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Editorial

With the year-end approaching, our diaries are filling up with task we did not find the time for in the past months. Companies trading with EU member states and those establishing consignment warehouses will also be busier than ever: they should get ready for an important EU amendment to the VAT Act (quick fixes). Its parameters are already known and VAT payers should adjust their internal processes by the end of the year.

Large businesses interested in drawing support do not have much time left either, with perhaps the last wave of calls ahead. We recommend not missing this opportunity, as with Brexit and the end of the 2014-2020 programme period, the future of the support programmes is not at all clear. Employers should pay attention to the overview of Czech case law regarding work-related accidents, prepared by our colleagues from KPMG Legal in response to a risqué on-the-job accident in France.

For those who prefer numbers to case law, there is the OECD Mutual Agreement Procedure (MAP) statistics for 2018. They show that the number of international tax disputes is growing, with transfer pricing cases taking 50% more time to close than others, often more than 30 months. Taxpayers may be happy to see the number of cases resolved by agreement fully eliminating double taxation (57%) or by granting unilateral relief (17%). The number of disputes where no agreement was reached or where access to MAP was denied by member states is low. The statistics thus indicate that to throw in the towel in major international tax disputes would be unnecessarily hasty.



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Update on amendment to VAT Act for 2020 (quick fixes)

An extensive amendment to the VAT Act for 2020 (quick fixes), aiming to harmonise the VAT regime applicable to intra-community supplies of goods, has been submitted to the Chamber of Deputies. It implements the EU legislation and, therefore, within the operation of the VAT Committee, individual member states have expressed their opinion on matters including, e.g., natural losses in consignment (call-off) stocks and the formation of fixed establishments in the states in which goods are kept in stock. The states agreed on the need to establish a certain tolerance level, without which the application of simplification measures would be unfeasible.



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The changes to VAT for 2020 will be some of the most crucial ones in recent history, covering all manufacturing and trading companies carrying out deliveries and purchases within the EU. These changes will be the subject of the KPMG Business Institute's November training course designed to analyse in detail the transaction flows clients provide to us within individual workshops.

The second reading by the chamber deputies will take place in October; consequently, any potential amending proposals will be discussed in the November issue of our *Tax and Legal Update*. Below we present some of the EU member states' opinions expressed within the VAT Committee on the most crucial problems associated with the quick fixes.

First discussed were natural losses in consignment (call-off) stocks, something that is quite likely to occur in the majority of cases. Unfortunately, neither the amendment to the Czech VAT Act nor the amendment to the EU directive explicitly deal with natural losses or provide any regulation. However, the member states agreed that it will be necessary to set a certain tolerance limit, as the application of simplifications for consignment (call-off) stock arrangements would otherwise be unfeasible and the registration of a supplier for VAT in the state in which the warehouse is located unavoidable.

Another widely discussed issue is the formation of a fixed establishment for VAT purposes as a result of consignment stock arrangements. Surprisingly, the EC has so far opined that where a warehouse is owned, operated or leased by a supplier, such a warehouse is *de facto* the supplier's establishment for VAT purposes. The member states are not in agreement and would prefer a less strict and more diversified approach. The existence of the supplier's fixed establishment in the state in which the warehouse is located generally prevents the application of the proposed simplification measures. The EC has promised to reflect the member states' opinions and prepare relevant explanatory notes.

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Amendment to electronic reporting of sales and 10% VAT on food services and e-books

At the end of September, the president signed an amendment to the Act on the Electronic Reporting of Sales (ERS), based on which the remaining businesses and entrepreneurs so far omitted from the obligation will be subject to the mandatory electronic reporting of sales. The last waves of the mandatory electronic reporting of sales are expected to commence in May 2020. At the same time, catering services, selected services with a high share of human labour, and e-books should transfer to the group of services and goods liable to 10% VAT.



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The amendment unifies the launch of the third and fourth ERS waves. Entrepreneurs falling into these phases will begin reporting their sales from the seventh month after the date of the amendment's promulgation in the Collection of Laws. The law explicitly embodies the conclusions of the Constitutional Court, which excluded payments made by debit and credit cards from the obligation to report such sales electronically.

Another area the amendment refers to is the activity of small entrepreneurs (individuals not registered for Czech VAT) whose cash income for the year does not exceed CZK 600 thousand and who have a maximum of two employees. According to the amendment, these entrepreneurs may apply special-regime reporting of sales instead of on-line reporting, which means that they may report their sales using paper receipts they obtain from the financial administration free of charge while sending their reports of sales to the tax authority on a quarterly basis, within twenty days of the end of the appropriate calendar quarter.

Based on a motion filed by one deputy to alter the amendment during its reading in the chamber, pre-Christmas sales of carp from 18 December to 24 December and the provision of social services were included in the group of services not subject to electronic reporting. Czech entities generating revenue both in the Czech Republic and abroad will definitely welcome the limitation of the reporting solely to revenues generated in the territory of the Czech Republic.

Act on Value Added Tax

Simultaneously with the amendment to the ERS Act, selected services will be transferred to the second reduced VAT rate (10%) via an amendment to the VAT Act. These involve, for example, catering services, excluding tobacco and alcoholic beverages. Draft beer, however, will remain liable to 10% VAT as proposed in the original draft amendment. The lower rate will also apply to specific trade and professional services, and water and sewer rates.

The amendment also reflects changes in EU legislation relating to electronic books, magazines and other periodicals. If in paper form they qualify for the 10% VAT rate, the reduced rate will also apply to their electronic versions. A similar approach will be adopted once they are made accessible within public library and information

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services. The effectiveness of the amendment to the VAT Act is dependent on the commencement of the last phase of the electronic reporting of sales.

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Taxes

New calls to participate in EIC OP also available for large businesses

September has brought new calls to participate in the Enterprise and Innovations for Competitiveness Operational Programme (EIC OP), consisting of the Potential, Innovation, and Application Programmes. Subsidies will also be available for large businesses.



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The Potential Programme supports investment projects focusing on research, development and innovation activities. The Application Programme mainly focuses on operating expenses incurred to solve industrial research and experimental development projects. The Innovation Programme provides support to innovations in manufacturing, including the enhancement of the effectiveness of manufacturing processes, and marketing and organisational improvements.

The Potential Programme accepts applications from 1 October 2019 to 16 December 2019. The level of aid to be rendered will amount to 50% of eligible costs (fixed assets) and the maximum subsidy per one project will be CZK 30 million.

The Application Programme will start accepting applications from 16 October 2019 and will run until 15 January 2020. The level of aid per project may not exceed 70% and will vary depending on the type of activity performed. The maximum subsidy amount will be CZK 80 million.

The Innovation Programme accepts applications from 15 October 2019 to 15 January 2020. The level of aid for large businesses will amount to 25% of eligible costs (fixed assets), where the subsidy per one project will be a maximum of up to CZK 75 million. All projects must meet the one condition that the innovation activities in manufacturing must be built on previously completed research and development, with a functional prototype existing at the filing of the support application.

Large businesses planning to participate in the above programmes within the EIC OP must meet the following interventions:

- Intervention code 065 – the project will have a significant positive impact on the environment, i.e. will focus on low-carbon management and resilience against climate change (e.g. it will have to be proven that CO2 emissions have been reduced, etc.)
- Intervention code 063 – the large business will directly cooperate with a small or medium-size business on a specific research and development project.

Within the Potential Programme, large businesses must fulfil at least one of the above conditions; within the Innovation Programme, they may not choose from the conditions but must meet intervention code 065. In contrast, within the Application Programme, large businesses do not have to fulfil any of the above conditions but will only receive a maximum of CZK 40 million per project, if they choose not to do so.

Another condition for all calls and programmes is that large businesses may file only one application under one call

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per one applicant (identification number) and must carry out their projects in the Czech Republic except for Prague. Other, additional conditions have been determined for individual calls.

In addition to the above programmes, it is also possible to apply for support from the Energy Savings Programme, which will accept applications until 30 April 2020. This programme focuses on reducing the energy consumption of businesses (e.g. thermal insulation of buildings, replacement of lighting, measurement and regulation systems, etc.) and provides support of up to 30% of eligible costs and a subsidy of up to EUR 15 million.

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AML regulation: risk of penalties of up to CZK 130 million

Obliged persons under the AML Act will be subject to new duties whose violation may result in severe penalties that could be potentially destructive for smaller companies. The legal regulation of sanctions relating to anti-money laundering measures thus follows the trend apparent in other regulatory areas. However, the question remains whether higher maximum penalty rates will bring the desired improvement. The Ministry of Finance is about to submit the legislative proposals to the government.



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The first proposed novelty is the introduction of enhanced customer due diligence measures, which will have to be adopted by all obliged persons. This duty will be directly stipulated by law; nowadays, this is only regulated by a Czech National Bank notice and applicable only to persons over which the CNB exercises supervision. To fulfil the new requirements for enhanced customer due diligence, obliged persons will have to ascertain additional information about beneficial owners, verify such information from a larger number of independent resources, and obtain the statutory body member's consent to enter into business relations with a risky customer.

Another new task for obliged persons will be the reporting of any inconsistencies between documents provided by the customer and entries in the register of beneficial owners. Obliged persons will have to draw their customers' attention to such inconsistencies. Then, if the customers do not offer appropriate remedies within thirty days, the obliged persons will have to deliver this information along with supporting documentation to the court keeping the register of beneficial owners in which the customer is recorded. If this reporting duty is not fulfilled, obliged persons may be penalised by sanctions of up to CZK 1 million.

The new measures will also have an impact on obliged persons belonging to corporate groups. These will have to prepare and apply relevant corporate group strategies and procedures; if they do not do so and repeatedly violate the new measures, obliged persons from a corporate group may be penalised by sanctions of up to CZK 30 million, with financial institutions having to face sanctions of up to CZK 130 million. The sanctions may even increase where obliged persons benefit from their clients' behaviour. In addition to penalties, the amendment also specifies other types of sanctions, with the strictest being the prohibition to carry out business activities.

All obliged persons will also have to designate, in writing, a member of the statutory body responsible for meeting the duties arising from the AML Act. If they do not do so, they may again be penalised by sanctions of up to CZK 30 million, or CZK 130 million where financial institutions are concerned.

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Access to workplace with fingerprint or face recognition? Office for Personal Data Protection to prepare legislation

Technologies processing the biometric data of employees are spreading. The use of fingerprints or face recognition to check workplace attendance is becoming increasingly frequent. The GDPR, however, only allows for very limited processing of biometric data, while the Czech Labour Code contains no regulation of this area at all. Hence the Personal Data Protection Office has come up with a proposal to provide the legal basis for the existing practice of processing employees´ biometric data.



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Biometric data means personal data resulting from the processing of physical, physiological or behavioural characteristics of a natural person which allow their unique identification. The GDPR only allows for the processing of this data in several specific cases. One of these exceptions is the processing for the purposes of carrying out the obligations and exercising specific rights of the data controller in the field of employment, albeit only where this is allowed by EU law or a member state´s national legislation.

As Czech law does not yet contain any special regulation of biometric data processing, the office has proposed the inclusion of a new provision in the Labour Code. Under the proposed provision, employers would be authorised to process biometric data using employees' morphological features for the purpose of controlling access to their production or other operating equipment and to the premises where such equipment is located. Hence it would not be possible to use such employee data to, e.g., keep records of their job attendance. The remaining conditions for the processing of employee biometric data would be governed by the general provisions of the GDPR.

The absence of specific provisions for the regulation of biometric data processing is also apparent from the office´s decision-making practice. The office has dealt with biometric data processing repeatedly in the last couple of months. The first case involved the use of a dynamic biometric signature for the purpose of concluding and filing a credit agreement. The office held that the client´s biometric signature was unnecessary for the conclusion and filing of contractual documentation, i.e. that the personal data processing minimisation principle had been breached.

In another case, the office inspected an employer´s job attendance system, which allowed for the recording of the arrival and departure time of persons at a construction site based on face recognition. Exceptionally, the office found this processing of biometric data not to be contrary to law, as the personal data controller proved the necessity of processing the data for the purposes of ensuring the safety at a large construction site. The data controller also proved that it was impossible to meet this purpose by other, less invasive means.

Obviously, the office's approach to assessing biometric data processing is not fully unified: on one hand, they propose a legislative change on the grounds that there is no legal basis for processing biometric data of employees,

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while, one the other hand, they allow such processing for the purpose of ensuring work safety. Legislation regulating this area will definitely mean more certainty for employers.

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Starbucks can celebrate – Dutch APA issues most likely resolved

The EU General Court ruled in favour of Starbucks and the Dutch authorities and annulled the European Commission's decision on illegal state aid provided within an advanced pricing agreement. At the same time, however, the court upheld the EC's decision in a similar case involving Fiat and Luxembourg.



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The first case involved an advanced pricing agreement on transfer prices (APA) between the Netherlands and Starbucks dated 2008. The Commission believed that the APA was contrary to EU rules on state aid, conferring an unlawful tax advantage in the amount of approx. EUR 30 million. Although the Commission identified a number of errors in the APA, in the court´s opinion they did not prove that that these would lead to granting more advantageous conditions to Starbucks in the Netherlands. The court thus concluded that the Commission was unable to demonstrate the existence of an economic advantage in favour of Starbucks.

In the Fiat case, the court reviewed an APA between this company and Luxembourg dated 2012. In its decision of 2015, the Commission identified it as selective and conferring illegal state aid of EUR 20 to 30 million. In this case, the court confirmed the commission's decision, stating that the Commission had managed to demonstrate that the APA was contrary to the arm's length principle and was minimising the taxation of Fiat in Luxembourg. Fiat is expected to appeal the decision.

In both cases, the court confirmed that under EU law the Commission was entitled to review the existence of an advantage in the light of the arm´s length principle, and to assess whether agreements between a state and a company are not of a selective nature.

In recent years, the Commission has ordered a number of large corporations to pay additional tax in jurisdictions where, in the Commission's opinion, they had been granted illegal state aid in form of tax relief. Another example of these is Apple, who has also challenged the Commission's decision ordering it to pay additional taxes of EUR 13 billion; a judgement in the Apple case is expected in the next couple of months.

The recent judgements confirm that while the member states have the authority to pass their own laws regarding direct taxes, they must comply with EU law, including the rules on state aid. The Commission declared that they will continue to fight aggressive tax planning.

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There are sidewalks, and then there are sidewalks

The Constitutional Court has recently issued a judgment in the case dealing with an issue of whether a sidewalk is a separate item in the meaning of law, or part of a land plot. By its judgement, it reversed the lower courts´ decisions in the matter.



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The sidewalk case (Resolution No. III. ÚS 2280/18 of 25 June 2019) involved a lengthy dispute between a business company owning a plot of land and a municipality building a local road on that land, along with a sidewalk. The road was owned by the municipality. The private company's land was connected to the road by a driveway, and during the driveway construction, a part of the sidewalk was repaved. The company believed the sidewalk was a part of their land plot, while the municipality considered it a separate immovable item belonging to them.

The sidewalk was a reinforced asphalt surface lined on one side with a movable sheet metal fence, beyond which was a plot of land of another business entity. The regional court concluded that the sidewalk could not be viewed as a structure in the meaning of civil law and as such a separate immovable item, and was therefore a part of the land owned by the business company. The court supported this conclusion by arguing that a structure consisting solely of a surface finish of land is not in principle a separate item. The Supreme Court then admitted that this was a borderline case.

The dispute over the sidewalk then appeared before the Constitutional Court. The Constitutional Court reversed the regional court´s judgement and ruled contrary to the existing case law and its own previous judgment: previously, it had held that where the surface of a land plot had been finished by layers of natural construction materials in such manner that it was impossible to clearly determine where the land ended and the structure began, this did not constitute a separate item (for instance tennis courts, car parks, etc.).

In the case in question, the sidewalk was first fortified by cinder, then gravel and then an upper layer of several centimetres of asphalt surface, while on one side, the sidewalk was delineated by a sheet metal fence and on the other side by a concrete kerb. The Constitutional Court concluded that this was not simply a reinforced surface but a separate structure, therefore a separate item in the meaning of civil law. The Constitutional Court thus held that the sidewalk was a part of the road as a separate item, therefore owned by the municipality.

Taxpayers who on their land have a local public road with a sidewalk should thus beware, as the wrong qualification of the ownership of such a sidewalk may have accounting, income tax and property tax implications.

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Case law

SC allows issuing strategic instruction to statutory body

A joint stock company's general meeting may give binding strategic instructions to the board of directors if such authority has been vested in it by the company's statutes. This is the conclusion formulated in the latest Supreme Court judgement. The court also emphasised the necessity to differentiate between an (admissible) instruction concerning a company's strategic management, and a (generally inadmissible) intervention in business management.



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Usually, a company's strategic and business management are both within the authority of its statutory body. Strategic management involves extraordinary decisions which, by their significance, exceed the scope of common administration/management of a company or its business establishment, i.e. its business management. This differentiation is especially important as a statutory body must not be given any binding instructions concerning business management unless a member of the statutory body requests such instructions from the general meeting or unless the business group is governed by special regulations. Yet, as recent case law has now confirmed, this ban does not apply to instructions concerning strategic management.

In the context of a joint stock company, the SC deduced that another body's authority to intervene in strategic management had to be stipulated in the statutes. For limited liability companies, this prerequisite is relativised, as the general meeting also has the power to reserve for itself decisions on matters that, under the law, fall within the authority of the statutory representative (meaning also decisions concerning strategic management). For both types of companies, there is also the possibility of a one-time 'piercing' of the deed of foundation/memorandum of association, changing the wording of the statutes (on a one-off basis) to give the general meeting the authority to issue a binding instruction to the statutory body; the general meeting would subsequently agree on the specific instruction to be given to the statutory body.

The possibility to issue strategic instructions will also be provided for in the amendment to the Corporations Act that is now being prepared. It explicitly gives this power to the general meeting (without the need for stipulation in the deed of foundation/memorandum of association). However, the explanatory report incorrectly states that under the existing regulation, such power has to be explicitly stipulated by the deed of foundation/memorandum of association also for limited liability companies. This is not arguable, precisely because of the above mentioned general meeting´s right to reserve to themselves decisions on matters otherwise falling under the authority of the statutory representative.

Please note that the Supreme Court has not explicitly limited the right to issue strategic instructions to a concrete body of the company. However, it will usually be the general meeting through which the members/shareholders would decide on the company's strategic management.

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Sex a work-related accident? So far, only in France

The mass media are currently dealing with a French court's ruling that the death of an employee during sex on a business trip had been a work-related accident. The employer´s liability was not diminished even by the fact that it happened late at night and not on the premises of the hotel that the employer had arranged for the employee. As curious as this may sound, French law is known for a high level of employee protection. In the Czech Republic, some cases of work accidents appearing before the courts have been almost equally mind boggling. What should Czech employers watch out for?



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For instance, an employee succeeded with a lawsuit against an employer in the case where the employee stepped out of the production hall to relieve himself (although there were indoor facilities), slipped on an untreated access road and severely injured his knee. The court granted the employer´s argument that the worker had breached the safety instructions that called on workers not to step outside the hall other than when loading materials. Yet, this was not enough to free the employer from liability for damage caused by the work-related accident. According to the court, the employer had partly caused the damage by not ensuring that the door was locked on that day.

In another case, a construction worker decided to take a cigarette break and sat down on a covered light shaft on the roof of a building. The cover collapsed under him, and the employee suffered severe injuries that rendered him fully incapable of working. The Supreme Court deduced that the employee's injuries occurred during an activity which is usual at work, and as such were a work-related accident. At the same time, the court also admitted that there might be mitigating circumstances to consider, if it were proved that the employee's direct superior had given him clear and specific instructions to ensure work safety and health protection. In the case in question this might even include oral instructions purportedly given by the foreman (literally "*keep away from those f*****g light shafts, or else you'll fall!")* setting the obligatory behaviour and explaining its reason. However, the employer would have to prove that such instruction had indeed been given before the accident.

Company outings and teambuilding events are a special category. The decision whether an injury suffered during an activity not related to work is a work-related accident often depends on its details. If an employee is injured during an activity that is formally or factually obligatory, it will most likely be treated as work-related. Even breaking one's wrist during an employee volleyball match has been deemed work-related by the court because the employer had actively requested the employee's participation in the game. If an employee is injured during a voluntary activity, it has to be considered whether the activity was carried out for the benefit of the employer. For instance, even a skiing injury suffered during a corporate event voluntarily attended by an employee had been deemed work-related, as the skiing trip had been organised and paid for by the employer, who had invited customers and a couple of employees to spend time together and build their relationship. Therefore, while the skiing itself had not been obligatory, the court still regarded the injury as a work-related accident, as the employee objectively carried out an activity for the benefit of the employer.

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In practice, when assessing liability for employee´s accidents, it often comes down to small things. While some of the above cases sound amusing, it is not so much fun for the employers. Even though they are covered by a statutory employer's liability insurance, in some cases the insurers may seek to recover the funds paid to the employee from the employer – in particular if the accident occurred as a result of breach of work safety and health protection regulations, or if alcohol played a part in its occurrence. The employers should therefore avoid these cases.

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Case law

VAT on sale of land with buildings intended for demolition

Recently, the Court of Justice of the EU yet again dealt with the VAT treatment of a supply of land with a building to be demolished to allow for new construction. The judgement in the Herning case (C ⊠ 71/18 KPC) reached conclusions different from those in a similar judgement dated more than ten years ago (C - 461/08, the Don Bosco case).



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In the recent case, Danish developer KPC Herning purchased a plot of land from the city for a private customer, and then sold it to that customer. Both transactions stipulated the precondition that KPC Herning would build social housing on the land for the customer. At the time of both transactions, an operational warehouse building was located on the land, which the customer undertook to partly demolish, using a third party. The disputed issue was whether the delivery of a plot of land with a building standing on it shall be viewed as delivery of building land subject to VAT if both parties intend to demolish the building and build a new one.

The court first noted that both selling transactions have to be viewed separately. The sole fact that the first sale stipulated the precondition of building social housing on the land cannot link the transitions so as to be viewed as a single supply. The court also noted that the demolition of the warehouse did not form a single supply with the second sale, as it was to be carried out by a third party.

The CJEU further noted that for the purposes of VAT qualification of a supply, objective facts at the time of the supply have to be considered. At both sales, the warehouse located on the land being purchased was fully operational, and no demolition work had been be initiated. Also, none of the parties had been charged with the demolition.

In the CJEU´s opinion, therefore, none of the sales increased the economic value of the property being sold and did not give rise to added value significant enough to make them subject to VAT. Furthermore, a supply cannot be qualified solely based on the parties' intention, as this would be contrary to the principles of the VAT Directive. The court thus concluded that a supply of land on which a warehouse building is located cannot be viewed as the sale of building land which is subject to VAT.

The older judgement in the Don Bosco case involved a sale of land with buildings that were to be demolished to allow for a new construction, while, in this case, the selling party effected both the delivery of the property and the demolition. Moreover, the demolition started already before the land was delivered. In this older case, the court therefore ruled that the delivery of the land and the demolition of the building formed a single supply whose subject was not the delivery of the existing building, but a delivery of undeveloped land. Therefore, the VAT exemption could not be applied here.

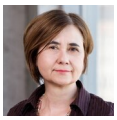
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Latest news, October 2019

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



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DOMESTIC NEWS IN BRIEF

- A notice on concluding a social security treaty between Czechia and Belarus, together with the respective administrative arrangement on its application, was published in the Collection of International Treaties (No. 47 and 48/2019 Coll. Int. t.).

- An informal meeting of ECOFIN held in September under Finish presidency discussed mainly the obsoleteness of the present energy taxation directive. The Czech Republic agreed that some tax exceptions in this area are no longer substantiated and need to be revised: these include the possibility to differentiate between the tax rate on motor oil for business and non-business proposes, and the exemption of air and marine transport.

- A tax rate package (print No. 509) was passed into its final reading by the Chamber of Deputies. Effective 1 January 2019, the bill amends the taxation of tobacco product, spirits and gambling. It also changes the method of creating technical provisions for the purpose of corporate income tax, and regulates the payment of real property tax.

- On 1 October 2019, the new structure of VAT ledger statements entered into effect. More information is available on the General Financial Directorate's website.

- The Ministry of Labour and Social Affairs let it be known that children´s groups will again become nurseries and will be governed by the amended Act on Nurseries. The new regulation should ensure stable financing (following the example of private preschools), higher quality, and, at the same time, financial availability for families.

- The Chamber of Deputies passed an amendment to the Immovable Property Acquisition Tax Act extending the scope of exemptions of the first acquisition for consideration of ownership right to apartments in newly-built family houses. The amendment has yet to be signed by the president, and will only enter into effect on 1 November 2019.

FOREIGN NEWS IN BRIEF

- The OECD issued mutual agreement procedure (MAP) statistics for 2018, covering eighty-nine jurisdictions including the Czech Republic.

- The proposed 2021 tax reform package currently discussed by the Dutch parliament calls for a reduction of the corporate income tax (CIT) rate to 21.7%, as well as the introduction of a new conditional withholding tax of 21.7% on interest and royalty payments made to low-tax jurisdictions.

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- In its latest Brexit Preparedness Communication, the European Commission reiterated its call to all stakeholders to prepare for a ‘no-deal' scenario. The commission also published a checklist to help businesses trading with the UK make final preparations.

- In August 2019, Canada, Switzerland, Ecuador and Serbia deposited their instrument of ratification for the Multilateral Convention (2016) (MLI) with the OECD Depositary. In respect of these countries, the MLI will enter into effect on 1 December 2019; in respect of the United Arab Emirates, on 1 September 2019. In the Czech Republic, the convention is still awaiting its final reading in the Chamber of Deputies. Once it is approved and published in the Collection of International Treaties and the ratification instruments have been deposited with the OECD depositary, three months after the beginning of the month following the deposition, it will also enter into effect in the Czech Republic.

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