



**The annual report of the Financial Administration
of the Czech Republic in 2014**

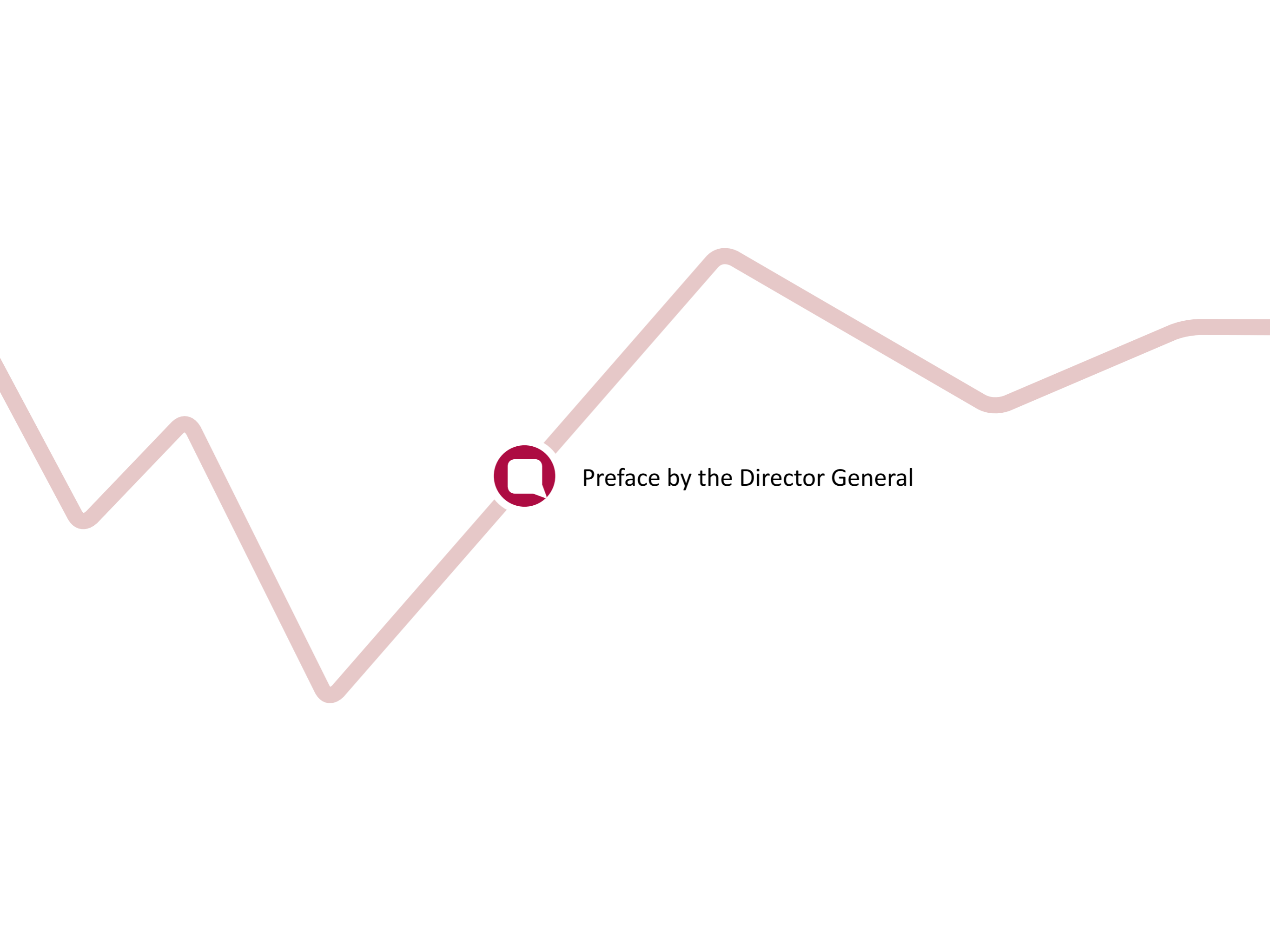


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of the Czech Republic in 2014



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Preface by the Director General

Preface by the Director General

Ladies and Gentlemen,

it is my honour to introduce you the annual report for the year 2014. I am very pleased that the Financial Administration of the Czech Republic has done a significant progress in its work since an implementation of new organizational structure two years ago.

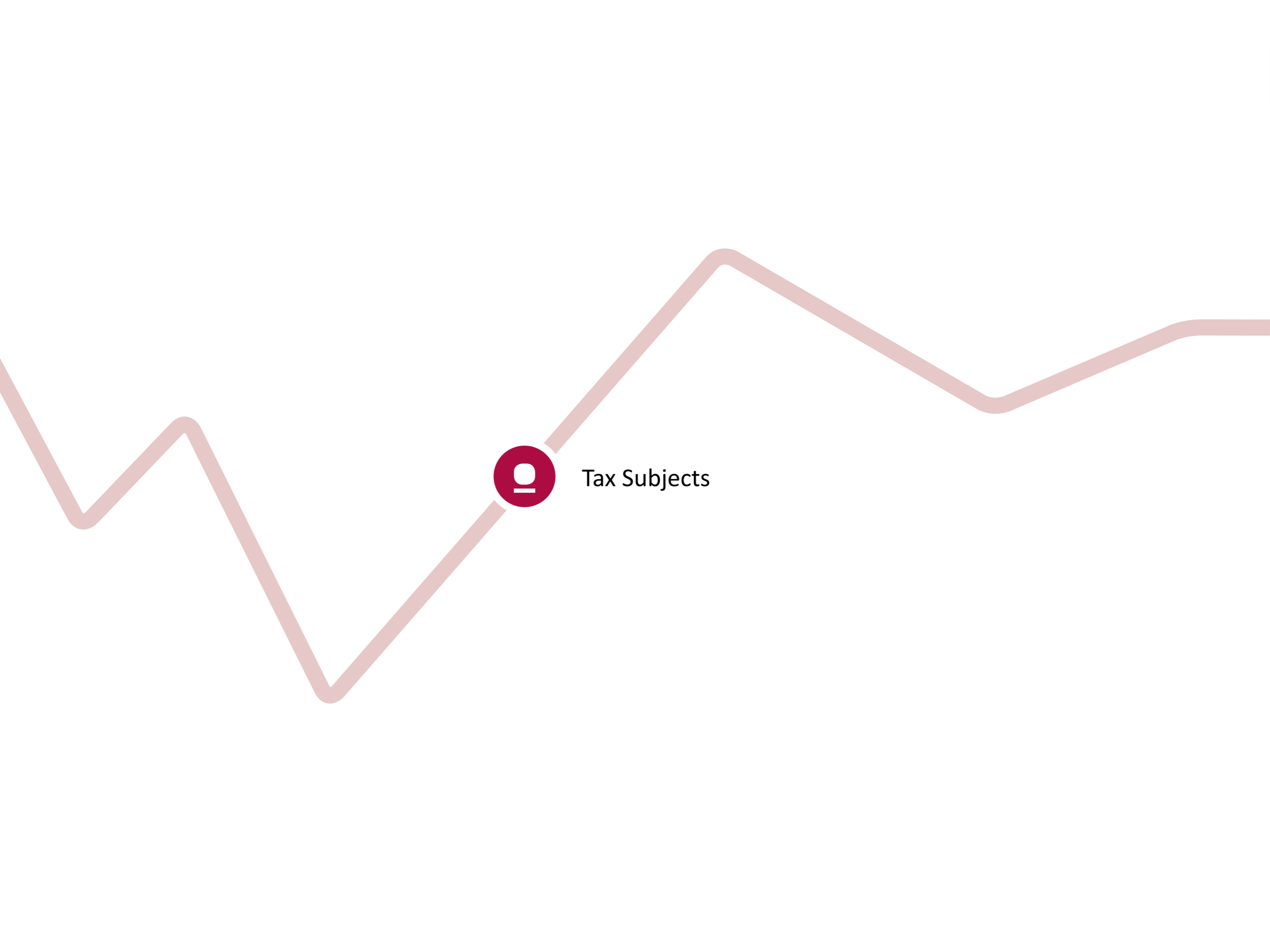
The Financial Administration of the Czech Republic is gradually modernized and computerized, thus keeping pace with the rest of Europe. It is very positive that the taxpayers increasingly adopt the advantages of electronic communication. The number of taxpayers, who communicate with the tax administrator electronically, continues to rise constantly, while on the contrary there is a decrease of number of personal visits to the tax offices. It means that we continue in fulfilment of our long-term goals.

The Financial Administration of the Czech Republic fights against tax crimes very intensively. The number of measures increases constantly and the strategy and tactics in the fight against newly emerging large-scale frauds keep improving, too. There was an increase of number of control-seizing actions in 2014. One hundred of our employees from the whole Czech Republic reinforced the colleagues in Prague in the framework of the action called "Assistance to Prague" in order to focus mainly on the excessive deductions of VAT, virtual seats of companies and seats in mass addresses. Since 1st October 2014, we have implemented stricter conditions for an application of so-called "unreliable taxpayer" institute. It is another instrument of the Financial Administration of the Czech Republic in a fight against tax evasion and fraud on VAT. Very important milestone was a launch of the "Tax Cobra", which is based on the cooperation between the specialists of the Financial Administration of the Czech Republic, the Customs Administration of the Czech Republic and the Police of the Czech Republic, in order to uncover the large-scale tax frauds. The Tax Cobra prevented damage approximately in the amount of CZK 1.5 billion in 2014.

I would like to thank all our employees for their beneficial work. We work continuously on an improvement of internal communication so that each employee can be sure of its importance for the whole institution. In particular, thanks to our employees, I can evaluate the year 2014 positively.



Martin Janeček
Director General



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Tax Subjects

Tax Subjects

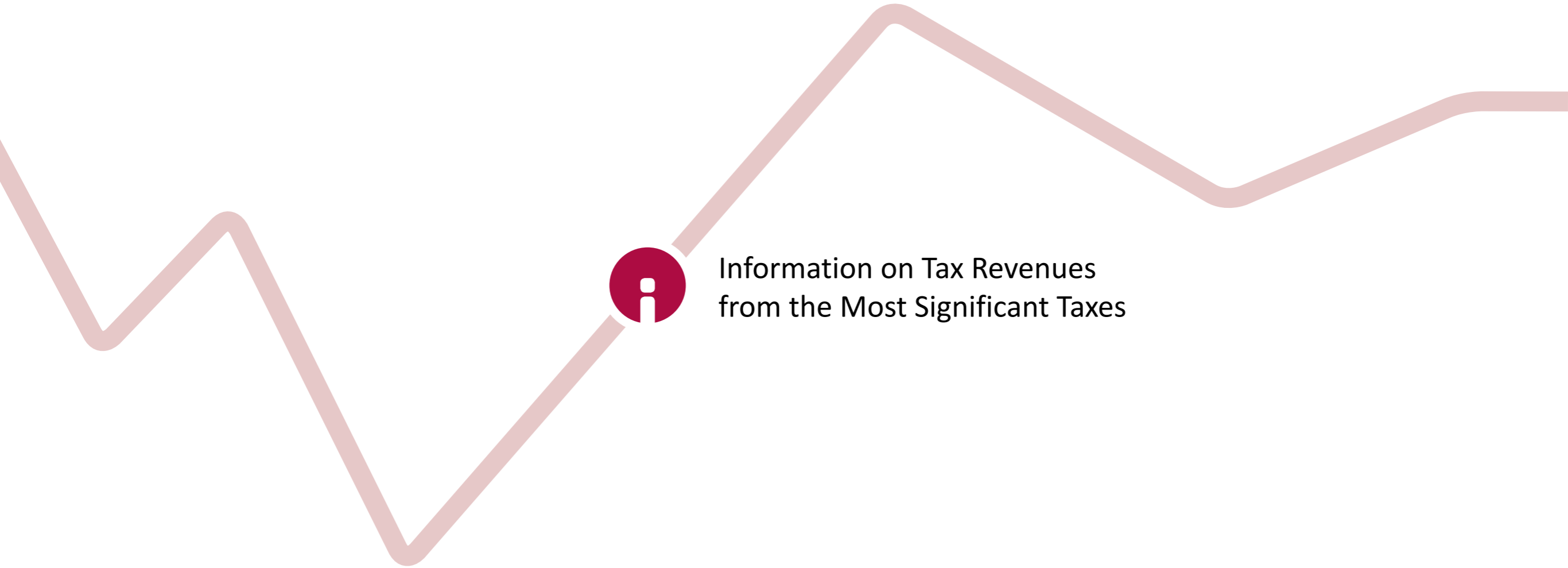
The Financial Administration of the Czech Republic statistically monitors number of tax subjects "registered" at the tax administrators' records and the number of entities that were economically active in the respective period. In 2014, the tax administrators

registered 8,320,864 unique tax subjects. The numbers of tax subjects in 2014, assorted by the individual types of tax, are shown in the following table.

Overview of tax subjects in 2014 according to the individual types of taxes

Type of tax	Number of tax subjects	
	registered	active
Value added tax	817 902	558 835
Legal entity income tax	555 300	549 242
Real estate acquisition tax	139 954	139 954
Natural person income tax from tax returns	3 351 558	2 152 136
Natural person income tax from employment	658 059	533 321
Income tax – special rate (§ 36)	535 314	446 835
Road tax	1 098 419	820 147
Inheritance tax, gift tax and real estate transfer tax	762 590	108 293
Real estate tax	4 700 721	3 854 229
Levies from solar energy electricity	9	9
Levies from lotteries	833	477
TOTAL	12 620 659	9 163 478

Note: Data as of 31. 12. 2014



Information on Tax Revenues
from the Most Significant Taxes

Information on Tax Revenues from the Most Significant Taxes

In 2014, the imposed tax obligation (of the old and new tax system) totalled CZK 605.257 billion, while the collected revenue reached the total of CZK 639.007 billion, which represents the yield of 105.6 %. The basic data on tax obligations and revenues of the selected types of taxes in 2014 are summarized in the following table.

Compared to 2013 when the total revenue of old and new tax system reached CZK 610.603 billion, the national revenue from taxes collected by the tax offices increased by CZK 28.404 billion, which represents a year-on-year growth of 4.6 %. During the year-on-year comparison of yields of individual taxes was found out that the most significant increase was brought by the value added

tax with CZK 14.362 billion, i.e. by 4.7 %. On the contrary, the most notable decrease of the revenue was by CZK 3.776 billion, i.e. 64.9 %, on levies from solar energy electricity and also by CZK 1.552 billion, i.e. 57.9 %, on natural person income tax from tax returns.

Information on Tax Revenues from the Most Significant Taxes

Overview of tax obligations and tax revenues as of 31. 12. 2014

Type of revenue	Tax obligation col. 1	Tax revenue col. 2	Difference col. 2 - col. 1	Yield (%) col. 2 / col. 1
VAT – tax obligation	604 287	618 273	13 986	102,3
VAT – excessive deduction and tax refund	-303 263	-295 611	7 652	97,5
VAT - TOTAL	301 024	322 662	21 638	107,2
Consumption taxes - TOTAL	-332	7	340	*
Legal entity income tax	114 819	123 179	8 360	107,3
Income tax – special rate (§ 36)	24 681	24 029	-651	97,4
Road tax	5 537	5 539	2	100,0
Inheritance tax	62	59	-3	95,2
Gift tax	63	74	11	117,7
Real estate transfer tax	4 607	3 686	-922	80,0
Real estate acquisition tax	3 506	5 600	2 093	159,7
Natural person income tax from tax returns	-1 767	1 128	2 895	*
Natural person income tax from employment	135 207	130 867	-4 340	96,8
Real estate tax	9 828	9 910	81	100,8
Levies from solar energy electricity	1 938	2 042	103	105,3
Levies from lotteries § 41b art. 1	1 764	1 713	-52	97,1
Levies from lotteries § 41b art. 2, 3, 4	6 062	6 209	147	102,4
Other incomes, levies and fees	-862	2 287	3 149	*
NEW TAXES IN TOTAL	606 137	638 990	32 852	105,4
OLD TAXES IN TOTAL	-880	17	897	*
TOTAL	605 257	639 007	33 750	105,6
PREMIUMS TOTAL	1 349	1 342	-7	99,5

in CZK million

Note: The cumulative differences result from rounding to whole million in CZK.
*“Yield” value cannot be calculated since the tax obligation value is negative.

Information on Tax Revenues from the Most Significant Taxes

Legal entity income tax

The total yield of legal entity income tax from tax returns reached the amount of CZK 123.179 billion in 2014, which is CZK 10.127 billion more than in 2013.

The highest revenue of CZK 173.590 billion was reached in 2008 on this tax. On the contrary, as a consequence of the global financial crisis and some

legislative changes based on reduction of the basic tax rate from 24 % to 19 %, a rapid decrease followed from 2009 to 2011. The level of revenue in 2014 is the fifth highest since the new tax system has come into force in 1993. This favourable development resulted chiefly from economic boost that started in the course of year 2013.

Development of the collection of legal entity income tax in the period 2010 - 2014

Year	2010	2011	2012	2013	2014	Index (%) 14/13	Difference 14-13
Tax revenue	114 746	109 312	120 461	113 052	123 179	108,9	10 127
Imposed	115 368	111 365	123 914	111 959	114 819	102,6	2 860
Yield (%)	99,5	98,2	97,2	101,0	107,3	-	-

in CZK million

Natural person income tax from tax returns

Nationwide figure of tax revenue reached the amount of CZK 1.128 billion in 2014. The yearly decrease of tax revenue on natural person tax from tax returns was by CZK 1.552 billion.

In 2014, one of the reasons of decrease of the revenue was the increasing number of employees who submitted tax returns due to the overlap of their employment or similar relationships, parallel employment and independent activities, parallel employment and lease of real property or due to solidarity increase of tax in advance payments. These taxpayers are getting back their tax overpayments from the account, on which no tax advance payments were paid.

The 2014 revenue decreased also because of retrospectively applied tax reliefs for old-age pensioners with taxable incomes for tax year 2013. The tax administrators checked and recorded more than 200,000 of both regular and additional natural person income tax returns and gave back

the overpayments in total about CZK 3 billion in the last quarter of 2014. In 2014, the tax administrators also in more than 5 thousand cases accepted the requests for determining the tax advance payment in a different way than the last known tax obligation was paid, which caused a decrease in tax revenue approximately CZK 7 billion.

Although the yield of personal income tax from tax returns is low, the difficulty of the administration of taxes continuously rises. The inheritance tax and the gift tax were incorporated into the Income Taxes Act at the beginning of tax year 2014. In connection with recodification of private law, many new institutes arose (e.g. trust fund, subservience, and so on), in the Income Taxes Act, for which it was necessary to define a new way of taxation. In 2014, more than 72,000 of income tax returns were submitted by natural persons and more than 30,000 of them were signed with certified electronic signature.

Development of the collection of natural person income tax from tax returns in the period 2010 - 2014

Year	2010	2011	2012	2013	2014	Index (%) 14/13	Difference 14-13
Tax revenue	7 987	2 939	3 261	2 680	1 128	42,1	-1 552
Imposed	10 439	2 920	2 828	1 180	-1 767	-149,7	-2 947
Yield (%)	76,5	100,7	115,3	227,1	-	-	-

in CZK million

Natural person income tax from employment

Compared to previous year, there was a growth of revenue of the natural person income tax from employment by CZK 4.733 billion in 2014. The Financial Administration of the Czech Republic collected CZK 130.867 billion.

The annual growth of revenue from natural person income tax from employment was caused by slightly increasing amount of wages and

related increase of imposed tax advances. Moreover, in 2013 and 2014 there was a positive effect of establishing the so-called solidarity increase of tax in advance payments. In 2014, tax administrators checked and registered more than 300,000 settlement of natural person income tax from employment. There were almost 73,000 of electronically submitted settlements of which 40,000 were signed with certified electronic signature.

Development of the collection of natural person income tax from employment in the period 2010 - 2014

Year	2010	2011	2012	2013	2014	Index (%) 14/13	Difference 14-13
Tax revenue	111 842	119 373	119 787	126 134	130 867	103,8	4 733
Imposed	111 491	118 302	117 623	122 721	135 207	110,2	12 486
Yield (%)	100,3	100,9	101,8	102,9	96,8	-	-

in CZK million

Information on Tax Revenues from the Most Significant Taxes

Value added tax

In 2014, the revenue of the VAT reached the amount of CZK 322.9 billion (of which CZK 322.7 billion was collected by tax offices and CZK 0.2 billion was collected by customs offices). In comparison with the last year it increased by CZK 14.4 billion. The year of 2014 it is the second year, when the state budget incomes were filled in the area of value added tax. According to the budget tax allocation, 71.31 % of the nationwide VAT collection has to be allocated to the state budget, 20.83 % to municipalities and 7.86 % to regions since 1. 1. 2013.

The revenue of the VAT positively influenced the stimulation of economy and related increase of consumption. Another important factor is the reverse charge procedure introduced in 2011. Especially in the area of building industry this procedure prevents tax evasions in form of non-payment of the tax obligation by the provider of taxable supply. The institute of unreliable taxpayer, publishing of accounts in VAT-payers registry and the obligation of deposit for fuel traders have undoubtedly positive preventive impact; however the fiscal effect is difficult to quantify. The level of VAT collection is significantly affected intensification of audit activities at the Tax Office for the Capital of Prague, too.

Development of the collection of VAT in the period 2010 - 2014

Year	2010	2011	2012	2013	2014	Index (%) 14/13	Difference 14-13
Imposed	507 763	541 462	553 605	595 833	604 287	101,4	8 454
Tax revenue	500 446	532 438	544 411	571 726	618 273	108,1	46 547
Yield (%)	98,6	98,3	98,3	96,0	102,3	-	-
Excessive deduction	-230 865	257 250	266 359	-263 426	-295 611	112,2	-32 185
TOTAL	269 582	275 188	278 052	308 300	322 662	104,7	14 362

Note: The cumulative differences result from rounding to whole million in CZK.

in CZK million

Information on Tax Revenues from the Most Significant Taxes

Real estate tax

Compared to the previous year 2014, there was a slight decrease in the imposed amount of the real estate tax by CZK 27 million. The real estate tax revenue rose from CZK 9.847 billion up to CZK 9.910 billion, i.e. by CZK 63 million.

Despite it is not a significant diversion of figures in a long term view, there is an obvious effect of amendment of certain provisions of the real estate tax,

effective from 1. 1. 2014. As a consequence of it, a certain reduction of taxes took place in some cases to ensure transparency of the assessment of certain parameters of buildings for business. On the other hand, intensive control and searching activity of tax administrators resulted in an increase of tax collection, additionally assessed for the previous tax years.

Development of the collection of real estate tax in the period 2010 - 2014

Year	2010	2011	2012	2013	2014	Index (%) 14/13	Difference 14-13
Tax revenue	8 747	8 568	9 541	9 847	9 910	100,6	63
Imposed	8 671	8 676	9 576	9 855	9 828	99,7	-27
Yield (%)	100,9	98,8	99,6	99,9	100,8	-	-

in CZK million

Inheritance tax, Gift tax, Real estate transfer tax, Real estate acquisition tax

On 1. 1. 2014, a Senate's legal measure on Real estate acquisition tax came into force and cancelled Act on Inheritance tax, Gift tax and Real estate transfer tax. In cases, when the subject of tax arose before 31. 12. 2013, the inheritance tax, gift tax and real estate transfer tax shall proceed in accordance with

the transitional provision. Therefore, the total revenue of property taxes comprises the sum of real estate acquisition tax, real estate transfer tax, gift tax and inheritance tax. In 2014, the amount of property taxes was CZK 9.419 billion, which is CZK 341 million more than in 2013.

Inheritance tax

The amount of revenue of the inheritance tax is persistently low. It amounted to CZK 59 million in 2014. Since 2008 the revenue of the inheritance tax has decreased below CZK 100 million due to tax exemption of a free-of-charge acquisition of property by persons included in the first category (relatives

in the direct line of descent and spouses) and in the second category (relatives in the collateral line, spouses of children and parents and people living longer than one year in the same household). Incorporation of the inheritance tax and the gift tax into income tax took place as of 1. 1. 2014.

Development of the collection of inheritance tax in the period 2010 - 2014

Year	2010	2011	2012	2013	2014	Index (%) 14/13	Difference 14-13
Tax revenue	87	78	71	76	59	77,6	-17
Imposed	86	76	75	72	62	86,1	-10
Yield (%)	101,2	102,6	94,7	105,6	95,2	-	-

in CZK million

Information on Tax Revenues from the Most Significant Taxes

Gift tax

The amount of revenue of the gift tax was only CZK 74 million in 2014, i.e. 68.5 % of the tax yield in 2013. The revenue of gift tax was very significant only between 2011 and 2012, when the temporary implementation of a gift tax on

free-of-charge acquisition of emission permits for greenhouse gas emissions applied on operators of the electricity producing facilities.

Development of the collection of gift tax in the period 2010 - 2014

Year	2010	2011	2012	2013	2014	Index (%) 14/13	Difference 14-13
Tax revenue	138	4 279	3 368	108	74	68,5	-34
Imposed	137	4 269	3 359	93	63	67,7	-30
Yield (%)	100,7	100,2	100,3	116,1	117,5	-	-

in CZK million

Real estate transfer tax, Real estate acquisition tax

The revenue of the real estate transfer tax still was relatively significant in 2014 and it was CZK 3.686 billion, most of which was collected in the first half of 2014. On the contrary, collection of the real estate acquisition tax was insignificant in the mid-year, while the major part of the total revenue of CZK 5.6 billion was collected during the second half of the year. Increase of the

revenue reflected an increase of the rate of real estate transfer tax from 3 % to 4 %, which came into force on 1. 1. 2013 and this increased rate was adopted for the real estate acquisition tax, too. Another issue reflected in the increase of revenue it was the growth of number of property sales, which were completed in late 2013 before the effect of the new Civil Code.

Development of the collection of real estate transfer tax in the period 2010- 2014

Year	2010	2011	2012	2013	2014	Index (%) 14/13	Difference 14-13
Tax revenue	7 453	7 362	7 660	8 894	3 686	41,4	-5 208
Imposed	7 299	6 900	7 365	8 581	4 607	53,7	-3 974
Yield (%)	102,1	106,7	104,0	103,6	80,0	-	-

in CZK million

Information on Tax Revenues from the Most Significant Taxes

Collection of the real estate acquisition tax in 2014

Year	2014	Index (%) 14/13	Difference 14-13
Tax revenue	5 600	-	5 600
Imposed	3 506	-	3 506
Yield (%)	159,7	-	-

in CZK million

Levies from lotteries and other similar games

In 2014, the tax revenue from levies was in total CZK 7.922 billion. It consists of levy of lotteries and other similar games, where 70 % is the income of state budget and 30 % is the income of municipal budget. Further, it is composed of levy from gaming machines and other technical gaming devices, where 20 % of tax revenue is the income of the state budget and 80 % is the income of municipal budget.

Levy is paid in three quarterly advance payments. Levy for the entire levy period (calendar year) is settled in the framework of levy return after expiration of levy period. In 2013, three quarterly advance payments and levy obligation

for the levy period 2013 was settled in 2014, while in 2014 there were also paid three quarterly advance payments for the year 2014. Compared to 2013, a slight decrease of the total revenue from levies occurred in 2014. This decrease is largely associated with financial gifts provided by taxpayers to the Czech Olympic Committee on sports and sporting purposes in the total amount of CZK 430 million. Providing these gifts, which can be used to reduce partial levy from lotteries by 25 %, enabled an amendment of the Act that came into force from the levy period 2014. Sum of CZK 2.447 billion was transferred to the state budget and CZK 5.475 billion to the municipal budgets in 2014.

Information on Tax Revenues from the Most Significant Taxes

Development of levies from lotteries and other similar games in the period 2013 - 2014

Year	2013	2014	Index (%) 14/13	Difference 14-13
Tax revenue	2 076	1 713	82,5	-363
Imposed	2 076	1 764	85,0	-312
Yield (%)	100,0	97,1	-	-

in CZK million

Development of levies from gaming machines and other technical gaming devices in the period 2013 - 2014

Year	2013	2014	Index (%) 14/13	Difference 14-13
Tax revenue	5 981	6 209	103,8	228
Imposed	6 063	6 062	100,0	-1
Yield (%)	98,6	102,4	-	-

in CZK million

Pension savings premiums

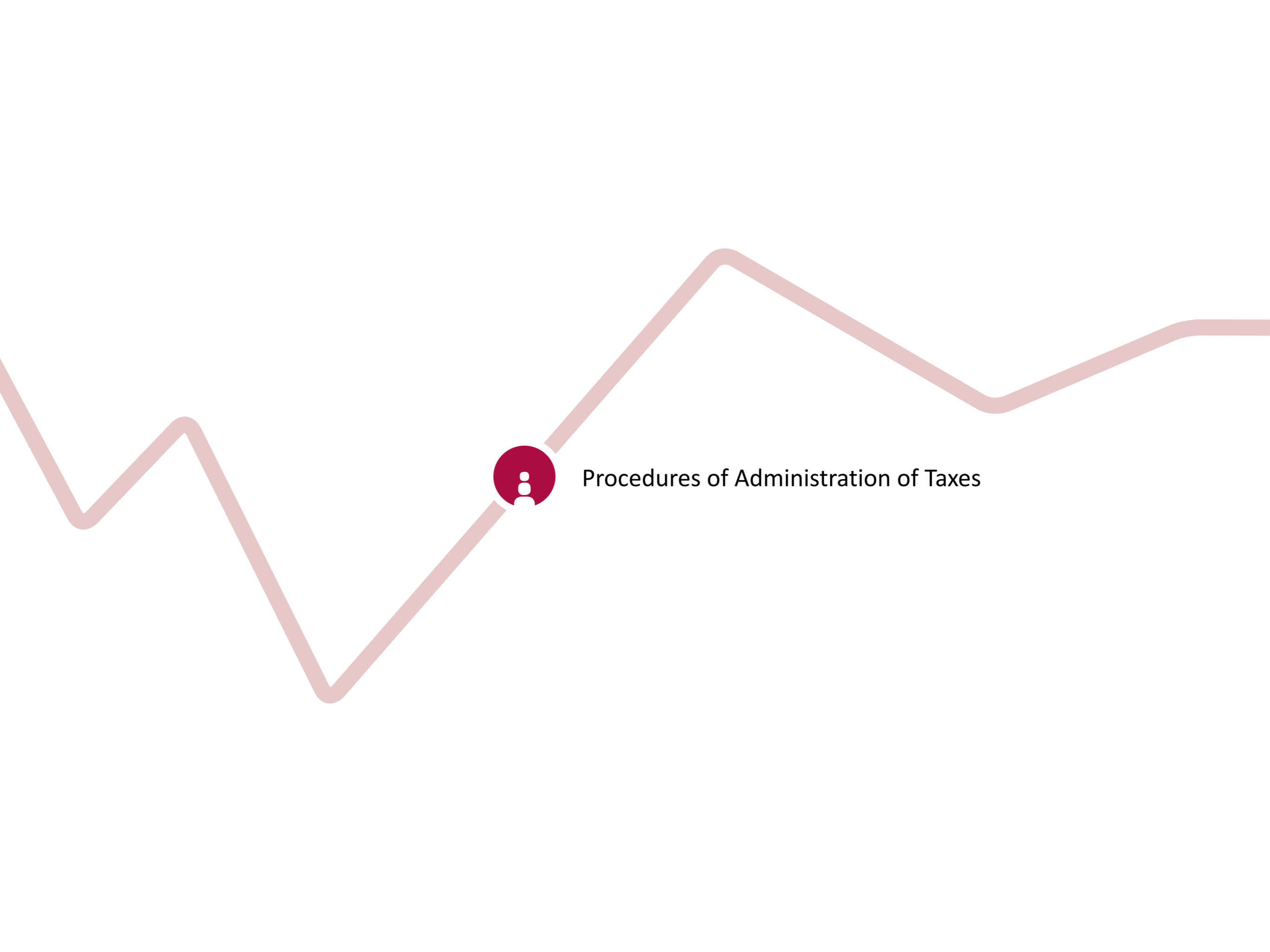
Pension savings premiums collected and administered by the tax offices were introduced as the second pillar of the pension reform in 2013. A new register of participants has been established, a new Automated Tax Information System (ADIS) module has been prepared, new processing

procedures have been solved and new insurance forms have been issued. The second pillar will be abolished by the end of 2016 based on the decision made by the expert committee of the Government of the Czech Republic.

Pension savings premiums

Year	2014
Tax revenue	1 342
Imposed	1 349
Yield (%)	99,5

in CZK million



Procedures of Administration of Taxes

Search activity

In 2014, after the transition to the district principle was dedicated to the search activities more time than before. The search activity is not only done within the ongoing tax audits, but is also necessary for preparing the evidence, critical indicators and all available information that are relevant for efficient initiation of the steps in tax proceedings. The search activity has a significant impact on the quality and efficiency of the conducted tax audits. The employees of the tax offices use the database of public registries, information found on the internet, different analytical tools, applications for visualisation, graphical, relational and timing analysis of business relations. There are also used other available resources as information from press, international exchange of information of direct and indirect taxes and incentives, related to the possible tax evasion, sent by citizens, the Police of the Czech Republic, the Customs Administration of the Czech Republic and other institutions. For the search activities is also used information found within the investigation of the bodies involved in the criminal proceedings. The detection of new and more complicated types of tax evasions has a positive fiscal benefit and also acts as prevention against the risky tax subjects.

On-the-spot investigations

In 2014, the tax administrator approached to on-the-spot investigations in cases, when it was necessary to search for evidence or to verify irregularities or unusual matters arising from the statutory registers or accounting records. This effective process - how to gain or verify needed information – is used by the tax administrator in all phases of the administration of taxes as well as before the starting and during each proceeding. On-the spot investigations are appropriate tools for effective prevention or elimination of the abuse of the tax system. This has a positive (direct or indirect) impact on the protection of fiscal revenues that flow to the public budget.

In 2014, there were on-the-spot investigations done especially within the search activities before starting the proceedings, during the finding and registration proceedings and in proceedings during the tax payment. The officials gained

An important tool in fight against tax evasion is the cooperation with the Financial Analytic Unit of the Ministry of Finance of the Czech Republic (hereinafter as “FAÚ”). The incentives, which are sent by FAU, they are verified during the search activity. In case of finding of deficiencies, the following steps are performed individually according to particular cases; either the tax subject is asked to submit additional tax return or the tax subject is added to the plan of audits. In some cases is immediately resorted to the institute of securement of taxes.

evidence for the purpose to verify data submitted in regular or additional tax returns within requests between particular tax administrators, for international exchange of information, for verifying of registry data and during verifying of the incentives from the Police of the Czech Republic, Customs of the Czech Republic, public and other public authorities. In 2014, there were steps of on-the-spot investigations used in the phase of securement of taxes while gaining evidence for possible issuing of securing orders. In the field of the enforcement of tax arrears it was used to identify property and detect residence of the suspicious people (e.g. debtors).

Procedure to remove doubts

The procedure to remove tax administrators' doubts in the administration of taxes is used when exists a specific doubt about the correctness, conclusiveness, completeness or veracity of the submitted tax statement and other submitted documents. If the tax administrator finds in tax returns any irregularities, the taxpayer is contacted via SMS, phone call or e-mail. The procedure to remove doubts is used especially in cases, when the informal way of removing the deficiencies in the tax returns of the tax subjects fails.

In 2014, the procedures to remove doubts were mainly used in the area of VAT during the verification of the tax administrators' doubts because of the increasing number of tax subjects trading with risky commodities

(colza oil, scrap metal, gold, textile, mobile phones, granite tiles, metal profiles, advertisement service, etc.), also in the area of the income tax in which the tax obligation, based on performed procedures to remove doubts, increased by more than 170 % compared to 2013. In 2014, compared to the previous year, there was a decrease in the number of completed procedures to remove doubts by 43 %. In total there were 25,074 completed procedures to remove doubts, of which 11,693 procedures were completed in comparison with the measures declared by the tax subjects. On the basis of procedures to remove doubts the tax obligation was raised by CZK 5.098 billion, the excessive deduction was cut down by CZK 1.527 billion, and the loss of income taxes was reduced by CZK 85.528 million.

Overview of number and results of procedures to remove doubts as of 31. 12. 2014

Tax	Number of concluded	Number of concluded with a difference	Change as a result of procedure to remove doubts (in CZK thousand)		
			Tax obligations	Excessive deduction	Loss
VAT	16 522	8 312	4 755 414	-1 526 874	-
CIT	1 240	359	283 866	-	-80 521
PIT	7 312	3 022	58 671	-	-5 007
TOTAL	25 074	11 693	5 097 952	-1 526 874	-85 528

Note: The cumulative differences result from rounding to whole thousand in CZK.

Tax audit

In 2014, the total amount of supplementary taxes from the tax audits reached CZK 9.614 billion that represents an increase by 16.8 % compared to 2013. The largest part was the supplementary tax of VAT that represents 85.9 % from the total amount of supplementary taxes. The change of the loss due to the tax audits was in the amount of CZK 1.277 billion in 2014. The same as in the previous year there was an increase of effectiveness of tax audits also in 2014. The supplementary tax per tax audit has increased to the value of CZK 259 thousand, which represents year-on-year increase by 5.6 %.

The largest tax evasions were revealed on the VAT through so-called "carousel frauds". In 2014, the Financial Administration of the Czech Republic again monitored trade transactions of identified risky commodities such as fuel, colza oil, mineral oil, reinforcing steel, nonferrous metals, scrap material, mobile phones, IT and other electronic components. In 2014, the new commodities were identified by the Financial Administration of the Czech Republic, which are the subject of trading within the carousel fraud, among others also cigarettes, tiles and pavements, granite memorials, meat. In the area of services the most featured services were advertisement activities.

Overview of number and results of tax audits as of 31. 12. 2014

Type of revenue	Number of subject *	Number of audits	Additional assessment from audits	Change of loss
Value added taxes	541 361	11 565	8 259 054	-
Legal entity income tax	549 242	6 025	1 013 013	-982 047
Natural person income tax from tax returns	1 317 271	8 057	217 046	-295 172
Natural person income tax from employment	533 321	4 964	101 240	-
Income tax – special rate (§ 36)	446 835	1 952	8 193	-
Real estate tax	3 854 229	1 207	1 677	-
Inheritance tax, gift tax and real estate transfer tax	108 293	0	0	-
Road tax	820 147	3 353	14 238	-
TOTAL	8 170 699	37 123	9 614 461	-1 277 219

* Data on the number of subjects represents a number of registered tax subjects in the respective period of time.

in CZK thousand

Incentives handed over to authorities active in criminal proceedings

In 2014, the Financial Administration of the Czech Republic dealt with 4611 requests (on 6279 tax subjects) for the Police of the Czech Republic, of which 594 requests were for the special units of the Police of the Czech Republic. On the contrary the Financial Administration of the Czech Republic gave 24 requests addressed to the special units of the Police of the Czech Republic.

On the 11th April 2014 was established, by signing with the Minister of Finance and the Minister of Interior the agreement on cooperation, exchange of information and coordination, the "Tax Cobra". The aim of Tax Cobra is to fight against the most serious tax evasion more effectively. The cooperation between the Financial Administration of the Czech Republic,

the Police of the Czech Republic and the Customs Administration of the Czech Republic is logical outcome of efforts to cover the weak points in the fight against tax evasion, especially in the area of indirect tax. The cooperation is particularly in the area of exchange of information, analysis and education and coordination during the activities. The authorities active in criminal proceedings may use information, which the tax administrator is not able to gain according to its responsibilities. This information may help to catch fraudulent acts from the beginning. In 2014, the Tax Cobra carried out 11 cases and it was secured or prevented damage in the amount of CZK 1.462 billion.

Overview of number of incentives handed over by tax offices to authorities active in criminal proceedings in the period 2010 – 2014 is shown in the following table.

Development of the number of incentives handed over by tax offices to authorities active in criminal proceedings

Criminal offence	Number of cases						Amount					
	2010	2011	2012	2013	2014	Difference 14-13	2010	2011	2012	2013	2014	Difference 14-13
Tax evasion (§ 240)	1 510	1 325	1 555	1 164	1 294	130	6 362	6 452	9 367	4 886	7 034	2 148
Other (§ 241)	108	107	156	130	182	52	27	351	80	94	100	6
TOTAL	1 618	1 432	1 711	1 294	1 476	182	6 390	6 803	9 447	4 980	7 134	2 154

Note: The cumulative differences result from rounding to whole million in CZK

in CZK million



Other Affairs

Price control

Price controls, carried out by 52 employees from Price Control Units of the Specialized Tax Office, were focused on the verification of compliance of the way of price regulations set by the Price Act and further on the assessment whether in the area of non-regulated prices did not occur an abuse of economic position of sellers or buyers in 2014. Apart from it, in 2014, the attention was focused on particular regulated areas whether the sellers of particular kind of goods fulfil its registration and information obligation determined by the Price Act. Furthermore, the price controls were focused on, e.g. the rent of lands not used for business purposes, prices of dairy products for pupils and also on the prices of health care services covered by the public health insurance, prices of drinking water, water supplied and drained by sewer systems, domestic prices of the public bus transportation.

Price controls were carried out according to an annual plan of inspections and based on complaints of legal and natural persons, which were received during 2014. In 2014, the employees of Price Control Units conducted in total 295 control actions and in administrative proceedings issued 127 decisions on imposing fines for breach of price regulation in the total amount of CZK 6.663 million. They also handled 67 complaints of which 21 were justified.

Financial control

In 2014, the Subsidy and Financial Control Units of particular tax offices carried out the public administrative controls in accordance with the State Control in Public Administration Act. Within the financial controls was verified the legitimacy of using funds from the state budget and the observance of purpose and conditions set for drawing subsidies from the state budget for financing programs within the meaning of the Budgetary Rules Act and activities co-financed by the European Union. The financial controls were focused on the correctness of taking of chosen special-purpose subsidies, which were provided from the state budget, the bookkeeping was examined and chosen financial controls were also focused on the fulfilment of general conditions for granting of investment incentives according to the Investment Incentives Act.

In 2014, the employees of the Subsidy and Financial Control Units carried out in total 128 financial controls of which 104 were public administrative controls. During these financial controls they found out the suspicion of unauthorized use or retention of funds from the state budget or other state financial means approximately in the amount of CZK 85 million. The presented results of control actions were for the period from January to September 2014. Since 1 October 2014, the employees responsible for this activity have been transferred from the Financial Administration of the Czech Republic to the Ministry of Finance of the Czech Republic. Since that time, the financial control has not been carried out by the Financial Administration of the Czech Republic.

Administration of levies due to breach of budgetary discipline

The administration of levies due to breach of budgetary discipline ensures a protection of public financial means and the financial means provided from the public resources against their misuse. The subject of administration of levies due to breach of budgetary discipline is mainly a verification whether the usage of subsidies, repayable financial subventions or other targeted funds of the public budget, state funds, the National Fund or state financial assets did not occur a doubt defined as a breach of budgetary discipline with the result of obligation to pay back these financial means. The primary source of information on subsidies provided and their beneficiaries is information system "CEDR". In 2014, the Central Subsidy Register registered the total of 50,567 subsidized projects.

The major activity of tax offices in the administration of tax levies is the controlling activity, when the facts about obligation to pay levy and penalties due to breach of budgetary discipline are verified. In 2014, the tax offices carried out 7,564 controls during which 12,514 subsidies actions and projects were checked, in the total amount of CZK 76.310 billion.

In cases of proven breach of budgetary discipline, the control activities are followed by the assessment of levies and penalties, solving of remedies and collecting and enforcement of assessed levies and penalties. In 2014, CZK 6.102 billion on levies due to breach of budgetary discipline and CZK 5.189 billion on penalties due to breach of budgetary discipline was assessed on the basis of carried out controls. In 2014, against the decisions of tax offices was submitted in total 270 appeals that were directed against the amount of CZK 2.502 billion. From the total amount of submitted appeals, 81 cases were completely or partially successful and in remaining 261 cases the appeals were totally rejected.

State control over betting games and lotteries

In 2014, the employees of the State Control of the Specialized Tax Office carried out in total 11,074 controls, which were focused on the compliance with the Lotteries and Other Similar Games Act and conditions resulting from the permissions to run lotteries and other similar games issued by the Ministry of Finance of the Czech Republic. The Specialized Tax Office carried out 427 administrative proceedings, finding 687 cases of the breach of the Lotteries and Other Similar Games Act. The total amount of CZK 34.103 million was imposed on fines, which is the increase by 100 % compared with 2013.

The most common breach of Lotteries and Other Similar Games Act was an operation of lotteries and other like games without permission, not reporting the responsible person to the authority of the state control, missing supervision by a person responsible for prevention of entrance of persons under 18 years of age, missing announcement of change in working hours, failure to post gaming plan or visiting code, operating at a different address and invalid registration mark on technical equipment.

In 2014, the Specialized Tax Office increasingly focused on the detection of illegal operation of technical equipment, in particular so-called "quiz machines". In the framework of control actions about 250 quiz machines were found operating in the Czech Republic. There were imposed two fines in the total amount of more than CZK 10 million. Other types of technical equipment, which were operated without proper permission, were so-called "prize machines" and "lottery change machines". Furthermore, in 2014, the Specialized Tax Office focused on checking the operation of live games in casinos, finding serious deficiencies in two cases, including operation of unpermitted card tournaments and falsifying of financial results. In 2014, penalties were assessed in 6.2 % of controls, which is by a half better result compared with 2013.



International Tax Affairs

Nowadays the Directive on administrative cooperation in the field of taxation for the area of administrative cooperation is in force. The Directive contains many changes related primarily to the use of standardized forms, time limits for providing of information and the mandatory automatic exchange of information.

The Czech Republic is constantly active in the fight against harmful tax practices and in streamlining of the international cooperation in the field of taxation. In pursuit of the geographic dissemination of the so-called "good tax administration", whose characteristic features are the exchange of tax information, transparency and promotion of fair tax competition, Agreements on Exchange of Information on Tax Matters have been concluded with countries with preferential tax regime jurisdiction. So far, there have been eight ratifications of agreements: with Bermuda, San Marino, Jersey, Guernsey, with the Isle of Man, the British Virgin Islands, Cayman Islands and the Andorra. Agreements with Monaco, Belize, Sint Maarten, with the Cook Islands, and the Bahamas are in various stages of the legislative process

Another important tool in the international tax cooperation are working arrangements in the form of Memoranda of Understanding on mutual administrative cooperation between tax administrations, involving especially the automatic exchange of information and simultaneous tax audits. The Czech Republic has concluded 15 such memoranda so far. Based on memoranda with the Slovak Republic and the Federal Republic of Germany, the so called direct cross border cooperation in the form of exchange of information takes place on the level of seven authorized tax offices.

The Financial Administration of the Czech Republic uses all three forms of exchange of information: exchange of information on request, providing spontaneous exchange of information and automatic (regular) exchange of information. In 2014, it was reported 1,221 exchanged correspondences related to the exchange of information on request and spontaneous exchange of information on the central level of the General Financial Directorate. The direct cooperation with Slovakia on the level of the tax offices was in the number of 149 exchanged correspondences and with Bavaria and Saxony it was 86 exchanged correspondences.

Exchange of information on request and providing information spontaneously

The Czech Republic received a total of 203 cases from abroad and sent another 216 requests on the international exchange of information on request and spontaneous exchange of information. The largest share of cooperation remains with Slovakia, Germany and Poland. Newly, a larger volume of requests

were sent to France in 2014. Outside the European Union runs this exchange of information particularly with the Russian Federation and Ukraine. In terms of the Agreements on Exchange of Information on Tax Matters within the "TIEA" it was sent abroad 14 requests.

Automatic exchange of information

Automatic, or also regular, exchange of information takes place under the existing Memoranda of Understanding or based on the principle of reciprocity. It is a one-time sending of large data volumes for the purpose

of verification of tax subjects. Automatic exchange of information significantly affects the preventive effect on taxpayers and their voluntary fulfilment of tax obligations.

FATCA

In 2014, an Agreement was signed between the Czech Republic and the United States of America to improve international tax compliance and with respect to the United States of America information and reporting provisions commonly known as the Foreign Account Tax Compliance (FATCA). Based on the agreement on FATCA the tax administrations of the United States of America and the Czech Republic will exchange information related to the residents of both contracting parties. The first exchange of information will take place in 2015

for the previous year. In connection with concluded agreement on FATCA came into force Act on the Exchange of Information of Financial Accounts with the United States of America for Tax Administration Purposes. This Act regulates the exchange of information according to the agreement, including the processes of gaining information by the financial institutions and the transfer of this information to the tax administrators.

International assistance in recovery of certain financial claims

In 2014, there was an increase by 17.9 % of newly processing requests for international assistance in recovery of claims in comparison with 2013. This increase was caused especially by an increased number of requests sent abroad and gradual increase of the requests from abroad. The largest share of total number of requests comprised requests for recovery of claims from 62.6 %, requests for information from 32.9 % and requests for delivery from 4.5 %. The most of requests for international assistance in recovery of claims was from Germany (102), Slovakia (89), Austria (44) and Poland (32).

The total number of processed submissions related to particular requests for international assistance amounted 4,253 in 2014, which is an increase by 7.9 % compared to 2013 (3,940). In 2014, it continued the increase of agendas which relates to the provision of information on the domestic overpayment refundable to another EU Member State, in which the taxpayer is resident or seated. The most information the Financial Administration of the Czech Republic provided to the United Kingdom (16), Germany (11) and Slovakia (7).

Taxation of multinational enterprises and transfer pricing issue

With regard to the ongoing globalization of the market, which increases the potential impact of transactions among related tax subjects on final collection of income taxes, the year of 2014 was characterized by the sustained high standards of assessment and evaluation of transfer prices within the Financial Administration of the Czech Republic. For monitoring and controlling of these types of transactions it was created a new annex to the tax return for legal entity income tax, where the related entities, that meet the defined criteria, are obliged to state transactions between related entities in tax year of 2014 and the following. During 2014 it was sent a voluntary questionnaire to the selected tax subjects in the Czech Republic, which was similar to the mentioned annex, with the aim to inform them about filling this annex of the tax return. After analysis of gained data from questionnaires a basic evidence map will be created about the area of transactions, which is carried out to abroad. Data gained from the voluntary questionnaires and from annexes of the tax return will enable the Financial Administration of the Czech Republic to target better on the tax audits of the potentially risky tax subjects and on risky transactions. More effective preparation and its tax audit of the transfer prices will be less burdensome for the taxpayers, who set the transfer prices according to the Act and internationally accepted arm's length principle. In 2014, the Financial Administration of the Czech Republic focused on the control of transfer prices more than before and this trend will continue also in 2015.

International co-operation in the VAT administration

International administrative co-operation in the VAT administration is realized particularly on the basis of exchange of information with the foreign tax administrations with an emphasis on prevention of the tax evasions and frauds within the internal market of the European Union. The exchange of information on realized supply of goods and provided services to another EU Member State run through electronic system VIES (VAT Information Exchange System).

If the VAT payer supplied goods or provided services to another EU Member State and at the same time is obliged to declare the acquisition of service, then he has a legal obligation to submit so called recapitulative statement. Since the beginning of 2014, the identified entity also has this obligation in case that he provided the service in a place of fulfilment in another EU Member State or in case he is obliged to declare the acquisition of service. In 2014, the recapitulative statement on the supply of goods or services submitted 81,648 VAT payers and 2,060 identified entities. 109,480 VAT payers and 989 identified entities declared the acquisition of goods or services from another EU Member State in their tax returns.

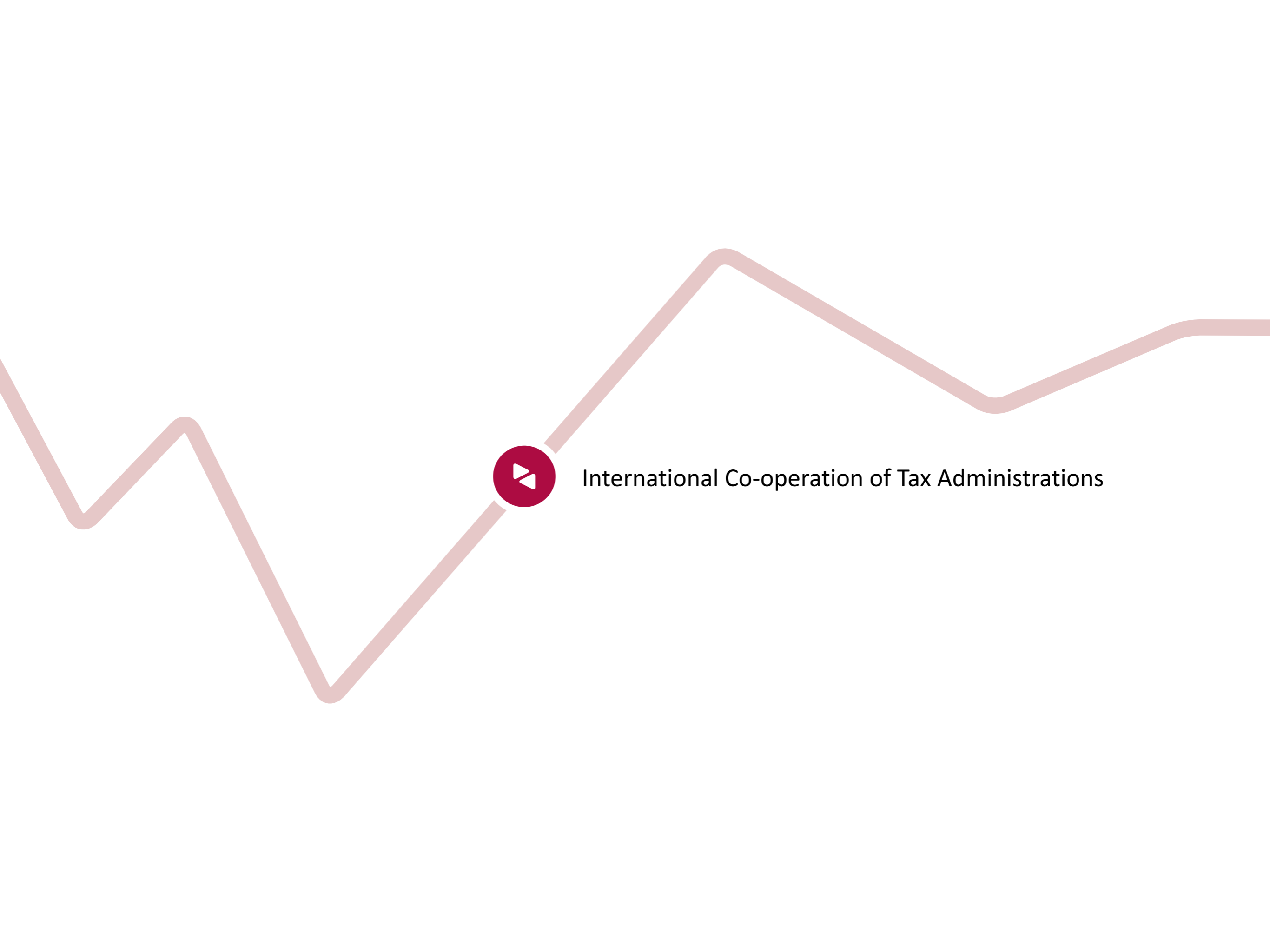
In 2014, there were processed 9,501 of incoming and outgoing requests for information and spontaneous information, including inquires on registration data of VAT payers and identified entities. From the Czech Republic to the EU was sent 4,940 requests for information and spontaneous information. On the contrary, 4,561 requests for information and spontaneous information were received from other EU Member States. During the automatic exchange of information without previous request there is communicated information between the EU Member States that is immediately transferred, no later than three months after the end of calendar quarter in which it was obtained. The specific type of administrative cooperation is delivering administrative acts and decisions that are related to the application of VAT legislation on the territory of one EU Member State, while the document is delivered to the recipient in another EU Member State by a competent authority of this EU Member State. In 2014, there were received 87 requests for delivery, of which 77 outgoing requests and 10 incoming requests. Further the parallel multilateral controls are carried out, which are initiated by the tax administrators of several EU Member States.

In relation to the procedures defined by the EU regulation on the VAT refunds to taxable persons not established in the EU Member State of the tax refunds but in another EU Member State, an electronic system for processing the tax refund is being operated. The number of received requests from the EU to the Czech Republic as a country of tax refund was 22,720 in 2014, and conversely, the number of requests sent by Czech applicants to the EU Member States for the respective year was 28,981.

In relation to the VAT regulations for the intra-community transactions, the public has been provided with service of verification of the Tax Identification Number (DIČ) for taxable persons registered in other EU Member States. The verification can be done by the means of a European Commission's application; it's web address is available on the Czech Financial Administration's website. The verification may be carried out also at a respective department on the central level of the Financial Administration of the Czech Republic, or at a locally competent tax office via phone call, fax, postal mail, e-mail, or in a personal visit. In 2014, there were 82.311 foreign tax ID numbers verified by the VIES system within the whole Financial Administration of the Czech Republic.

In 2014, it continued an implementation of Mini One Stop Shop (MOSS). The registration has been available since 1. 10. 2014. Within the application Tax Portal it was created an application MOSS, which enables the transfer of data towards the tax administrator and to other EU Member States. In 2014, over 100 taxpayers submitted application for a registration.

In relation to the third countries it is international administrative cooperation in the VAT administration carried out on the basis of international treaties concluded with the third countries, i.e. double taxation treaties, Agreements on Exchange of Information on Tax Matters or on the basis of Convention on Mutual Administrative Assistance in Tax Matters.



International Co-operation of Tax Administrations

We are connected with Slovakia not only through the joint history and tradition but also through the similar development. That is why the excellent co-operation between the Czech and Slovak Tax Administrations continued also in 2014. A series of working meetings focused on specific areas of tax administration activities took place during 2014. These actions were realized in the framework of the "Agreement on Co-operation in the Area of Tax Administration Activity between the Ministry of Finance of the Czech Republic and the Ministry of Finance of the Slovak Republic".

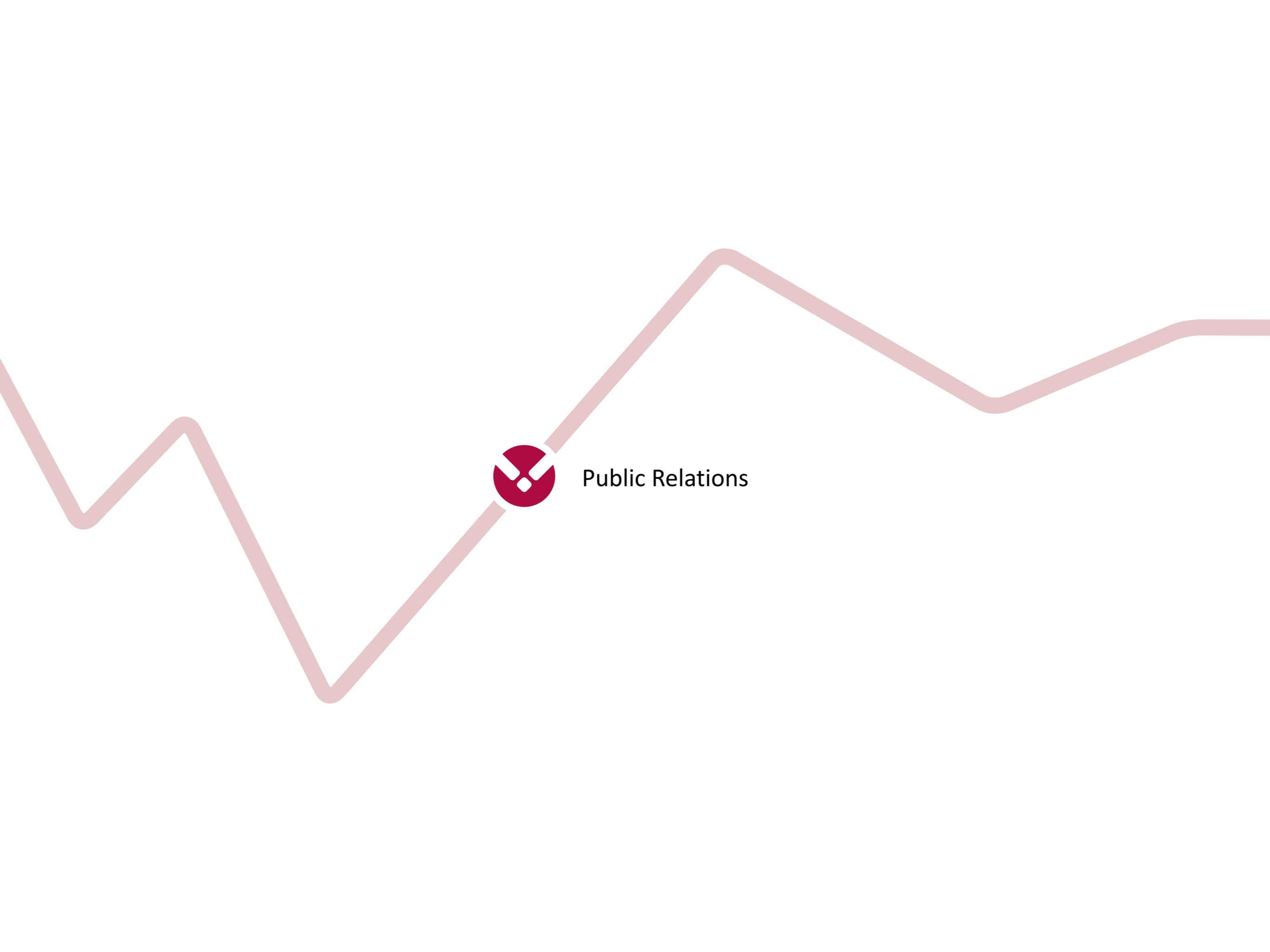
At the beginning of April 2014, a meeting of representatives of the Czech and Polish Tax Administrations was held in Prague. Because of plans in the Polish Tax Administration to make similar restructuring of tax administration, which took place in the Czech Republic in 2013, the Polish colleagues were primarily interested in information associated with this reorganization.

In October 2014, a delegation of 40 colleagues from German Tax Offices Frankfurt II and Frankfurt IV visited the General Financial Directorate. They were interested in the area of organization and management of the Financial Administration of the Czech Republic and the tax system of the Czech Republic. German colleagues also visited the Territorial Branch for Prague 5 to see the administration of taxes in practice.

Thanks to the Fiscalis programme, 67 meetings took place during 2014 and were attended by 117 employees of the Financial Administration of the Czech Republic. There were 24 project group meetings, 13 multilateral controls, 17 workshops and 13 "outgoing" working visits. As regards the "incoming" working visits, which were held by the General Financial Directorate and the Tax Office for the Olomouc Region, 9 representatives from 6 EU Member Countries were participated there.

The Financial Administration of the Czech Republic organized under the auspices of the Intra-European Organisation of the Tax Administrations (IOTA) a working seminar in the mid October 2014. This international action was focused on effective use of social media and digital communication in tax administration. This meeting was attended by 59 participants from 46 IOTA member countries.

The Financial Administration of the Czech Republic succeeded to defend the mandate in the IOTA Executive Council for the period of 2014-2015. Thus, the Czech Republic is one of the nine member countries, which manage the Organisation between the General Assemblies.



Public Relations

The Financial Administration of the Czech Republic provides full information service for the wide range of tax public through communication with media, information leaflets, website (www.financnisprava.cz) and also through information published on Youtube, Facebook and Twitter.

In the year 2014, the Financial Administration of the Czech Republic has focused on increasing the promotion of auctions at the tax offices by all available communication channels. Those interested in auctions had an opportunity, thanks to the published videos and photos, to pre-view offered vehicles. The promotion increased interest in auctions. The total amount of organized auctions in the year 2014 was 559.

To the video gallery on the website of the Financial Administration of the Czech Republic were added instruction videos that show current information about how to fill in the tax return, videos from press conferences and also from seizure actions from the field.

In the year 2014, a new website of the team "Tax Cobra" (<http://www.danovakobra.cz/>) was created. The website contains the press releases and videos from the joint actions of particular bodies of Tax Cobra (Police of the Czech Republic, Customs Administration of the Czech Republic and Financial Administration of the Czech Republic) that detects and fights against tax evasion. On the website it is possible to find the current results of the actions of the team Tax Cobra.

A personal contact with employees of the tax offices still serves as an important source of information for the public, both within and outside working hours. Similarly to previous years, the working hours of all tax offices were expanded during the period of tax return submissions also in 2014. The employees of the tax offices also visited selected municipalities in order to facilitate tax return submissions.



In 2014, the General Financial Directorate replied in writing to 3,428 technical inquiries in total. Also worth mentioning is the technical support of financial administration applications and a source of information for taxpayers, the so-called "ePodpora" (i.e. "eSupport"). Through the "ePodpora", the Financial Administration of the Czech Republic answers public inquiries concerning the taxation portal. Using this way, 6,214 inquiries were answered, which it was the most in last six years.

The Financial Administration of the Czech Republic has received totally 263 inquiries according to Act on Free Access to Information in 2014. Against the process of the General Financial Directorate were submitted two complaints.

In one case the applicant disagreed with the postponement of the application for lack of jurisdiction and in another case the applicant disagreed with the amount of the payment necessary for providing required information. In both cases the complaints were rejected.

During 2014, the inquiries were also asked by media representatives, who received a total of 529 written answers. Another important group of questioners were university students, who used the gained data from the Financial Administration of the Czech Republic for their master and bachelor theses. In 2014, dozens of inquiries from university students were answered.

Overview of the requests for information based on the Free Access to Information Act in 2014

Number of	TO	AFD	GFD	TOTAL
Requests for information submitted	175	13	75	263
Requests for information suspended	35	1	4	40
Decisions issued on rejection	37	1	3	41
Decisions issued on partial rejection of the request	16	6	8	30
Appeals submitted against the decision on rejection	10	1	1	12
Appeals submitted against decision on partial rejection	3	0	3	6
Complaints	4	1	2	7

Legal entity award

In 2014, the Ministry of Finance of the Czech Republic in cooperation with the General Financial Directorate organized twelfth ceremonial announcement of legal entities which contributed most significantly to the budget with the legal entity income tax. The ceremony traditionally took place in the representative premises of the Břevnov Monastery in May. This symbolic award

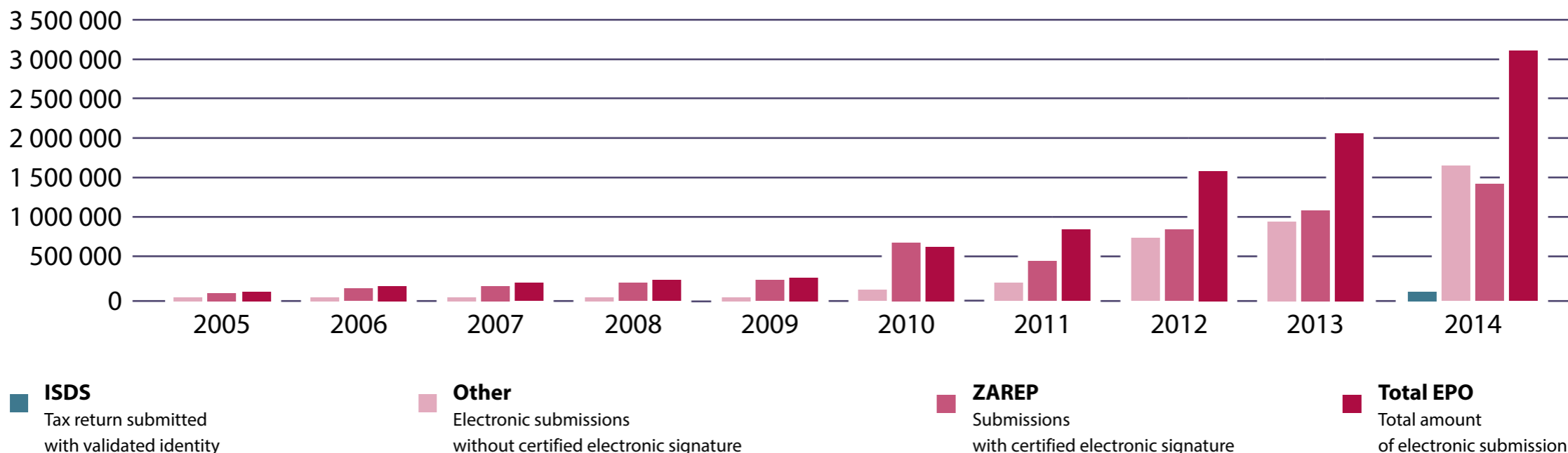
and acknowledgment for an exemplary fulfilment of tax obligations in 2013 was presented to representatives of twenty legal entities by the Minister of Finance Mr. Andrej Babiš and the Deputy Director General of the General Financial Directorate Mr. Jiří Žežulka.

Electronic submissions

Within the client-oriented approach of the Financial Administration of the Czech Republic, the application for electronic submissions “EPO” is adjusted and developed every year. This application underwent new modifications in 2014. Significant adjustments were the ones that reacted on the amendment of the Tax Code. On the basis of interfacing with authentication service portal of public administration is newly in EPO enabled to submit tax return electronically with

validated identity of the applicant in a way that the entities subscribe to their data box. In 2014, the growth of electronic submissions was reported again (51,3 % more compared to 2013). In total, there were 3,108,518 electronic submissions in 2014. The increase of interest in the application “EPO” is evident from the graph.

Development of numbers of electronic submissions in the period 2005–2014





Human Resources

The number of systemized employees was 15,305 as of 1. 1. 2014.

The employees of the territorial branches and tax offices arranging the comprehensive performance of activities within their competence create the largest share of the total count of employees, i.e. 80.3 %. It only 0.8 % are "unskilled" employees. As in previous years, there is a predominance of women working in the Financial Administration of the Czech Republic, i.e. 80 %. Hiring of higher number of people with university education has shown a positive long term trend. In 2014, there was an increase by 1.2 % compared to 2013.

The age structure of employees did not change very much also in 2014. The average age of employees was 46.4 years. The largest age group is still in the category over 50 years. The age structure of employees is also reflected in the length of employment. In 2014, the highest proportion was represented by employments lasting longer than 5 years.

Development of the fulfilment of the employee number limit in the period 2010 - 2014

	2010	2011	2012	2013	2014
Approved number of employees as of 1st January	15 598	15 268	15 248	15 245	15 305
Approved number of employees as of 31st December	15 117	15 268	15 248	15 245	15 216
Registered number of employees as of 31st December	14 744	14 662	14 762	15 031	15 062
Fulfilment ratio (%)	97,5	96,0	96,8	98,6	99,0

Fluctuation rate in the entire Financial Administration of the Czech Republic reached 4.7 % as of 31. 12. 2014, which means an increase by 1.4 % compared to 2013. The reason of the increase of fluctuation was mainly the transition to the new organizational structure, when some employees took advantage of this organizational change and finished their employment with severance pay.

In 2014, the Financial Administration of the Czech Republic recruited 1.141 new employees. The employment was terminated with 1.136 employees, which is by 179 more than last year. In 2014, the most common reason for the termination of employment was retirement, i.e. 329 employees.

Overview of registered number of employees as of 31st December 2014

	Number	Ratio (%)
Registered number of employees	15 062	100,0
a) according to organizational units:	-	-
Employees of the GFD	946	6,3
Employees of the AFD	221	1,4
Employees of the TO	1 801	12,0
Employees of the territorial branches of TO	12 094	80,3
b) ratio of expertized employees	14 938	99,2
c) ratio of women	12 053	80,0
d) ratio of university graduates	6 270	41,6

Overview of employees according to age as of 31st December 2014

		Number	Ratio (%)
Registered number of employees		15 062	100,0
of which were aged	below 30	1 254	8,3
	between 31 and 40	2 907	19,3
	between 41 and 50	5 176	34,4
	above 50	5 725	38,0

Overview of expertized employees according to years of service as of 31st December 2014

		Number	Ratio (%)
Registered number of expertise employees in the employment		14 938	100,0
of which employed	more than 5 years	11 632	77,9
	between 1 and 5 years	2 481	16,6
	less than 1 year	825	5,5

Development of new and terminated employments in the period 2010 - 2014

	2010	2011	2012	2013	2014
Number of employees at the end of the respective period = reg. number of employees	14 744	14 662	14 762	15 031	15 062
New employments	627	998	864	1 184	1 141
Terminated employments	1 278	1 285	823	957	1 136
of which					
Unscheduled leaves	543	669	413	502	710
Other leaves	735	616	410	455	426
Fluctuation ratio (%)	3,7	4,6	2,8	3,3	4,7

Note: Data as of 31.12.

Remuneration

The average tariff salary from the beginning of the year 2014 to October 2014 was in an amount of CZK 20,815. After the amendment of the Government Regulation No. 564/2006 Coll., on Salaries of employees in public service and

administration it amounted to CZK 21,993. An average tariff salary reached CZK 21,011 in 2014, and an average monthly salary of the employees of the Financial Administration of the Czech Republic reached CZK 26,657.

Development of salaries in the period 2010 - 2014

Plan, reality and salary structure*	2010	2011	2012	2013	2014
Average planned monthly salary (CZK)	24 805	23 648	23 250	24 206	25 904
Average monthly salary (CZK)	25 794	24 601	25 404	25 830	26 657
Acknowledged average tariff salary (CZK)	20 723	19 259	20 443	20 579	21 011
Ration of acknowledged average tariff salary to average monthly salary (%)	76,9	73,2	76,5	76,9	77,8
Average monthly salary of personnel in public administration, defence and social security according to the CZSO**	26 939	26 328	26 711	26 752	26 992**

Note: Data as of 31.12.

* Details as of 2010 and later were adjusted according to the new concept of the Czech Statistical Office (CZSO), according to classification NACE Rev. 2.

**Year 2014 – according to results for Q1 – Q3/2014



Economy of the Financial Administration
of the Czech Republic

Economy of the Financial Administration of the Czech Republic

The total budget of incomes amounted to CZK 230.605 million in 2014. The real budget fulfilment of the incomes worth CZK 506.991 million represents an achievement of 219.9 %. The tax revenues are a part of the income budget of the territorial financial authorities. The fulfilment of tax revenues as one of the binding indicators in the amount of CZK 37.532 million represented 187,5 % of their budget as of 31. 12. 2014. The fulfilment of non-tax revenues, capital incomes and transfers received in total (binding indicator) in the amount of CZK 469.459 million represented the overrun of an adjusted budget by CZK 258.874 million. The budget fulfilment of non-tax revenues was influenced particularly by penalty payments as well as by important incomes from property lease.

The approved budget of expenses of the General Financial Directorate (binding indicator) in the amount of CZK 8.283 billion was increased by budgetary provision to the amount of CZK 8.840 billion as of 31. 12. 2014. The real total

budget expenses reached CZK 8.320 billion (i.e. 84.6 % of the total budget) in 2014. Compared to 2013, the expenses were by CZK 170.044 million lower (i.e. by 2 %) in 2014, the current expenses were higher by CZK 245.395 million (i.e. by 3.3 %) and the capital expenses were lower by CZK 415.439 million (i.e. by 42.9 %) compared to 2013.

The approved budget of the total current expenses of the General Financial Directorate in the amount of CZK 7.572 billion was raised by CZK 331.127 million during the year. The total budget in the amount of CZK 8.177 billion was spent up to 95 % as of 31. 12. 2014. Salary resources including accessories made up 83.5 % of the current (non-investment) expenses. In 2013, the total budgetary means on the salaries of employees in the employment and other payments for done work were spent in the amount of CZK 4.803 billion (i.e. 99.2 % of the total budget).

Overview of incomes and expenses in the period 2010 - 2014

Year	TOTAL INCOMES	EXPENSES			
		TOTAL	Capital (investment)	Current (non-investment)	One employee
2010	1 855 498	7 424 143	200 359	7 223 784	503
2011	1 517 961	7 972 021	786 792	7 185 229	543
2012	1 437 312	8 335 333	1 078 486	7 256 847	566
2013	505 961	8 490 509	969 363	7 521 146	569
2014	506 991	8 320 465	553 924	7 766 541	554

in CZK thousand

Note: Data as of 31. 12.

Note: Possible differences result from rounding.

Development of the economy of the Financial Administration of the Czech Republic in the period 2010 - 2014

	2010	2011	2012	2013	2014
Total tax revenues	547 975 947	560 922 994	584 681 157	610 258 245	638 593 633
Including:					
Revenues of chapter 398 - VPS	546 662 171	559 711 996	583 574 041	610 149 727	638 556 101
Revenues of chapter 312 - MF	1 313 776	1 210 998	1 107 116	108 518	37 532
Non-tax revenues of chapter 312 - MF	541 722	306 963	330 196	397 443	469 459
TOTAL REVENUES	548 517 669	561 229 957	585 011 353	610 655 688	639 063 092
TOTAL EXPENSES	7 424 143	7 972 021	8 335 333	8 490 509	8 320 465
Of which: current expenses	7 223 784	7 185 229	7 256 847	7 521 146	7 766 541
EXPENSES*	7 424 143	7 972 021	8 335 333	8 490 509	8 320 465
Of which: current expenses	7 223 784	7 185 229	7 256 847	7 521 146	7 766 541

Note: Possible differences result from rounding.

in CZK thousand

* without creation of reserve fund

Cost-effectiveness and expenses of the Financial Administration of the Czech Republic

The indicators of cost-effectiveness and expenses of the public service are influenced by many external factors. The development of cost-effectiveness and expenses of the Financial Administration of the Czech Republic is illustrated in the following table.

The second table shows adjusted indicators of expenses of the Financial Administration of the Czech Republic, which are fully comparable to other countries (the total amount of adjusted tax collection of the Financial Administration of the Czech Republic reflects also excessive deductions, VAT and consumption tax refunds).

Development of cost-effectiveness and expenses in the period 2010 - 2014

Cost-effectiveness - in relation to expenses without creation of reserve fund

Incomes compared to:	2010	2011	2012	2013	2014
Expense of CZK 1	73,88	70,40	70,18	71,92	76,81
1 employee	37 142 312	38 238 738	39 769 637	40 931 409	42 561 644
Expenses (in CZK) – in relation to expenses without creation of reserve fund					
Expenses compared to:	2010	2011	2012	2013	2014
Income of CZK 100	1,35	1,42	1,42	1,39	1,30
1 employee	502 718	543 164	566 644	569 107	554 145
Current expenses per:	2010	2011	2012	2013	2014
1 employee	489 151	489 557	493 327	504 132	517 252

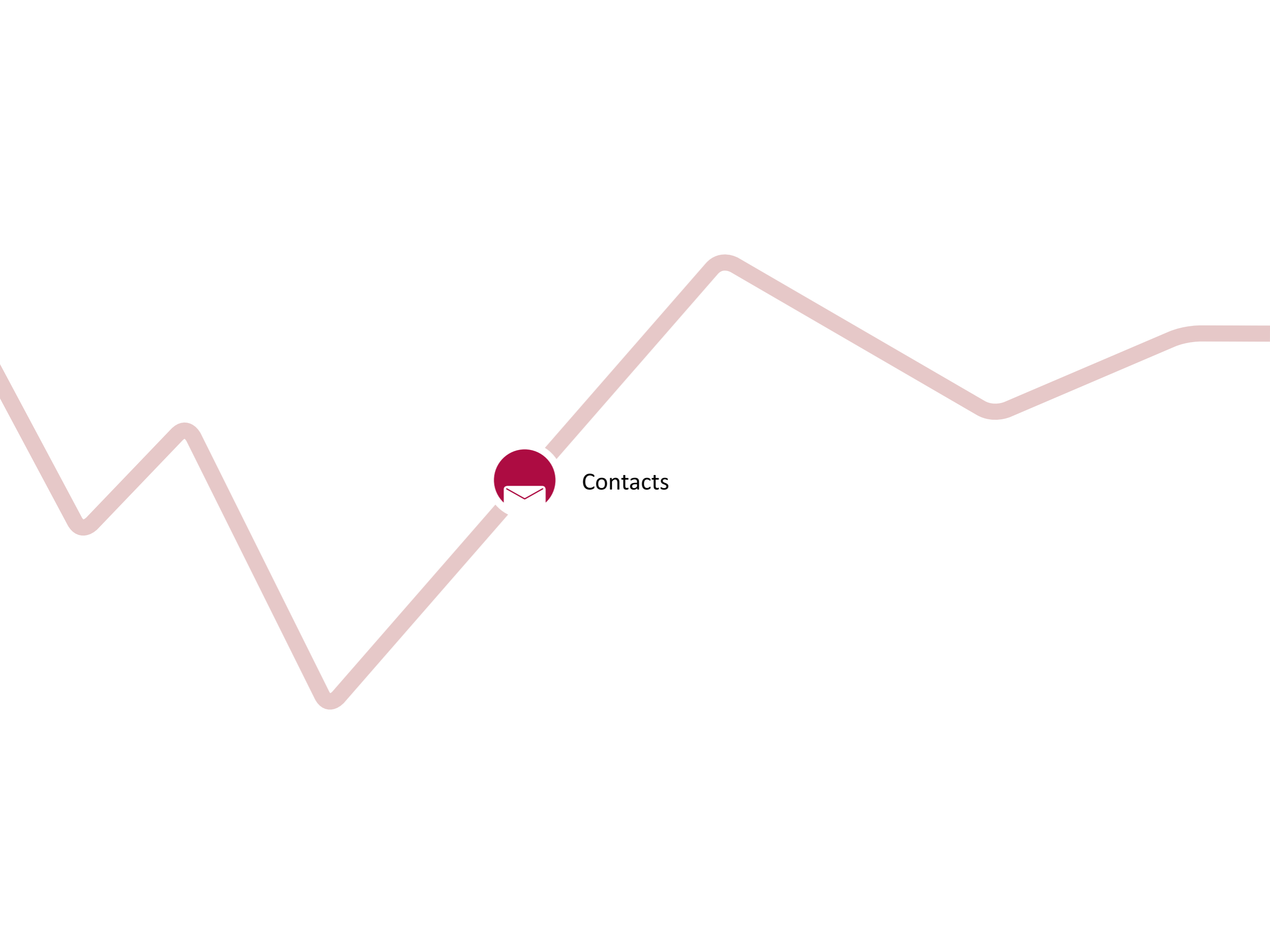
in CZK

Development of adjusted indicators of expenses in the period 2010 - 2014

	2010	2011	2012	2013	2014
TOTAL REVENUES	548 517 669	561 229 957	585 011 353	610 655 688	639 063 092
Excessive VAT deductions Consumption tax refunds	230 865 153	257 250 015	266 359 709	263 429 020	301 982 378
ADJUSTED REVENUES	779 382 822	818 479 972	851 371 062	874 084 708	941 045 470
EXPENSES	7 424 143	7 972 021	8 335 333	8 490 509	8 320 465
Expenses (in CZK) – in relation to expenses without creation of reserve fund					
	2010	2011	2012	2013	2014
Expenses per CZK 100 of adjusted revenues	0,95	0,97	0,98	0,97	0,88

Note: Possible differences result from rounding.

in CZK thousand



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