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**July 2025**

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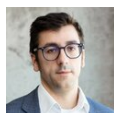


# Editorial

After a hectic June when tax advisors and many others were chasing deadlines, we smoothly entered the summer holiday period. I trust many of you are looking forward to your well-deserved break from bills and amendments. Should you still find the time to do a bit of professional reading while vacationing, we have a handy summary of last weeks' highlights for you.

For example, the chamber of deputies passed the Bill on Single Monthly Employer Reporting (in Czech *Jednotné měsíční hlášení zaměstnavatelů*), which should make administration easier for employers starting next year. And since our legislators remain rather descriptive when naming laws, we take this opportunity to present to you some ideas from overseas, where they are not afraid of names such as One Big Beautiful Bill. If our legislators wanted to take inspiration from this, we instead of the Act on Top-Up Taxes, might for instance have the “Act on Tax that Almost Nobody Knows How to Calculate Correctly”.

And even though summer is the perfect time to take a break from calculations, I hope that you'll be able to add lots of positive energy to your account balance over the next few weeks.



**Jan Kiss**  
KPMG Czech Republic

# Deputies approve single monthly employer reporting

On 27 June 2025, the chamber of deputies approved the Bill on Single Monthly Employer Reporting (in Czech: jednotné měsíční hlášení zaměstnavatele or JMHZ) and its accompanying law.



**Václav Baňka**  
vbanka@kpmg.cz



**Daniela Králová**  
dkralova@kpmg.cz

We reported on what the JMHZ Bill brings in our December 2024 issue ([here](#)). Along with the JMHZ Bill, a proposal to amend related laws was also discussed.

During the course of the debate among deputies, several [amending proposals](#) introducing important changes relating to income taxes were also submitted.

Among the amending proposals was a motion to abolish the CZK 40 million limit for the exemption of income from the sale of securities, shares in corporations, and cryptocurrencies. This motion was rejected.

In contrast, the coalition's amending proposals concerning, e.g., changes in the taxation of small-scale income (in particular from agreements to perform work outside employment), changes in the taxation of employee stock and option plans, and making research and development allowances more attractive, were approved.

We are now preparing a summary of all significant changes and approved amending proposals that will impact employers and their tax obligations.

# Top-up taxes: extension of deadlines for tax returns and information returns

The chamber of deputies has approved an amendment to the Act on Top-Up Taxes extending the deadlines for filing the first-time Czech top-up tax returns and information returns to 18 months after the end of the taxable period. The amendment containing several other changes is now heading to the senate.



**Václav Baňka**  
vbanka@kpmg.cz



**Jana Fuksová**  
jfuksova@kpmg.cz

We have previously written about the amendment [here](#). In addition to extending the deadlines, it also introduces changes that should adapt the rules for the determination of the Czech top-up tax to the model rules. In addition to the wording proposed by the government, the chamber of deputies approved several amendments concerning mainly insurance companies.

## Extension of deadlines

As we reported [here](#), the Ministry of Finance published a draft of the content requirements for the information return (the information return contains information about the entire group and serves as a basis for preparing and checking the tax return) and the tax return. The forms will be common for the Czech and allocated top-up tax. The information return derives from the OECD's GloBE Information Return. The tax return has two parts (Czech and allocated top-up tax) and taxpayers will fill in the part relevant to them.

The deadline for filing the information return will be 15 months after the end of the reporting period, 18 months for the first-time filing. The deadline for filing the information return for the 2024 calendar year will thus be 30 June 2026.

The deadline for filing the tax return for the allocated and Czech top-up tax will be 22 months after the end of the reporting period (i.e., for the 2024 calendar year, 31 October 2026).

## Next steps in top-up taxes

On the legislative front, it will be important to finally approve the amendment to the law and the content of the return forms, to issue the forms and data structures of the information return and tax return, and to complete the implementation of DAC 9 allowing for the filing of a single information return within the EU.

From the taxpayers' point of view, the preparation of the country-by-country report (CbCR) will be important, as it will serve as a basis for a simplified procedure for the reporting of top-up taxes in the initial periods. If one of the safe harbour rules are met (e.g., the effective tax rate above a certain level), there will be no need for a jurisdiction and its constituent entities to perform a detailed calculation of top-up taxes. Therefore, the country-by-country report needs to meet the conditions required by the top-up tax regulations (a qualified country-by-country report). Within the EU, the deadline for filing the country-by-country report for the 2024 calendar year is the end

of 2025. If the conditions required by the top-up tax regulations are not met (e.g., use of an unauthorised source for the preparation of the country-by-country report or an incorrect combination of authorised sources for different constituent entities), the safe harbour rules cannot be used. Therefore, the preparation of country-by-country reports must also be addressed from a top-up tax perspective.

# Top-up tax: tax return and information return form

The Ministry of Finance has published a draft decree setting out forms for the tax return and the information return for allocated and Czech top-up tax. The tax return is common for both taxes, as is the information return, which is based on the GloBE Information Return. Both reflect the pending amendments to the Act on Top-Up Taxes (containing, among other things, an extension of the deadlines for filing) and to the Act on International Tax Cooperation (implementing a uniform format for the information return and the exchange of information within the EU (DAC 9)).



**Václav Baňka**  
vbanka@kpmg.cz

## Tax return

The tax return form consists of three parts (Czech top-up tax, allocated top-up tax, and a joint section for additional top-up taxes). Taxpayers shall use the relevant section of the return, which is to be filled in via annexes. Many calculations are automated, including the conversion of the currency of the financial statements to Czech crowns.

The Czech top-up tax part of the return contains a calculation of the jurisdictional top-up tax for the Czech Republic and its allocation to the taxpayer filing the return; a special part is devoted to investment entities. The allocated top-up tax part of the return contains calculations under the Income Inclusion Rule (IIR) and the Undertaxed Profits Rule (UTPR). Attached to the return form are detailed instructions referring to the relevant provisions of the act and the relevant parts of the information return. The tax return form (same as the information return form) is only available in the Czech language and can only be submitted electronically in XML format.

## Information return



The information return form uses the standardised template contained in DAC 9. The instructions for filling it in are based on Appendix A to the GloBE Information Return published by the OECD in January 2025. The Czech regulation, the EU legislation, and the OECD interpretations have thereby been aligned.

A taxpayer of the allocated top-up tax (a Czech constituent entity of a multinational corporate group with a turnover exceeding EUR 750 million) shall primarily fill in the parts of the information return that would obligatorily be provided to the Czech Republic within the exchange of information, for the jurisdictions where the Czech Republic has the right to tax.

The Czech tax administration will obtain the relevant information for the administration of the top-up tax via the information return, or via the exchange of information (see below). The information return will also serve for the purposes of the Czech top-up tax, as it will not have a separate information return; for Czech top-up tax, taxpayers shall fill in the general information part, the safe harbour information, and the calculations relating to the Czech Republic and to entities subject to Czech top-up tax.

## **Exchange of information**

The DAC 9 directive allows to file a single EU-wide information return for the entire group. It shall be filed centrally either by the ultimate parent entity or by another designated entity within the group. The tax administrations of the other member states where the group operates will be notified of the member state in which the information return has been filed.

The decree takes over the OECD rules on the provision of the information return (the general and the relevant jurisdictional parts) to the tax administrations of other countries. They should mandatorily receive relevant information reflecting the level and extent of implementation of the minimum tax rules in the given state.

Centralised filing with subsequent exchange of information will also be possible vis-à-vis non-EU countries with whom a qualified agreement on the exchange of information for Pillar Two purposes has been concluded (the directive is a multilateral agreement on exchange of such information within the EU).

The Ministry of Finance has now initiated a comment procedure. Once comments have been received and processed, a final version of the decree will be prepared and published in the Collection of Laws.

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# Flexinovela amendment to Labour Code in practice: changes to notice periods

One of the novelties brought by the Flexinovela amendment to the Labour Code is the change in termination notice periods: under the new rules, they start to run on the day the notice is served and end on the day numerically identical with that day. The Flexinovela also introduces shorter notice periods for terminations on punitive grounds. But how to proceed if the employment contract says something different than the law?



**Barbora Cvinerová**  
bcvinerova@kpmg.cz



**Anna Li**  
annaali@kpmg.cz

Under the Labour Code, from 1 June, if an employee or employer wishes to terminate employment by notice, it is essential when the notice is served to the other party. If this happens, for instance, on 15 July, the employment will end on 15 September. If there is no day in the month in which the employment ends that is numerically identical with the date on which the notice was served, the end of the notice period will fall on the last day of that month. For example, if the notice is served on 30 December, the employment will terminate on 28 (or 29) February of the next year.

The notice period has been shortened to one month for terminations by the employer on any of the following grounds:

- The employee does not meet the prerequisites or legal requirements for the performance of the agreed work.
- There are grounds for immediate termination of employment, there has been a serious breach of duty arising from legal regulations or a consistent less serious breach of such duty.
- There has been a particularly serious breach by the employee of their temporary incapacity for work regime.

The above rules apply to termination notices served after 1 June 2025.

In practice, however, it is quite common for employers to stipulate the rules for termination notice periods in employment contracts. Employment contracts thus often contain the older wording of the law: it is agreed that the notice period shall start to run on the first day of the calendar month following the service of the notice, or that the length of the notice period is without exception two months, or both. How to deal with a situation where the employment contract stipulates something different than the law?

The Flexinovela amendment does not give clear guidance on this, and interpretations vary. Even after the amendment, the Labour Code still allows for contractual arrangements different from the law, so we are inclined to take the (prevailing) view that the differing rules arising from the contract will prevail over the wording of the Labour Code even if they had been agreed on before the Flexinovela entered into effect. However, only future case law will provide certainty on this.

## What does this mean for employers?

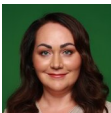
First, it is necessary to check whether the employment contract merely refers to the law, or whether it contains a specific provision on the running and/or length of the notice period. If the employment contract does not contain a specific provision on notice periods or only refers to the law, then the new rules will automatically apply from 1 June 2025. If the parties wish to apply the earlier rules, they must agree on it by means of an amendment to the contract.

However, if the employment contract contains the earlier legal regulation in whole or in part, this contractual arrangement will prevail over the law. Depending on the specific content of the employment contract, the (new) shorter notice period for punitive terminations and/or the (new) provision on the running of the notice period from the date of service will not apply. Should the parties wish to apply the new rules (in whole or in part), an amendment to the employment contract will need to be negotiated.

We therefore recommend reviewing the wording of existing employment contracts, revising any unsatisfactory wording by means of amendments, and preparing new templates for new employees. When terminating an employment relationship by notice, it is necessary to keep the new legislation in mind and always check the wording of the particular employee's employment contract.

# Health checks for workers under agreements on work outside employment discussed again

Since 1 June, an amendment to the Labour Code (the Flexinovela amendment) has brought employers a major loosening regarding occupational health examinations, as it abolished the obligation to carry out initial health examinations for employees classified in the first risk category of work pursuant to the Act on Specific Health Services. However, because of this amendment, the regulation of agreements on work performed outside of employment has been tightened. Although this was probably not the intention of the legislator, it is quite likely that we will not see any remedy anytime soon.



**Lenka Gomez Tomčalová**  
lenkagomez@kpmg.cz



**Richard Hajdučík**  
rhajducik@kpmg.cz

Until the end of May, the Act on Specific Health Services provided that employers were obligated to ensure initial occupational health examinations for workers under an agreement to complete a job or an agreement to perform work (outside of employment) only when they were performing high-risk work. If they were classified in risk work category 1 or 2, they did not have to undergo such a check.

However, the Flexinovela amendment unified the regulation of initial health examinations for all basic labour-law relationships. As a result, agreements on work performed outside of employment are now subject to the obligation to undergo these examinations where the work falls under risk work category 2. The legislator has realised this deficiency and is already proposing to return to the original rules of health checks for workers under agreements outside employment.

This proposal is part of an amendment to the Act on Single Monthly Employer Reporting currently before the chamber of deputies. Unfortunately, the proposal does not include an effective date. This could mean that we will have to wait until the full act comes into force at the beginning of next year for the change to take effect.

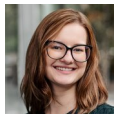
For employers, this will mean that if they employ workers under agreements on work outside employment falling under risk work category 2, they will have to ensure an initial medical examination of such workers. This will be the case for employees in the catering, construction and mechanical engineering sectors, as well as, for example, cleaning staff, hairdressers and warehouse workers. If an employer allows the work of a worker who is not medically fit to do so, they run the risk of a fine of up to CZK 2 million.

# AML Regulation: uniform rules and stricter supervision in the EU

The European Union is tightening and further harmonising its rules against money laundering and the financing of terrorism (AML/CFT). The new Anti-Money Laundering (AML) Regulation introduces a uniform and directly applicable framework for all member states. Companies and the entire sectors will therefore have to prepare for new obligations, enhanced supervision, and a greater emphasis on transparency.



**Jiří Stratil**  
jstratil@kpmg.cz



**Karolína Kubíčková**  
kkubickova@kpmg.cz

## Main objectives and importance of the regulation

The AML Regulation removes the previous inconsistency in the approach of member states to AML/CFT issues. Thanks to the direct effect of the regulation, the new rules will be applied uniformly across the European Union without the need for their transposition into national laws. The regulation also provides for the creation of a new Authority for Anti-Money Laundering and Countering the Financing of Terrorism (AMLA), which we reported on in our article [here](#), and which will also ensure a uniform interpretation of the regulation.

## The scope of obliged persons extended

Compared to the current wording of the Czech AML Act, the scope of obliged persons will be extended to include:

- investment migration operators
- crowdfunding platform operators
- traders in cultural goods (including galleries)
- football agents and professional football clubs (in respect of transfers and financial flows).

The aim is also to cover previously less regulated high-risk environments that can be exploited for the laundering of proceeds of crime.

## The conditions for performing client checks aligned

In general, obliged persons will have to carry out client checks when establishing business relationships, for transactions worth at least EUR 10,000, when suspecting money laundering or terrorist financing, when in doubt about the veracity or adequacy of client information, or when uncertain whether the person with whom they communicate is the client or a person authorised to act for the client.

## What does this mean in practice?

The regulation is already in force, but most of the obligations will be directly effective from July 2027. For some football agents and clubs, the regulation will not be effective until 2029.

However, obliged persons should become familiar with the forthcoming changes as soon as possible so that they can consider them when planning work for next year when the AMLA issues their interpretations. Obligated persons should thus proceed with their gap analyses, reviews of internal AML processes, and adjustments of their documentation and methodologies to the new framework. Other companies as well as natural persons carrying out business activities should assess whether they fall into one of the categories of obliged persons.

We are closely monitoring the new regulation and will be happy to assist you in preparing for the new rules.

# One Big Beautiful Bill

On May 22, the US House of Representatives passed a bill with the unusual title of the One Big Beautiful Bill Act (OBBBA).



**Jan Kiss**  
jankiss@kpmg.cz

Among other things, this law contains retaliatory measures against tax regimes of other countries that the US government considers to be “unfair” towards US companies.

For the Czech Republic, it is significant that the US considers the Undertaxed Profits Rule (UTPR) contained in the new Act on Top-Up Taxes to be an unfair tax regime. This regime has been in force in the Czech Republic since this year.

For jurisdictions with the UTPR regime in place for US companies, the retaliatory measures increase withholding taxes on interest, royalty or dividend payments from US residents by five percent each year for four years (a total of 20 percent).

It is important to note that the increase will not be affected by any double tax treaties in place. If a treaty states, for example, a maximum five percent withholding tax on dividends, this reduced rate will increase by five percent each year up to 25 percent.

If the OBBBA takes effect, Czech companies face a significant increase in their tax burden for payments from their US subsidiaries or business partners.

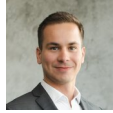
The act still needs to be approved by the US Senate. At the same time, discussions are also ongoing between representatives of the OECD, the G7, and the United States regarding the application of the UTPR rules to US companies with a view to reaching some sort of compromise. Recent developments indicate a positive shift in these discussions.

# Subsidies for photovoltaics are here

From 1 July 2025, it has been possible to apply for support under the Modernisation Fund, in particular from call RES+ No. 1/2025 – Photovoltaic Power Plants up to 5 MWp with Self-Consumption.



**Silvie Beranová**  
sberanova@kpmg.cz



**Lukáš Otýpka**  
lotypka@kpmg.cz



**Veronika Mičková**  
vmickova@kpmg.cz

Applications for subsidies will be accepted from 1 July 2025 to 30 January 2026. The call aims to support the installation of photovoltaic power plants (PV plants) with a capacity of 10 kW to 5 MW that will be used primarily for self-consumption of the electricity produced.

In addition to the installation of PV plants, the programme may also support battery storage systems for the electricity produced and hydrogen produced by electrolysis of water. The total funds for allocation amount to CZK 3 billion, and the maximum subsidy amount is limited to 30% of eligible expenses (the specific amount of support is further based on the output of the PV plant).

This type of support is available to existing and future electricity trading licence holders. The application must be accompanied by, among other things, a contract for the connection of the power plant to the electricity grid (or a contract on a future contract) and a building permit (if the project is subject to one). It is recommended to start the preparation as soon as possible. The project can be implemented in the whole territory of the Czech Republic and must be completed within three years of the decision to grant the subsidy.

If you are interested, we will be happy to help you with the preparation of your grant application.



# Supreme Court: landmark decision on termination of employment of foreigners

Czech legislation sets strict conditions for the employment of foreigners, especially from non-EU countries. Failure to comply with these conditions may result in fines of up to CZK 10 million and other negative consequences. Nonetheless, this legislation area is not consistent and until recently failed to provide clear guidelines on the termination of employment relationships of foreigners deriving their right to work in the Czech Republic from the exemption for students continuously preparing for a future profession pursuant to the Employment Act. This fundamental gap in the law was clarified by a recent Supreme Court ruling.



**Barbora Cvinerová**  
bcvinerova@kpmg.cz



**Richard Hajdučík**  
rhajducik@kpmg.cz

## Background

The court dealt with the situation of a Turkish national who was a full-time student at a university in the Czech Republic. Under this status, he was not required to have a special work permit and had free access to the labour market under the Employment Act. While employed, he suffered a severe head injury and was in a coma for three years. After waking up, he was left in the highest degree of disability. Due to his accident, his studies at the university were interrupted, which meant that as a foreigner he had lost free access to the labour market and no longer met the conditions for being employed in the Czech Republic. His employer informed him that by losing the exemption from the obligation to have a work permit, his employment had terminated by operation of law and that it therefore was not necessary to take any terminating action.

The employee's representative disagreed and took the matter to court, arguing that the Labour Code only stipulates that employment terminates if an employment permit ceases to be valid, and does not explicitly mention the loss of free access to the labour market as leading to termination.

## When does a foreigner's employment terminate?

Both the lower courts and the Supreme Court unanimously concluded that the purpose of legislation is to prevent employment relationships from continuing if the legal prerequisites for employment of a foreigner are no longer met. Thus, employment also terminates by operation of law when free access to the labour market is lost, although the Labour Code does not explicitly state this. Only this conclusion allows for the effective protection of the employer – had the employment of the foreigner without an employment permit continued after their loss of free access to the labour market, the employer would have committed the offence of facilitating illegal work. At the same time, the employer would have had no way of terminating the employment unilaterally.

## Practical implications for employers

Cases where (employed) foreigners quit or interrupt their studies are rather common in practice. Their employers could not be certain whether to consider the employment terminated without further ado or whether to address the situation by terminating the employment by agreement or by notice, trying to subsume it under one of the grounds for termination by notice. Some employers even addressed the situation by ordering the foreigner to not perform work on the grounds of impediments to work until they again could meet the conditions for employment.

The court has thus resolved a controversial issue that has resonated with the professional public for a long time: upon the loss of free access to the labour market, employment terminates without further ado, and the employee cannot be ordered to not perform work on the grounds of impediments to work. If the foreigner subsequently obtains a work permit or resumes meeting the conditions that give them free access to the labour market again, it will be necessary to conclude a new employment contract.

# Supreme Court: Chanel can choose its distributors

Chanel, a French luxury cosmetics and perfumes manufacturer, has for many years been involved in a legal dispute with the Czech company Notino. The subject of the dispute was Notino's obligation to provide information on the origin of Chanel's products they offered for sale to end customers despite not being an official Chanel distributor.



**Tomáš Kočař**  
tkocar@kpmg.cz



**Karolína Kubíčková**  
kkubickova@kpmg.cz

## Proceedings before the lower courts

By a lawsuit, Chanel demanded that Notino disclose information about where they had obtained goods bearing the Chanel trademark, including the names of their suppliers and the quantities of goods sold. Chanel also claimed that Notino had infringed on their trademark rights by selling Chanel products without their consent: in the European Economic Area, Chanel products are sold exclusively through a selective distribution system which sets strict criteria for distributors, such as the operation of at least three brick-and-mortar stores and a proven history of non-infringement on trademark rights. The first-degree court ruled in favour of Chanel and ordered Notino to provide Chanel with information on the origin of the goods.

Notino appealed the decision, arguing that Chanel was abusing their dominant position and that their conditions prevented online retailers from accessing the market. Notino further argued that the goods sold were obtained legally, for example through parallel imports, and that the right to information sought by Chanel was statute-barred. However, the appellate court did not accept these objections. Notino then filed an extraordinary appeal with the Supreme Court.

The Supreme Court mainly dealt with the question whether Chanel's selective distribution system was compatible with EU law, as it obliged interested parties (including its members) to operate brick-and-mortar shops apart from an e-shop.

## Selective distribution system in EU law

Under EU law, in a selective distribution system, a supplier undertakes to sell goods or services only to distributors selected based on certain criteria. On the other hand, these distributors undertake not to sell goods or services to unauthorised distributors in the territory where the system is operated.

According to the CJEU case law referred to by the Supreme Court, a selective distribution system is compatible with EU law if:

- it is aimed at achieving a legitimate result that may improve competition
- it concerns an area where competition is based on factors other than price
- distributors are selected based on objective qualitative criteria determined uniformly for all and applied in a non-discriminatory manner
- properties of the products necessitate such a system to preserve their quality (e.g. maintain the luxury image) and correct use
- such criteria are necessary.

As for the obligation to sell in brick-and-mortar shops, the CJEU held that a selective distribution system may include the presentation of products at the point of sale in such a way as to maintain the image of luxury which they convey.

## **Assessment of Chanel's selective distribution system**

The Supreme Court thus agreed that Chanel's selective distribution system is legitimate, does not constitute an unlawful restriction of competition, and is compatible with EU law. The criteria for selecting members of the system aim to ensure the protection of the Chanel brand, the protection and correct use of the products of that brand, and the protection of reputation and prestige of the products. Moreover, criteria are set uniformly for all participants and potential participants in the system.

Finally, the Supreme Court pointed out that Chanel had originally sought primarily to protect their trademark rights, to the effect that no one (not even Notino) could market products bearing the Chanel trademark without their consent.

The Supreme Court's decision thus implies that subject to stipulated conditions, a selective distribution system is compatible with EU law and that the right to information on the origin of the goods sold and the distribution networks of third parties infringing trademark rights is an absolute right and cannot be statute-barred. Notino therefore must disclose information about its suppliers to Chanel.

# Municipal court: VAT and gratuitous supply of land

The Municipal Court in Prague stated in its judgment that the tax base upon a contribution of land into a business company is its residual value if the right to deduct VAT was at least partially claimed upon its acquisition.



**Victorie Kubínová**  
vkubinova@kpmg.cz



**Kateřina Klepalová**  
kklepalova@kpmg.cz



**Adam Tomčal**  
atomcal@kpmg.cz

The taxpayer had purchased land and claimed a VAT deduction only on the fee for the intermediation of the purchase, not on the purchase price. Subsequently, the taxpayer contributed the land into a business company as a non-monetary (in-kind) contribution. The question was whether the VAT deduction claimed should be regarded as a deduction claimed in connection with the acquisition of the property. Subsequently, the question was how to determine the taxable amount, should the in-kind contribution be subject to VAT.

According to the law, a VAT liability arises on an in-kind contribution in the form of goods if the person making the contribution had claimed a VAT deduction, even just partially, upon the acquisition of these goods. The municipal court held that the acquisition cost of a property includes all costs incurred in acquiring it, including the costs of intermediating the purchase. Therefore, a VAT deduction relating to intermediary services also constitutes a partial deduction upon the acquisition of the property. This conclusion gives rise to an output VAT liability in respect of the in-kind contribution of the land into a business company.

In determining the taxable amount, the court relied on the principles set out in the VAT Directive and the VAT Act, which regulate the procedure for gratuitous supplies of goods (including contributions into a business company) as follows:

1. The taxable amount shall be the purchase price, i.e. the residual price, for goods acquired for consideration.
2. If the goods were not acquired for consideration, the purchase price of similar goods shall be used.
3. If the price cannot be determined under the previous rules, the taxable amount shall be the cost price.

According to the municipal court, for a gratuitous supply of purchased property, the taxable amount should be determined based on its the residual value, which is generally to be understood as the net book value reflecting its actual wear and tear. In the present case, therefore, the tax base shall the purchase price of the land, taking into account its residual value at the time of the contribution.

# Advocate General comments on VAT treatment of tooling

The Advocate General of the Court of Justice of the European Union (CJEU) has confirmed the current approach to the VAT treatment of the sale of tooling (moulds), whereby it is a supply of goods without transport and therefore a taxable supply at the place of supply. The case is still to be considered by the CJEU Chamber, which is expected to deliver its judgment during the summer.



**Tomáš Havel**  
thavel@kpmg.cz



**Daniela Sommer**  
ddsommer@kpmg.cz

Moulds are typically supplied in the automotive industry. The supplier of the parts makes the moulds to measure and sells them to the customer before commencing the production of the parts. However, the moulds are kept on the supplier's premises throughout the production and can only be used by the supplier at that specific location to produce specific products.

In the case at hand, the supplier (IME Bulgaria) sold the moulds not directly to the buyer of the parts (Brose SK), but first to Brose DE, another company within the group. To purchase and then sell the moulds to Brose SK, Brose DE used its Bulgarian VAT number and applied Bulgarian VAT on the sale. Brose SK claimed a refund of this tax, which was rejected by the Bulgarian tax authorities: In their opinion, it was an ancillary supply to the supply of parts by IME Bulgaria and should therefore have been tax exempt as an intra-community supply. Hence, the tax authorities believed the invoicing to Brose DE to be artificial.

The dispute appeared before the CJEU with the referred question of whether, if parts are manufactured using a special tool that are then supplied to another member state, the supply of that tool should be subject to the same VAT treatment as the supplied products. The issue was therefore whether there had been a single, complex supply or a main and an ancillary supply.

In the Advocate General's opinion, the sale of tools cannot, by its substance, be exempt from VAT because the condition of transportation is not fulfilled. The obligation to comply with this condition would only not apply if there had been a complex or ancillary supply, which was not the case here, according to the Advocate General.

In the first place, according to the Advocate General, there is no single economic aim, and therefore there are two different supplies. In the present case, the aim of the acquisition of the tool is not the acquisition of the parts, but ensuring that, in the event of the supplier's insolvency, another supplier can be found under similar conditions who can quickly resume production without interrupting supply chains.

Furthermore, it is not possible for an ancillary supply to be provided by a person independent of the person providing the main supply, unless there is an artificial splitting of the transaction by the supplier between two persons under their control.

The Advocate General then concluded that the tools (moulds) and the parts are separable and cannot form a single, complex supply. In the present case, the purchase of the tools cannot be treated as a supply dependent on the supply of the parts, therefore Bulgarian VAT was correctly applied by Brose DE.

Finally, the Advocate General noted that should the CJEU regard the supply of moulds as an ancillary or complex supply, the question of the VAT exemption of supplies of goods not transported to another member state and the entitlement to VAT deduction on the related acquisition would have to be answered

# News in Brief, July 2025

Last month's tax and legal news in a couple of sentences.



**Lenka Fialková**  
lfialkova@kpmg.cz



**Václav Baňka**  
vbanka@kpmg.cz

## DOMESTIC NEWS

- The chamber of deputies has approved an amendment to the Accounting Act, the Auditors Act and the Act on Top-Up Taxes (please see our separate article). The amendment brings changes in the categorisation of accounting entities, a simplification of requirements for sustainability reports, and adjustments deriving from current EU and international rules. These changes are intended to make it easier for companies to comply with legislative obligations and reduce their administrative burden. The main changes are proposed to take effect from 1 January 2026; however, some provisions will already be effective on the day after the promulgation of the law.
- An act amending certain laws in tax administration and the powers of the Czech Customs Administration, Act No. 16/1993 Coll. on Road Tax, and Act No. 69/2010 Coll. on the Ownership of Prague-Ruzyně Airport (effective from 1 July 2025, No. 218/2025) has been published in the Collection of Laws. The act comprises a collection of amendments to a total of 117 laws and regulates the powers of the Czech Customs Administration.
- For example, the customs authorities will no longer inspect the employment of foreigners. The powers of the customs administration to collect and enforce fines imposed under the Administrative Procedure Code by other authorities, municipalities or regions, and local fees have been extended. Partial changes have also been made to the Tax Procedure Code and other procedural regulations in tax administration and the competence of the Customs Administration authorities, mainly following experience from application practice.
- Financial Bulletin No. 7 contains Instruction GFD-D-68 on the location of the file or the relevant part thereof at the tax authorities' premises and at their territorial offices.
- The Ministry of Finance has published Financial Bulletin No. 8 with the following contents:
  - Instruction GFD-D-69 on the decision-making on applications for the waiver of levies for breach of budgetary discipline and penalties for delay in paying levies for breach of budgetary discipline submitted pursuant to Act No. 218/2000 Coll., on budget rules.
  - Instruction GFD-D-70 on the decision-making on applications for the waiver of levies for breach of budgetary discipline and penalties for delay in paying levies for breach of budgetary discipline submitted pursuant to Act No. 250/2000 Coll., on territorial budget rules.
- Financial Bulletin No. 9 contains information on How to Correctly Pay Tax to the Customs Office.
- The Financial Administration has published information on the new obligation of the customer to return the deduction of VAT not paid to their supplier, and the conditions for reclaiming it.



- Among other things, the following has been published in the Collection of Laws:
  - Communication of the Ministry of Labour and Social Affairs announcing the amount corresponding to 50% of the average monthly wage in the national economy for the purposes of determining the subsistence minimum and the amount corresponding to 50% and 25% of the average monthly wage in the national economy for the purposes of state social allowances (No. 161/2025).
  - a decree on the method of calculating the floor area for the purposes of value added tax (effective date 1 July 2025, No. 163/2025).
  - Act on the Regulation of Lobbying (168/2025) and accompanying law (169/2025) with effect from 1 July 2025).
  - Law on Housing Support (175/2025) and accompanying law (176/2025) with effect from 1 January 2026.
  - a government regulation amending Government Regulation No. 220/2019 Coll., on the maximum number of applications for a visa for a stay exceeding 90 days for business purposes, applications for a long-term residence permit for investment purposes, and applications for an employment card that may be filed with an embassy (effective from 1 July 2025, No. 206/2025).
  - an act amending Act No. 582/1991 Coll., on the organisation and implementation of social security, as amended, Act No. 155/1995 Coll., on pension insurance, as amended, and Act No. 321/2023 Coll., amending Act No. 582/1991 Coll., on the organisation and implementation of social security, as amended, and certain other laws, as amended by Act No. 417/2024 Coll. (effective from 1 September 2025, No. 214/2025).
- The Ministry of Industry and Trade has held another informal meeting of the Committee on Artificial Intelligence in June. The main topic of the meeting was the preparation of the Czech environment for the implementation of the EU Regulation on Artificial Intelligence (AI Act) and support for the development of the AI innovation ecosystem.

## FOREIGN NEWS

- The European Commission has adopted the Clean Industrial State Aid Framework (CISAF). The CISAF sets out the conditions under which certain types of support measures can be considered compatible with EU state aid rules. The aim is to promote investment in renewable energy, industry decarbonisation, and clean technology production. The CISAF allows for the provision of aid in any form, including direct grants and tax advantages (e.g., tax relief and accelerated depreciation stimulating the acquisition or lease of clean tech equipment). It replaces the Temporary Crisis and Transition Framework (TCTF), which was adopted in March 2023, with the CISAF in effect from 25 June 2025 until 31 December 2030. More detailed information can be found [here](#).
- The EU Economic and Financial Affairs Council (ECOFIN) has approved its report to the European Council. The report provides an overview of the progress made in the ECOFIN in indirect and direct taxation under the Polish presidency, and specifically addresses legislative updates, including the adoption of directives on the exchange of information relating to Pillar 2 (DAC 9) and VAT in the Digital Age (ViDA), as well as draft directives such as Unshell, Transfer Pricing and BEFIT, and energy taxes. More detailed information can be found [here](#).
- The European Commission has published its [annual report](#) on taxation in the EU.
- The KPMG EU Tax Center regularly monitors changes in direct taxes in the EU and internationally. Here you will find regular summaries of the latest news ([e-news](#)) and alerts on important events ([tax flash](#)) with the option to subscribe to them.

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[www.kpmg.cz](http://www.kpmg.cz)

Tel.: +420 222 123 111

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