



Czech republic - Legal Framework

When considering an energy efficiency retrofit within your national housing market, a wide plethora of consideration needs to be made. Below, we list key findings to facilitate your analysis of the retrofit investment. More details and backgrounds can be found on the website www.rentalcal.eu.

The analysis of rent regulations and modernisation cost recovery in Czech Republic show:

- Lot of freedom in drafting and initial rent setting. Few mandatory stipulations however (so called forbidden clauses) are imposed.
- Rent increases during the contract can be negotiated.
- Modernisation based rent increase can be negotiated.
- No rating system for "Green Value" in use
- The amount of maintenance costs paid by the tenants is limited to so called small repairs and maintenance inside the flat.
- Maintenance costs extend the pay back periods for deep energy retrofits
- Energy efficiency is of relatively low priority for the landlords because the tenants usually pay the heating bills to the energy company not to the landlords. With the exception few regions the vacancy rate is low and the energy labels are not predominant decision making factor for the potential tenancy.
- No additional risks and benefits quantification
- Shortage of professional staff

The analysis of taxation and depreciation rules in Czech Republic show:

- If the landlord is a private individual, personal income tax rules apply. Tax rate is 15% (+7% solidarity tax for the part of net annual income exceeding 1 355 136 CZK)
- The Corporate Income tax rate (a tax collected from companies) is based on the net income companies obtain while exercising their business activity, normally during one business year. The tax rate for Corporate Income is 19% .
- Immediate write off is possible for all maintenance and repair and single modernisation measures that do not increase the overall building standard (e.g. replacement of old parts with new ones having the same parameters) .
- The tax depreciation period is generally 30 years. The first year is 1,4% and then 3,4 % annually. Annual investments below 40.000 CZK can be written off immediately. The investments for technical upgrades of the building shall be added to the original value of the asset and are annually depreciated with 3,4% rate of the total value of the asset. Generally, the buildings in Czech Republic are not depreciated according to the economic life spans of the respective components.
- Grey zones between the maintenance and repair costs and so called technical upgrade (improvement) of the building components. The taxpayer has a responsibility to interpret correctly the legal definition.
- The taxation office may be asked to issue law interpretation for a proper case. The taxpayer is charged for that application (10 000,- CZK)
- There is no distinction between different life cycles of various construction components
- Suggestions:
 - Provide enough examples and clear guidelines of what is repair and maintenance and what is to be understood as technical upgrade
 - Enable depreciation of individual construction components according to their life cycle

The analysis of building requirements in Czech Republic show:

- The energy efficiency requirements for renovated buildings are defined by the Decree 78/2013 Coll.
- The mean U value requirement and reduction of non-renewable energy/or total annual delivered energy shall be fulfilled in case of a large part or total building envelope renovation. The evaluation can be also made for all replaced building envelope components and all replaced building systems
- If only envelope components are replaced during renovation works their U values shall comply with recommended values of Czech standard CSN 730540-2:2011

- For replaced systems the heating source efficiency, heat pump COP and heat recovery efficiency values are prescribed by the Decree 78/2013 Coll.
- Building extensions (e.g. penthouse apartments) increasing the total energy related floor area by 25% are considered as newly constructed buildings
- Energy efficiency retrofits financed by subsidies or grants are subordinated to different rules, generally the requirements for U values, reduction of non-renewable energy and efficiency requirements of building systems are more strict than basic requirements.