and EC sales list. All three produce as output XML file compatible with Czech tax portal.
- Fixed assets are depreciated according to accounting standards and also according to income tax law, so you need to use at least two valuation areas.
- For tax depreciation, you can use a specific declining-method calculation based on the asset’s useful life. The other frequently used tax depreciation is the linear (percentage) method. Both methods calculate tax depreciation on a yearly basis. For both methods, functionality supports modernization according to tax law. After modernization, which is an acquisition that changes depreciation parameters in the acquisition year and the following year, the planned depreciation is adjusted.
- Intangible assets according to income tax law are now depreciated on a monthly basis, and depreciation time has to be prolonged in case of modernization. As the base for depreciation calculation is month, you will need the new depreciation engine to tackle depreciation parameter changes during the year.
- Retirement posting has specific rules. For example, different expense accounts should be used for different retirement reasons; this is supported by asset management posting.
3 Human Capital Management Requirements and Payroll for Czech Republic

Payroll

- Payroll is run on a monthly basis with posting to accounting and basic reporting (for example, reports for social and health insurance companies). However, there are also some mandatory quarterly and yearly reports. Yearly tax settlement on a personal and organization basis is a must and is one of most important duties.
- From 2008 was by law introduces so called “super-gross” wage. Tax advance payment is determined from tax base which includes gross wage and health and social insurance paid by employer (not the employee). Additionally, from tax base above certain threshold (which changes year to year) is paid so called solidarity tax (in fact it means progressive income taxation).

Reporting

In the reporting area, the localization had to respond to many legal reporting requirements, such as regular reports for health and social insurance companies, mandatory statistical reports for Czech statistical office, yearly income tax clearing functionality and reporting.
4 Information Repositories

Latest legal changes information is delivered here.
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