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Tax & Legal

Taxes
Legal
World news
Case law
In brief

February 2019

Editorial

Less than a year ago in this very place, I was wondering what would happen if Britain did not reach an agreement with the European Union on the conditions of leaving. At that time, nobody was seriously considering this possibility. However, with D-Day (or rather B-Day) getting closer, the customs administration has now published at least some basic information on customs formalities that may become necessary.

It is the Czech legislators' specialty to drag out the adoption of laws through Christmas and into the new year. This makes life difficult for entrepreneurs who often do not know how quickly they should adjust their systems and business models to the changes. In particular foreign entities complain, invoking the rational legislator and rational expectations principles. But this time, the British House of Commons has trumped the Czech lawmakers.

What is new on the home front? The much-discussed tax package did not pass – perhaps following the British example. At the end of January, the Senate returned it to the Chamber of Deputies with some amending proposals: for instance, supporting the originally proposed extension of the deadline for filing electronic tax returns, and proposing changes to the reduced 10% VAT rate. These changes, however, do not have the Ministry of Finance's support.

With each end, something new begins – the (financial) year 2018 ended a couple of weeks ago, and work on financial statements and their audit is underway. As mentioned by my colleagues in this issue of the Tax and Legal Update, the auditor's report does not automatically confirm that arm's length prices were used in intra-group transactions. Please pay attention to this area, as sanctions may also affect the company's management.

I wish you a lot of strength and a pleasant read.

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Tax package 2019 – Senate propose changes

What is the stage of the 2019 tax package in the legislative process? Late in January, the Senate returned the bill to the Chamber of Deputies with amending proposals. Below, we summarise the most important ones.

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Reducing VAT rates
As the separate amendment to the Act on Electronic Reporting of Sales (ERS) proposing reducing the VAT rate to 10% for selected goods and services has only been submitted to the chamber for the first reading, the senators proposed including the reduction in the VAT rate in the tax package bill to speed-up the effective date of the changes. These mainly involve reducing the VAT rate on drinking water, catering, serving non-alcoholic beverages and draught beer, clothes repairs, hairdressing services, and home care for children and specific groups of citizens. The Senate also wants to reduce the excise duty on beer, and set the effective date of reducing the VAT rate on heat already from July of this year, rather than from January 2020.

Extending the deadline for filing electronic tax returns
The senate further proposes changing the rules for filing tax returns; the same change was brought up already in the chamber, but did not pass in the third reading. It involves extending the deadline for filing a tax return if filed electronically from three months after the end of the taxable period to four months (meaning that for a calendar year taxable period, the deadline for such filings would be 1 May of the following year).

The senate also proposes cancelling the duty to deliver a tax advisor's power of attorney for preparing a tax return to the tax administrator by the end of the three month period for filing the tax return. This deadline should extend automatically if the tax return is prepared by a tax advisor and filed within six months after the end of the taxable period.

Amending proposal regarding the sale of "non-business" property not passed in senate
Some senators proposed increasing the taxpayers' legal certainty regarding the sale of property that is not a business property; this proposal, however, was not adopted by the senate. The senators namely proposed including a provision in the VAT Act stating that the delivery or provision of property does not constitute a business activity if the property is not a business property. The sale of such property is not generally subject to VAT and not even included in the calculation of turnover for VAT purposes, as the seller is generally not a taxable person for VAT purposes in relation to the property.

The Court of Justice of the EU repeatedly adjudicated that only a sale of property included in business property is subject to VAT, and that it is up to the taxpayer to decide what property they include in business property. The purpose of the provision was thus "only" to bring more legal certainty to taxpayers, namely non-profit entities and municipalities. As stated in the explanatory report to the proposal, it is a rather significant issue causing problems in practice, e.g. to territorial self-governments.

Ministry of Finance's standpoint

The ministry is opposed to the senate's proposals. According to the ministry, reducing the VAT rate for selected sectors is an inseparable part of the amendment to the ERS Act and is meant to compensate entrepreneurs for having to introduce the ERS. The ministry also does not support the changes to the rules of postponing the deadlines for filing tax returns.

Transfer prices and audits of financial statements

The beginning of each calendar year traditionally entails intensive work on audits of financial statements. Among multinational corporations in particular, accounting issues are very often closely connected to an audited entity's cooperation with related parties.

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- Are revenues from the sale of products to an affiliate recognised in the amount corresponding to similar revenues carried out by an independent entity under similar conditions?
- Are expenses recognised in connection with the purchase of services from a parent company inappropriately high?
- Would an independent entity pay royalties for the provided manufacturing know-how?

Even though a proper audit of the financial statements may not entirely avoid transfer pricing, a detailed analysis of intercompany transactions is definitely not its primary objective. Neither are the auditor's report or the report on relations intended to represent evidence of the accounting entity's application of transfer prices in compliance with the arm's length principle.

Instead, an entity's transfer pricing documentation should summarise evidence confirming that the methods of setting prices in intercompany transactions as well as the transactions' conditions and circumstances are in line with the conditions and procedures that would have been applied by independent business partners under similar circumstances.

As obvious from decisions by the Czech courts, requirements on the quality of transfer pricing documentation have been growing. Documents such as concluded contracts and issued invoices are not sufficient to prove that services have actually been rendered at an arm's length price.

Apart from discussions with auditors and tax authorities on transfer pricing issues, management must also cope with the demanding requirements of the due managerial care concept. Statutory representatives are expected to show essential knowledge and necessary loyalty and care in all aspects of management. For example, seeking the general meeting's agreement with transactions under conditions other than at arm's length does not rid the statutory representatives of their liability.

The Criminal Code imposes even stricter requirements, and not only on company management. An individual holding a position of statutory representative, finance director or chief accountant may face criminal prosecution even for an indirect intent to intervene in accounting records, maintain and keep accounting and tax documentation or communicate with government bodies and business partners in a manner that may result in tax evasion. Such prosecution may result in the prohibition of professional activities, pecuniary punishment, confiscation of a thing or even imprisonment.

The higher the tax evaded, the higher the punishment. Imprisonment can be imposed for acts involving a substantial amount, i.e. exceeding TCZK 500. Taking into account a multinational corporation's typical value of invoices for goods and services, we cannot but recommend preparing transfer pricing documentation that meets all relevant quality standards.

Do you use a coefficient to reduce VAT deduction entitlement? Watch out for correction pitfalls!

A contribution submitted at the January meeting of the Coordination Committee of the Chamber of Tax Advisors and the General Financial Directorate was meant to harmonise the practical approach to tax amount corrections by payers who apply entitlement to VAT deduction in a reduced amount. However, the most logical approach to make tax amount corrections in December VAT returns did not win the GFD's support.

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The crucial question to which taxable period a correction of a taxable supply effected by the payer using a coefficient should relate typically concerns financial institutions or business entities operating in the real estate sector. The correction results in the change of the settlement coefficient, e.g., the reporting of additional VAT-exempt supplies. At the meeting mentioned above, the contribution submitter inquired whether the entitlement to a deduction in the amount adjusted using a new settlement coefficient should be corrected in the taxable period in which the related taxable supplies should have been correctly reported, or instead in December (or the 4th quarter) of the appropriate year. For your information, during the year, taxpayers claim their entitlement to VAT deduction using the coefficient calculated from the data for the period of taxation of the preceding calendar year ("zálohový koeficient"). It is not until December that the settlement of VAT deductions is carried out based on the actual data (taxable supplies) for the given year.

The adjusted amount of the entitlement to a VAT deduction is identical when applying either of the two above-mentioned methods. But they may have dissimilar implications because of different periods of default as regards additionally assessed tax, i.e. the amount of default (late payment) interest will be entirely different, especially for corrections of taxable transactions effected at the beginning of the calendar year.

The following example may help illustrate the entire situation: a taxpayer forgot to report part of their VAT-exempt supplies in their February VAT return. As a result of this omission, in December, the payer carried out the settlement of VAT deductions using a settlement coefficient that was wrongly calculated and therefore higher. The current wording of the VAT Act does not explicitly regulate to which taxable period a subsequent correction of the entitlement to deduction using a new coefficient relates. It would therefore be quite logical and in line with legislation to perform a correction in the December taxable period, as it was in this month that the wrong amounts affected the assessed tax. Since during the year, a VAT deduction is determined using the coefficient calculated from the data for the period of taxation of the preceding calendar year ("zálohový koeficient"), the calculation of VAT in other periods is entirely independent of the declared taxable transactions. Consequently, the incorrectly reported (i.e. lower) amount of VAT-exempt supplies in the February VAT return did not result in tax being paid in a lower amount.

However, the GFD is of a different opinion: both the correction of effected supplies and the subsequent correction of the VAT deduction settlement should be carried out in only one taxable period, i.e. in the period in which related supplies are corrected, which in our illustrative example is February. Within an additional VAT return for February, the payer would declare both the omitted VAT-exempt supplies and make a correction of the VAT deduction. The resulting tax underpayment would then be subject to default interest as early as from the end of March.

Customs administration on trading after Brexit

On its website, the customs administration (i.e. the General Customs Directorate or GCD) has issued information on the practical aspects of trading after a no-deal Brexit.

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Corporations should take into account the share of goods that will be subject to customs procedures when delivering or acquiring goods to or from Great Britain. Where necessary, they should also reassess and adjust business terms and conditions to cover potential future customs and tax obligations and related implications.

It will also be necessary to identify the imported goods and allocate appropriate customs classification codes to them, as this will be decisive for any potential import restrictions or prohibitions, customs tariffs, and requirements for import permits and licences.

Trading companies will also have to acquaint themselves with the course of customs proceedings and procedures applied when completing customs declarations and calculating customs values. They will also have to choose among individual customs regimes. To facilitate the entire process, they may ask the customs authority to give them permission to communicate with the authority electronically.

Corporations that have not yet been importing goods to EU territory will have to prepare themselves for necessary steps connected with importing goods from the United Kingdom. First, they will have to apply for an EORI (Economic Operator Registration and Identification) number, which is necessary for communication with customs authorities.

Customs debt may arise when importing goods falling under other than a zero tax tariff. Should this happen, it is recommended that a customs security be requested and any potential customs debt be covered by a customs guarantee. In the conclusion of its website information, the GCD contemplates no-deal Brexit implications for normal life, especially travel and internet shopping.

New rules and duties for real property intermediaries

To protect consumers and enhance the quality of real property services, the government approved a new bill on real property intermediation and on changes to the Trade Licensing Act. Persons interested in the purchase/sale/lease/acquisition of the right to use real property should obtain a large number of new rights and, simultaneously, a large number of new duties should arise for intermediaries. The bill is proposed to be effective from 1 January 2020.

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The bill introduces a new type of contract into the Czech body of laws, i.e. a contract for real property intermediation, determining its mandatory written form and essentials whose absence would render a contract invalid. Nonetheless, this type of a contract's invalidity may only be invoked by the interested person and not the intermediary.

Special protection will be provided to consumers (interested persons who enter into a contractual relationship outside their business or profession).

Contrariwise, real property intermediaries have to prepare for new duties. The bill among other things requires that intermediaries enter into professional liability insurance, meeting the minimum insurance limits stipulated by law, and maintain it over the entire duration of their professional activity. If the intermediary does not fulfil this duty, the Ministry of Regional Development may impose a penalty of up to CZK 1 million.

Under the bill, the real property intermediary's activity will fall into the category of professional trades whose operation is conditional upon a necessary qualification (until now it was in the unqualified trade category). This condition applies to both entrepreneurs and persons through whom the trade is carried out. The law stipulates deadlines within which intermediaries must notify the Trade Licensing Office of their professional trade "real property intermediation" and provide documentation supporting their professional qualification. If an intermediary fails to notify the Trade Licensing Office of the professional trade and/or fails to provide the required supporting documentation within the stipulated deadline, their licence to provide real property intermediation within the unqualified trade regime will cease to exist.

The bill's wording is likely to further be amended during the legislative process. Nevertheless, real property intermediaries should pay attention to the bill as early as possible to be able to fulfil their duties in a due and timely manner.

Brexit implications for Czech financial sector

The Czech Republic is preparing for a hard Brexit, as the deadline for the United Kingdom leaving the EU is approaching. Earlier this year, the government proposed a bill on Brexit designed to mitigate the impact on British citizens and corporations staying/operating in the Czech Republic. What measures does the bill contain with respect to financial services? Could they affect Czech entities?

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Institutions seated in the United Kingdom and operating on the financial market may currently use the so-called single European passport, in other words, they may provide their services in other EU member states based on authorisation acquired in the UK and do not have to undergo licence proceedings in these member states. After Brexit, however, this will not be possible and British corporations will have to apply for a licence just like other companies from non-EU countries. The Brexit Act focuses on financial institutions currently operating in the Czech market within the single European passport regime, as after a hard Brexit these will no longer fulfil the conditions for performing activities in the Czech market.

The law's current wording provides for a transitory period for British financial institutions within which they will be authorised to perform activities necessary to settle their receivables and payables from/to clients. However, they will neither be allowed to enter into any new contracts nor to amend the content of existing contracts.

The transitory period will end on the date a deal on the UK exiting the EU is concluded, but no later than at the end of 2020. During this time, the UK financial institutions will be subject to the Czech National Bank's supervision and liable for any breaches as other legal entities seated in the Czech Republic.

As is apparent from the explanatory report to the Brexit Act, the major implication for Czech entities will be the inability to change the content of existing contracts during the transitory period. All contracts with service providers who will lose their authorisation to operate in the Czech market should be reviewed, as the inability to amend contracts may cause serious business problems.

The bill was passed on an accelerated basis and the Chamber of Deputies is currently finalising the entire legislative process.

EU-Japan Economic Partnership Agreement

The EU and Japan's Economic Partnership Agreement entered into force on 1 February 2019, eliminating the majority of existing tariff and non-tariff measures pertaining to the delivery of goods and the provision of services, enhancing mutual cooperation and bringing new business opportunities.

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The agreement’s main objective is to simplify trading between the EU and Japan and remove import barriers, mainly by abolishing import duties. The moment the agreement enters into effect, up to 90% of goods will be relieved of duties and even a higher share is expected after its full implementation. The reduction or removal of customs duties primarily concerns food and industrial products. Czech importers may utilise zero or reduced customs tariffs arising from the agreement when they present proof that a given product is of Japanese preferential origin. Rules pertaining to origin are also part of the agreement.

Companies from EU countries may acquire a special geographical indication status, offering protection to more than 200 agricultural and food products from specific European localities in the Japanese market.

In addition to customs measures, the agreement also eliminates non-tariff measures such as special technical requirements and requirements for product safety and environmental protection. In accordance with the agreement, both parties concerned must use international standards for motor vehicles, textile products, pharmaceuticals and cosmetics. The removal of non-tariff measures also concerns, among other things, administrative burdens when importing beer.

The agreement will also facilitate the provision of services and investment activities between both countries.

Case law

SC: Threats to employer reason for immediate termination

"If I do not get the centre manager job, I will see to it that the employer cannot draw subsidies and goes bankrupt", an employee threatened his superiors. When the employer found out, they immediately terminated his employment. The validity of this immediate termination has then been dealt with by the Supreme Court.

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The facts of the case were as follows: an employer first dismissed an employee for redundancy. The employee did not accept this, and while in the notice period attempted to get another, higher position with the employer. He asked for the new job claiming that if he did not get it, he would sue for annulment of the redundancy notice, and see to it that the employer would not be able to draw any subsidies. The employer did not tolerate this and immediately terminated his employment. The employee then challenged the termination in court.

The employee sought the annulment of the immediate termination of employment, arguing that he had been just a common employee and his intimidations had been empty threats as in reality, he had no chance to influence the awarding of subsidies. The employer, a non-profit organisation, argued that their operation depended on such funding and that any loss of subsidies would have fatal consequences for them. Both the district and regional (appellate) courts sided with the employee and declared the termination null. In their decisions, they stated that the employee may indeed threaten to take action against the termination of employment, as it is an employee's legal right to seek the review of the validity of the termination. The threat of making it impossible for the employer to draw subsidies was, according to the courts, not specific or intensive enough to cause an employer's reasonable concerns that their interests were endangered or damaged. The courts also expressed doubts as to whether, considering his position, the employee would have at all been able to influence the granting of subsidies.

The employer did not give up and filed for a review of the appeal to the Supreme Court. This time, the court did not focus on the consequences that a threat might cause, but rather on whether the employee may have had in fact breached his duties simply by making the threat: the Labour Code stipulates an employee's obligation to safeguard and protect their employer's property against damage, loss, destruction and abuse, as well as the obligation not to act contrary to the employer's justified interests. In its decision, the Supreme Court therefore emphasised that employees must not intentionally cause damage to their employer, material or moral. Above all, the court stated that values such as trust, reliability and honesty are necessary in any employer-employee relationship. It is not relevant whether the employee's threat had in fact been capable of provoking employer's reasonable concerns: what was substantial was his utter disloyalty, causing a compete loss of trust. The Supreme Court thus ruled in favour of the employer.

The case proves, yet again, that it may be worthwhile to spend the time (and money) and see a dispute through to the end. Labour case law is not fully established, and, although the Supreme Court's decision is consistent with its previous case law, the lower degree courts simply did not reflect its opinion. The Supreme Court's intervention is clearly reasonable – the lower degree courts were about to grant employees a licence to threaten their employers

with impunity: before imposing any sanctions, employers would have had to check whether concrete threat could actually be fulfilled – and such an approach would certainly be intolerable in practice.

Case law

SAC: transfer of tax labilities by operation of law possible in spin-offs

Contrary to its previous case law, the Supreme Administrative Court agreed to the possibility of tax labilities being transferred by operation of law also in demergers by spin-off, when the company being demerged is not dissolved. The court cited a change in legislation as at 1 January 2014.

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At the end of 2018, the Supreme Administrative Court (SAC) issued judgement Afs 314/2018 – 33, adding it to its case law. The court dealt with the specific situation of a company being demerged by spin-off connected with acquisition by another company, and the question whether a specific tax liability may pass on to the successor company after the demerger process is completed. The SAC concluded that the tax liability is indeed passed on (transferred by operation of law) to the successor company.

In this article, we focus on the transfer of tax liabilities by operation of law upon demerger by spin-off, without commenting on the details of the specific tax liability.

The judgement is based on the interpretation of Section 240b(1) of the Tax Procedure Code as amended as at 1 January 2014, following the recodification of civil and commercial law. Although the explanatory report on the amendment to the Tax Procedure Code states that new Section 240b takes over the existing regulation with no major changes, the amendment did change the original provision. Based on these changes, the court deduced the possibility of a tax liability passing on to the successor entity, deviating from its previous case law under which such liabilities were only transferred by operation of law in demergers by split-up. The judgement mentions neither any specific changes nor any detailed arguments supporting its conclusion.

Please note that this is yet a singular judgment, dealing with a very specific situation; it is therefore impossible to say how widely its conclusions will be applied. However, we recommend addressing this issue in contractual documentation and prospectuses for mergers and acquisitions.

Case law

Regional court: tax exempt sale of shares financed by a tax exempt dividend is abuse of right

The Regional Court in Brno recently dealt with the sale of shares by individuals – natural persons financed by a tax-exempt dividend payment, concluding that the case involved an abuse of right. The court upheld the additional assessment of 15% withholding tax on dividend payment. The judgment confirms the long-term trend of the authorities' stricter approach to tax planning.

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In the case in question (31 Af 29/2017), individuals sold their shares to an unrelated limited liability company. As the sale took place after the elapse of a "time test" period, the proceeds from the sale of the securities were exempt from income tax. Previously established by a spin-off of funds, the joint-stock company being sold then paid dividend to the limited liability company. Here, as well, the formal conditions for exempting the dividend paid between a parent and a subsidiary were met. From the divided received, the purchase price was paid to the original shareholders. Soon after that, both companies entered liquidation.

In the tax administrator's opinion, the whole chain of transactions was motivated solely by an effort to transfer funds from the joint-stock company to its shareholders without paying any tax. The tax administrator could not see any other economic rationale for the sale of the shares and the subsequent dividend payment, therefore treated the whole situation as an abuse of right. Accordingly, a tax on the dividend paid was additionally assessed. The regional court agreed with the tax administrator that in the case in question, both the subjective and the objective criteria of the abuse of right test were met. Gaining a tax advantage was contrary to the purpose of the legal regulation, although formal criteria were met. Also, the circumstances of the case implied that tax savings were the primary purpose of the transaction.

The abuse of right concept is not yet explicitly regulated by Czech tax law; its incorporation in legislation is proposed within the 2019 tax package. Despite that, the principle has been already applied, based on the stable case law of Czech and EU courts, as the above judgement illustrates.

Case law

SAC: liability for unpaid VAT not to take precedence over denying an entitlement to VAT deduction

The Supreme Administrative Court (SAC) in its recent judgement held that (customer's) liability for VAT unpaid by the supplier does not universally take precedence over denying (the customer's) entitlement to VAT deduction – which has undesirable consequences in the form of default (late payment) interest and penalty. The tax administrator may deny the entitlement even where the conditions for invoking liability are met.

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While it may seem that both of the above concepts are alternative tools to fight tax fraud, the SAC clearly indicated that they are not to be viewed in this way. The conditions for invoking the liability for unpaid tax and those for denying the entitlement to VAT deduction on the grounds of involvement in tax fraud may be similar. Yet, each of the two concepts has its place in a different stage of tax proceedings: denying the entitlement for VAT deduction by its nature belongs to the assessment stage when the tax is being determined; on the other hand, the liability for unpaid tax only comes at the point when the tax has already been determined and is payable, but cannot be recovered from the taxpayer who was supposed to pay it.

According to the SAC, the tax administration cannot apply the liability concept in a tax inspection instead of denying the entitlement to deduct VAT, as in that stage of the tax proceedings, the tax has not yet been conclusively and finally assessed (or additionally assessed). If, having ascertained a knowing involvement in tax fraud, the tax administrator closes the tax inspection without issuing a finding, such an approach would not be in accordance with law or established court decision-making practice. The SAC thus refuses the idea previously voiced by the Regional Court in Ostrava that liability for tax takes precedence over denying the entitlement to deduction; on this basis, the Ostrava court refused additional tax being assessed as a result of denied entitlement to VAT deduction.

The SAC is clearly opposed to the idea of the liability for unpaid VAT being a universal tool to fight tax fraud. Taxpayers' hopes for tax administrators' milder sanctions in cases where their involvement in a fraudulent chain of transactions is ascertained in a tax inspection have thus faded.

Latest news - February 2019

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

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HOME NEWS

- The chamber of deputies overrode the senate's veto and abolished the waiting period ("karenční doba"), meaning that employees will receive wage compensation also for the first three days of sickness. The amendment to the Labour Code is yet to be signed by the president. The waiting period will be cancelled from 1 July 2019. Employers will be compensated for this by reducing their sickness insurance premium payments by 0.2 percentage points (from 2.3% to 2.1%), meaning that the total social security premium paid by employers will be reduced from 25% to 24.8%. As a result, the employees' tax burden will also decrease, albeit negligibly – the super-gross wage serving as a tax base will be "only" 133.8% of the gross wage rather than 134%.

- On 16 January 2019, the Czech Republic applied for the possibility to introduce a general VAT reverse charge mechanism: the regime applies to all taxable supplies of goods and services in individual transactions exceeding EUR 17 500 (CZK 450 000). The application has been filed with the European Commission, which will submit it to the Council of the European Union for approval. Once approved, the legislative process in the Czech Republic will be initiated. The measure is to be implemented effective 1 July 2020.

- The Government has discussed the proposed amendment to the Act on Business Activities on the Capital Market (Capital Market Undertaking Act).

- The Government heard the progress report on negotiating international tax treaties and related protocols as at 15 January 2019.

- The General Financial Directorate published Instruction D-40 setting uniform currency rates for the taxable period of 2018.

- The Ministry of Industry and Trade has published on its website the Entrepreneur's guide to Brexit implications. The guide is updated on a regular basis. To support exporters, the MIT also opened an export green line: telephone operators at 800 133 331 are ready to answer questions concerning Brexit. BusinessInfo.cz portal introduced a special feature: Brexit through exporters' eyes, which is continuously updated, based on entrepreneurs' questions.

- The chamber of deputies upheld its originally proposed amendment to the Insolvency Act. The amendment intends to make the discharge of debt accessible to more debtors. If signed by the president, debtors seeking a discharge will be facing two major changes: before entering the debt discharge, it will no longer be necessary for the debtors to prove that they will manage to repay at least 30% of their debts to their creditors over the five years of the discharge term – it will suffice if their income covers the statutory minimum plus the monthly remuneration for the insolvency trustee and the same amount for the creditors. A change also awaits debtors at the end of the debt discharge process: they will not have to have repaid the

30% of debts to pass the debt discharge – it will suffice if they prove to the court that they made all efforts that could be reasonable requested of them to satisfy their creditors' claims.

WORLD NEWS

- The European Commission initiated a discussion on changing the vote on tax matters. Member states should open the debate on extending the qualified majority vote to all tax matters in the EU. National vetoes of votes on tax matters should end by 2025 at the latest. This would replace the current unanimous vote.

- In cooperation with the G20 countries the OECD has agreed to continue work on a common, global solution of tax challenges arising from the digitalisation of the economy. A final solution is to be achieved in 2020.

- The Romanian EU presidency's priority in the tax area will be the modernisation of the VAT system (primarily e-commerce), the debate on the common consolidated corporate tax base (CCCTB), the completion of the discussion of the Commission's proposal for changes to excise duties, and the work on the proposal on the taxation of the digital economy.

- Some states did not wait for the digital taxation directive and have introduce unilateral measures already in 2019; these are, e.g., Austria, France, Italy, Belgium and the UK.

- OECD issued a report providing internationally comparable statistics and analyses of approximately 100 countries' corporate income tax revenues, statutory and effective rates of corporate income tax, and tax incentives relating to research and development.

- Poland temporarily postpones or limits withholding tax rules for payments exceeding PLN 2 million (USD 530 000): under the new rules, the tax should be withheld in the amount equalling the domestic tax rate, and the reduced tax in the amount under international treaties would only be claimed subsequently. The postponement does not concern other withholding tax requirements that are effective 1 January 2019.

- Ireland has become the 19th country to deposit the ratification documents to the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent BEPS (MLI) with the depository (OECD). It will hence start to apply the measures adopted in its treaties with countries that have also ratified the MLI (e.g. Australia, France, Japan, Poland, Austria, Slovakia, United Kingdom) from 1 May 2019. The ratification of the convention by the Czech Republic is now waiting for approval by the chamber of deputies.

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