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Editorial

With the days getting shorter, it seems more and more has to be done before the year-end. Courts of justice, both Czech and international, lead by example here, presenting us with a number of interesting decisions in the past couple of days.

The SAC, for instance, specified in more details the conditions of entitlement to interest due to a wrongful act by a tax administrator, even stating that the interest should be awarded automatically. In practice, however, this is not always the case, mostly due to interpretation ambiguities, unfortunately not clarified by the courts. In yet another case, the SAC also dealt with the interpretation of double tax treaties.

There is good news from the Court of Justice of the European Union for those whose planned acquisitions did not come through: at least they may still claim VAT deductions on expenditures incurred in connection with the planned acquisition.

If, on the other hand, you are considering asset transfers rather than acquisitions, watch out for situations when the general meeting's consent is needed. The lawmakers are now taking the stance that consent will be required for the transfer of substantial assets regardless of whether they form a separate branch.

And should you already be planning your holidays, the article about the substantial amendment to the Labour Code significantly affecting this area may be an interesting read.



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Ministry of Finance prepares legal tool regulating tax relations with Taiwan

For an external comment procedure, the Ministry of Finance has submitted a bill to prevent double taxation in relation to Taiwan. As the Czech Republic does not recognise Taiwan as an independent state, it is not possible to enter into a double taxation treaty.



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Hence, the Ministry of Finance proposes to adopt a unilateral measure in form of an act. The content of this act's schedule corresponds with the content of double taxation treaties prepared based on the OECD's and the UN's model conventions. Taiwan is expected to implement similar measures. The bill and related schedules ensure the objective distribution of the right to collect income tax between the two jurisdictions where income originates in the territory of one state but is generated by a tax resident of the other state. It will be possible to proceed in accordance with the act and its schedules after information about meeting the conditions for its implementation by both the Czech Republic and Taiwan has been published in the Collection of Laws.

Major areas of taxation are to be regulated as follows:

Permanent establishment
The time test for a permanent establishment will be applied as follows: A permanent establishment will arise when a construction project in the territory of one state lasts more than 12 months or when services are provided in the territory of one state for more than 9 months in aggregate during any twelve-month period.

Dividends and interest
Paid-out dividends and interest may be taxed in the source state up to a maximum of 10%.

Royalties
A maximum 5% rate is applied to royalties at the source state relating to the right to use industrial, business or scientific equipment. A maximum 10% rate applies to royalties relating to all other instances.

Profits from the alienation of assets
Profits from the alienation of shares and other interests may be taxed in the source state if more than 50% of their value is generated, directly or indirectly, from the real property located in the territory of this state.

Elimination of double taxation
To eliminate double taxation, the Czech Republic will generally apply the simple credit method in respect of Taiwanese tax. In addition, it will also be possible to apply the exclusion method in connection with income from employment under the Income Tax Act.

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Taxes

Courts clarify conditions for awarding interest on tax administrator's wrongful conduct

Winning a dispute with the tax authority may be compensated by interest awarded on the grounds of the tax administrator's unlawful conduct. Its amount equals the Czech National Bank's repo rate plus 14 percentage points, which means that it currently amounts to 15.5% per year; in some cases, the amount may even double. Although the interest should be awarded by the tax administrator automatically, in practice, this is not always the case due to various interpretation ambiguities.



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The entitlement to interest on unlawful conduct by a tax administrator is subject to meeting two conditions:

- The decision on assessing the tax must have been reversed or changed due to its unlawfulness or an incorrect procedure.
- The wrongfully assessed tax must have been due and paid.

Under the current decision-making practice, to meet the first condition, it is not relevant in what particular tax proceeding the tax administrator acted unlawfully. In practice, this condition is most often met when the decision of a tax administration body is reversed by a court.

As to the second precondition, however, some uncertainties prevail. These were addressed by the Supreme Administrative Court (SAC) in ruling 9 Afs 192/2017. The SAC confirmed that although an appeal does not formally have the effect of suspending the legal force of the appealed tax decision, the tax only becomes due on the effective date of the notice on tax assessment – meaning after the appellate procedure ends. In terms of tax payment, the situation is essentially as though filing an appeal did in fact have a suspending effect. When the additionally assessed tax is paid before its due date, interest on the tax administrator's unlawful conduct cannot be awarded for the period from the actual payment of the tax to its due date, as one of the conditions for the entitlement has not been met. On the other hand, by paying the tax early, the taxpayer prevents interest on late payment being charged should they lose the dispute.

According to SAC case law (8 Afs 85/2018) the conditions giving rise to entitlement to interest on the tax administrator's unlawful act are also met in more complex situations, involving the concurrence of regularly and additionally filed tax returns. This applies if, e.g., a taxpayer pays tax based on a regular tax return but then files an additional tax return for lower tax. The tax administrator then wrongfully refuses to accept the additional tax return and insists on the original tax amount. In the case in question, the tax had been reduced in line with the additional tax return only after a court interfered. Since the tax (as assessed based on the original tax return) had been paid and remained so over the entire time of the dispute, the court awarded the interest on the tax administrator's unlawful act.

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The rules regulating interest that a taxpayer may be entitled to are rather complex. It is necessary to distinguish carefully between various interest types, such as interest on the tax administrator's unlawful conduct, interest on retained deductions, etc. To conclude, undoubtedly positive is that in this area as well in others, tax administrators should interpret taxpayers' filings according to their actual content, and not dismiss them solely because they quote an inappropriate law provision.

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Significant amendment to Labour Code returns

In August, the government began to discuss a document that will undoubtedly be familiar to some lawmakers and the professional public. A large amendment to the Labour Code, which the Chamber of Deputies in its previous structure did not have time to pass, is back on the table in an adjusted wording, this time without the time constraints posed by the end of the electoral term.



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For the media, the most interesting change undoubtedly is the new minimum and guaranteed wage concept. Whereas today, the minimum wage is set by government decree and adjusted occasionally as needed, the new amendment proposes to link the minimum wage to the average wage and adjust it regularly once a year, but only upwards. The amendment hence introduces a mechanism for the automatic increase of the minimum wage.

The method for the determination of the guaranteed wage amount should also change: in accordance with the new amendment, employees working based on agreements on work outside employment should also be entitled to the guaranteed wage.

The regulation of vacation should also undergo major changes. Under the new rules, the assessment of vacation days will derive from an employee's weekly working hours and will ultimately be expressed in hours. While this change may remove injustice caused to employees working variously long shifts, in the majority of cases, this will only bring an increased administrative burden to employers.

Employers will also not welcome another proposed change relating to the reduction of vacation days. Whereas today, after an employee's unexcused missed shift, an employer may reduce the employee's entitlement to vacation by one to three vacation days, in accordance with the new amendment, the employer will be allowed to reduce vacation days only by the number of hours actually missed. Moreover, after employment for a full calendar year, employees will be entitled to at least three weeks of vacation, even after such reductions (compared with the current two-week entitlement).
An absolute novelty is the possibility of two or more employees sharing one job and taking turns in this job within the working hours they agree on, all after agreeing on this with the employer.

The final wording is yet uncertain, while major parts should become effective from 1 July 2019. We just have to wait and see whether the amendment will really carry the potential to rewrite the labour-law textbooks and established practice or whether it will only be another task for employers to prepare themselves for its effectiveness.

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Uniform interpretation of crypto assets at hand?

An important voice has joined the pending discussions regarding the nature of crypto assets, i.e. virtual currencies, various tokens and initial coin offerings (ICO). In mid-October, a working group of the European Securities and Markets Authority (ESMA) published its own report providing a legal analysis of the matter.



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The report does not represent ESMA's official opinion or guidance; it contains recommendations of the Securities and Markets Stakeholders Group, ESMA's working group consisting of market representatives, academics and consumer organisations. The report provides that, considering their volume, crypto assets do not currently represent a systemic risk for financial markets but may significantly affect investors-consumers, as they are associated with typical investment risks similar to those connected with traditional financial instruments. However, it is not clear whether and potentially to what extent the existing regulation of financial markets also covers crypto assets.

The report at least partially attempts to give an answer to this question. For this purpose, it divides crypto assets into several categories: payment tokens (including virtual currencies, probably the best known crypto assets), utility tokens (ensuring a certain service) and asset tokens (where assets usually represent commodities or securities), the most problematic tokens of all. The report provides information not only about the most significant risks but also about the advantages and benefits associated with the individual categories of crypto assets, which is quite valuable.

After dealing with a number of key questions regarding the nature of tokens (such as whether a token gives rise to some kind of an entitlement, whether it is transferrable, etc.), the report presents a decision matrix, i.e. stipulates the conditions under which a crypto asset can be regarded as a financial instrument (e.g. debt security or commodity derivative) that is subject to regulation.

The report also maps the securities authorities' positions and initiatives on the matter in 36 jurisdictions, covering not only the EU countries but also traditional financial centres such as Switzerland and the islands of Jersey and Guernsey. The report authors criticise the vast diversity in the authorities' positions, ranging from the active promotion of crypto assets (e.g. Malta) through wary benevolence (Germany or Great Britain) all the way to the Czech Republic's playing possum, urging to adopt a common approach across the EU.

We welcome this report, as it may help tackle the existing legal uncertainty, and impatiently await further developments in ESMA.

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October ECOFIN meeting: quick VAT fixes

In addition to the generalised reverse charge mechanism, other important VAT changes were agreed on at the October meeting of the Economic and Financial Affairs Council (ECOFIN). These involve quick fixes and the application of a reduced rate to e-books. For the Czech Republic, the most important issue was the extension of the temporary local reverse charge system's effectiveness.



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The generalised reverse charge mechanism agreed on at the October ECOFIN meeting (see the previous issue of Tax and Legal Update) was the most important point on the meeting's agenda for the Czech Republic. Below, we present other legislative proposals whose implementation will also significantly affect Czech regulations.

Quick fixes

Quick fixes ought to remove the biggest VAT deficiencies in the period before implementing the definitive VAT system in June 2022. The approved amendment to the VAT Directive and the related council regulation, effective from 1 January 2020, regulate the selected areas as follows:

- Member states will have to introduce the simplification and harmonisation of rules regarding call-off stock arrangements.
- The uniform criteria for linking transport to a specific supply in a chain transaction to acquire the status of an intra-community supply exempt from VAT have been set. The criteria vary according to the entity carrying out the transport.
- Most importantly, an amendment to the regulation provides detailed information about how to prove the intra-community transport of goods, specifying essentials that must be included in the buyer's declaration as well as other documents substantiating the provision of transport (usually two different documents that do not contradict one another and have ideally been issued by two independent participants to the transaction).
- A novelty for some member states is the restriction of applying the exemption with respect to intra-community supplies only to customers registered for VAT in another member state (checked via VIES). It will be vital to correctly declare exempt intra-community supplies in EC Sales Lists.

Extended reverse charge system effectiveness

The effectiveness of the directive's provisions, based on which it is possible to apply the local reverse charge mechanism to selected supplies (such as the supply of cereals, metals and mobile phones costing more than CZK 100 000) has been extended to June 2022, which was very important for the Czech Republic.

Reduced VAT rate on e-books

The Economic and Financial Affairs Council also agreed on the application of a reduced VAT rate on e-books

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(acquired via the internet) with the aim to modernise the VAT system and adapt it to the needs of the digital economy.

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Case law

Research and development allowance for clinical studies

In a recent judgement, the Supreme Administrative Court (SAC) held that a research and development allowance had been claimed unlawfully, as the project in question had no element of novelty. The SAC dealt with the third phase of clinical research and concluded that the project had the character of a mere provision of services, mainly because its objective, timing and manner of assessment had been determined by a third party.



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Are the conditions for claiming research and development allowances for clinical trials and last phases of drug testing unequivocal and clear? Unfortunately, no. In the case before the SAC, a taxpayer argued that within the projects in question, they had carried out experimental work to obtain new knowledge and determine the yet unknown or unconfirmed effects of medical substances as a part of new drug research. The regional court sided with the taxpayer, stating that the activities did indeed involve research and development, as through the testing of the drug on human organisms the research of the substances was completed, and the activities carried out may therefore be regarded part of the previous research activity.

The tax administrator disagreed with the regional court's conclusions. In the tax administrator's opinion, the third phase of drug testing only involved the assessment and testing of drugs already in existence, based on parameters exactly defined by the customer (the drug producing company) who provided the medical substances and other medical material needed for the clinical trials, and also covered the related costs. According to the tax administrator, the taxpayer's activity was by its nature the mere provision of services, not comprising any actual research activity and not containing any valuable elements of novelty.

The SAC did not dispute that the third phase of clinical trials was indeed a necessary part of the process of the new drug's research and development, or that it involved the defining elements of research and development – novelty and uncertainty. However, in the particular case in question, the SAC saw as crucial the fact that the taxpayer did not have to bear any risks of failure. According to the SAC, only the customer – the entity who ordered the trials – had carried out any actual research activity. The taxpayer could not influence the trials in any way or contribute its own initiative or own research activity to the project, which is why the SAC regarded their activity as a mere provision of services.

This judgement indicates that a research and development allowance may only be claimed by those who bear the risk and carry out the activity on their own. If taxpayers order such a service from subcontractors, they are not entitled to the bonus in a form of double tax deduction of expenses.

The SAC conclusions are certainly valid, in general terms. It would, however, be a mistake to rule out the possibility of claiming research and development allowances for third phases of clinical trials altogether. In each case, specific conditions as well as the activities carried out within the testing have to be taken into account; such activities should also be described in detail in the research and development project.

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Case law

SAC on how to interpret double taxation treaties

If a double taxation treaty can be applied, the tax administrator may not automatically use domestic legal regulations to interpret a treaty's individual concepts but must apply international law principles and the commentaries to the OECD's Model Convention.



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In its recent decision (2 Afs 40/2018), the SAC dealt with credit transactions between a domestic and foreign company belonging to the same group of companies. The domestic company paid an appropriate amount of interest on loans and withheld a 15% tax in compliance with the Income Tax Act. Subsequently, it claimed the withheld tax from the tax administrator, referring to the double taxation treaty between the Czech Republic and Great Britain allowing the taxation of interest only by the tax resident's state. The tax administrator refused to refund the paid tax, claiming that they had applied an exemption from the general rule included in Article 11, according to which it is possible to tax interest exceeding the amount that would have been agreed by independent parties in the Czech Republic.

The tax administrator regarded the parties concerned as related parties in the meaning of the Income Tax Act, giving rise to a special relationship, and derived the interest exceeding the interest that would have been agreed by parties without a special relationship by applying the ITA's thin capitalisation rules and applied a less advantageous article of the double taxation treaty relating to dividends to this part of paid interest.

The SAC did not agree with this procedure and stressed that the financial administration may not interpret the concepts of a double taxation treaty by applying local provisions of the ITA. In the SAC's opinion, even though a special relationship involving, inter alia, cash pooling did exist between the companies concerned, this relationship may not be automatically applied to all inter-company transactions. According to the SAC, the tax administrator also proceeded unlawfully when treating any interest that was non-deductible as a result of thin capitalisation rules as interest that would have never been agreed between the creditor and the debtor under ordinary circumstances (without a special relationship).

The key message arising from the SAC's decision is that concepts contained in a double taxation treaty must primarily be interpreted in accordance with the appropriate double taxation treaty and the relevant tools such as the interpretation principles of the Vienna Convention on the Law of Treaties or the OECD's Model Convention. The concepts and definitions set forth in the national legislation are also relevant when interpreting uncertain concepts of a double taxation treaty, but they may not automatically replace the meaning of the concept being interpreted. The purpose of the treaty's provisions at issue and any related context must always be taken into account.

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General meeting's consent with substantial asset transfers surrounded by dilemmas

One of the powers of the general meeting of a limited liability or joint-stock company is to give consent to transfer or pledge a business establishment or its part "that would result in a substantial change to the company's existing structure, scope of business or activity". In practice, this provision of the law is troublesome as companies are unsure as to when the general meeting's consent is actually required.



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The professional public has adopted three possible interpretations of the provision. Problems arise mainly in situations where significant assets not comprising a separate branch/organisational unit (for instance, a large set of real property, a company's sole machinery or crucial patent) are being transferred, but their transfer nonetheless substantially changes a company's structure, its business or activity.

The High Court in Prague shed some light on the issue in August this year, although just temporarily. It held that approval by the general meeting is only required when part of a business comprising a separate branch or organisational unit is being formally transferred, while at the same time substantially changing the existing structure, scope of business or activity of the company (the material criterion). Two criteria thus have to be met – a separate branch, and a substantial change. This means that transfers of material assets, unless at the same time involving a transfer of a part of a business establishment, or more precisely a separate branch/organisational unit, would only be regulated within the statutory bodies' fiduciary duty (the concept of due managerial care).

Notably, an amendment to the Corporations Act is currently being debated in the Chamber of Deputies, which is bound to change the rules of the game just clarified by the High Court yet again. Effective 1 January 2020, the law is to explicitly stipulate the requirement of a general meeting's consent for transfers or pledges of *"a business establishment or such parts of assets and liabilities that would mean a substantial change to the company's actual business or activity"*. This means that lawmakers have taken the material standpoint. A general meeting's consent will thus be required when transferring substantial assets, regardless of whether they comprise a separate branch. According to the explanatory report, under certain circumstances, a trade secret or a registered trademark may also be such part of assets and liabilities.

With legislation taking this direction, companies will likely opt to be more careful. This means scrutinising thoroughly each and every transfer of assets as to whether it requires a general meeting's consent.

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Do you have a subsidiary? Beware of indirect shareholding costs

Taxpayers have two options in treating the indirect costs of holding a share in a subsidiary: either to prove their actual amount, or to apply a legal simplification and exclude an amount equal to 5% of dividends received as a non-deductible expense. In a recent judgement, the Regional Court in Brno emphasised the taxpayers' duty to actually prove the shareholding costs in the lower amount, and noted that all indirect costs have to be included in the calculation. The court also rejected the idea that the remuneration paid to a statutory body member for one day of their work could be the sole cost of a shareholding.



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In the case in question (29 Af 53/2016), a company argued that the indirect costs of their shareholding were limited solely to payroll expenses of their statutory body for one day of work per year. Other expenses were purportedly negligible and not included in the calculation due to immateriality. The tax administrator did not accept this, and excluded 5% of the received dividend (the lump-sum amount of indirect shareholding costs stipulated by law) from deductible expenses, stating that the company failed to prove the actual amount of the incurred indirect costs. The regional court confirmed the tax administrator's opinion. As far as we know, a cassation complaint has not been filed, the case will therefore not be dealt with by the Supreme Administrative Court.

The regional court emphasised the natural course of affairs when a parent company as such exercises certain management functions for a subsidiary, i.e. advises it about its activities or decisions. Indirect costs have the character of administrative overhead connected with holding a share in a subsidiary, but also with other activities of the parent company. According to the regional court, indirect overhead costs include for instance a portion of costs associated with operating an accounting office, the director's office, exercising the function of director or economist, telecommunications costs, and the costs of gathering and assessing information about the subsidiary's performance and financial position. The judgement also provides a guideline to identify the direct costs of shareholding that are non-deductible as well. In the court's opinion, apart from costs incurred directly in connection with holding a general meeting of a subsidiary, these also include costs of advisory and support provided to the subsidiary, unless these are rebilled to the subsidiary separately.

Costs connected with holding a share in a subsidiary are by their nature hard to quantify. The Income Tax Act therefore offers the option not to prove the actually incurred indirect costs, and instead apply the legal fiction that they equal 5% of the received dividend. Should this simplifying approach be too much of a tax burden for some parent companies, it is possible to prove the actual amount of indirect costs. In this case, however, the burden of proof is on the parent company. If it fails to sufficiently prove the actual indirect costs, the legal fiction shall apply. The judgement of the Regional Court in Brno thus reminds us that proper attention must be paid to calculating and supporting the indirect costs of holding a share in a subsidiary.

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Case law

CJEU: entitlement to claim VAT deduction for failed investments

The Court of Justice of the EU dealt with this question in the Ryanair case. In October 2018, the court held that there is an entitlement to reclaim VAT for costs (expenditures) connected with a planned acquisition that eventually did not come about, or more precisely, not all shares were taken over as originally planned.



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The case involved airline operator Ryanair, which intended to acquire all shares of another airline. In connection with the planned takeover, Ryanair incurred expenditures for consultancy and related services, i.e. transaction costs. Yet, due to anti-trust regulations, the planned transaction ended up not taking place and Ryanair only acquired a part of the stake in the target company.

Ryanair still claimed a full VAT deduction on the transaction costs. This was challenged by the Irish tax administrator. Ryanair argued that they intended to provide management services to the target and that they therefore could reclaim VAT on related expenses. One of the preliminary questions referred to the CJEU by the Irish Supreme Court was whether the intention to provide management services was sufficient to claim VAT deduction. The Irish court also asked whether there was an immediate and direct link between the costs associated with the planned acquisition and the intended management services.

The opinion on the case was prepared by Advocate General Juliane Kokott, who compiled a rather detailed analysis of CJEU case law on holding companies to date. The CJEU also summarised most of the so far adjudicated principles regarding holding companies' possible entitlement to reclaim VAT, in particular the necessity to carry out economic activity. An "active" holding may benefit from claiming a VAT deduction on related inputs. On the other hand, the court emphasised that the sole holding of shares and receipt of dividends cannot be regarded as economic activity; such a "passive" holding is not a taxable person and therefore cannot reclaim input VAT.

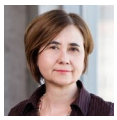
According to the CJEU, preparatory activities must also be treated as constituting economic activity, as this may consist of several consecutive transactions. Thus any person with the intention, as confirmed by objective elements, of independently starting an economic activity, who incurs the initial investment expenditure for those purposes, must be regarded as a taxable person.

Although the CJEU arrived at the same conclusions as Advocate General Kokott, i.e. that in the case in question an entitlement to VAT deduction did exist, the court's argumentation was unfortunately not so detailed. However, the court did emphasise that the fact that the contemplated economic activity was ultimately not carried out was not decisive for the entitlement to reclaim VAT paid on the initial expenditures, provided that the exclusive reason for the expenditure was to be found in the intended economic activity.

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Latest news - November 2018

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



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- It took the Austrian Office for Personal Data Protection (Österreichische Datenschutzbehörde) four months to impose a penalty under the EU GDPR rules, which is presumably the first ever penalty imposed in the European Union for the breach of General Data Protection Regulation. A fine of EUR 4 800 was imposed on an Austrian entrepreneur for the unlawful monitoring of a public space via CCTV cameras in front of his shop. The monitored space was not duly designated, which also resulted in a breach of the duty of transparency. Under the GDPR, the supervisory authority may impose a penalty of up to EUR 20 million or 4% of the worldwide turnover for the previous year.

- In its October session, the Chamber of Deputies did not finish the first reading of a government draft amendment to the Act on Electronic Reporting of Sales. It is therefore certain that the amendment will not be passed before the year-end, which threatens its planned effectiveness from 1 July 2019.

- The Chamber of Deputies discussed the government's proposal for the 2019 tax package in the first reading. It also shortened the time limit within which the proposal must be discussed in committees to 30 days. So, there is still a theoretical chance that the proposal will be passed before the year-end and will enter into effect on 1 January 2019. All depends on how quickly it will be discussed by the deputies at their next November session and by the Senate.

- Notice of the Ministry of Labour and Social Affairs No. 237/2018 Coll., prescribing the reduction limits to adjust daily assessment bases for sickness insurance in 2019, and Notice of the Ministry of Labour and Social Affairs No. 236/2018, declaring an increase in the amount decisive for the participation of employees in sickness insurance from CZK 2 500 to CZK 3 000, have been promulgated in the Collection of Laws.

- At its October meeting, the coalition council did not agree on an increase of the minimum wage for 2019. A final decision should be available in November.

- Another regular meeting of ECOFIN under the Austrian chairmanship will be held in Brussels on Tuesday 6 November 2018. The European finance ministers will discuss a proposal for the taxation of digital services.

- New prescribed forms for employees' payroll tax statements for 2019 will not be issued; instead, last prescribed form no. 26, or prescribed forms no. 25 or no. 24, will be used. In its Information of 24 October 2018, the GFD draws attention to a minor change in the .xml structure of this prescribed form and to the .xml structure of a new prescribed form of the application for the annual settlement of tax on wages (which should be available from the tax authorities starting mid-December).

- The Chamber of Deputies passed an amendment to the Insolvency Act in its third reading, aiming to make the debt discharge concept available to more debtors. According to the Ministry of Justice, an important element of the whole debt discharge process is the debtor's active effort to remedy their irresponsible

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behaviour. The draft amendment is now heading to the Senate.

- The Ministry of Justice is preparing an act on lobbing and a related amendment to the Act on Conflict of Interest. The amendment will extend the duty to report gifts (from CZK 10 000 to CZK 5 000) and will cancel the aggregate value of received gifts totalling more than CZK 100 000.

- On Wednesday 31 October 2018, the Chamber of Deputies passed an amendment to the Labour Code, submitted by the ČSSD deputies, aiming from 1 July 2019 to abolish waiting periods, i.e. the first three days of a temporary inability to work during which employees do not receive any wage or salary compensation. According to the amendment, wage or salary compensation will be provided from the first day of the employee's inability to work. Employers' increased costs in this respect should be compensated by a reduction in contributions to the sickness insurance scheme of 0.2%. The amendment is now heading to the Senate. However, it can be expected that even if the Senate does not agree, the majority in the Chamber of Deputies will overrule it without any trouble.

- The CNB Bank Board has increased the two week repo rate (2T repo) by 25 basis points to 1.75%. At the same time, it decided to increase the Lombard rate to 2.75% and the discount rate to 0.75%. The new interest rates are valid from 2 November 2018.

- At the ECOFIN meeting of 6 November 2018, finance ministers discussed a digital services tax (DST) as part of a digital taxation legislative package issued by the European Commission in March 2018. The main reason for changing the current system is an attempt to adapt the international taxation rules to highly digitalised business models. DST should serve as a short-term solution until an agreement on the permanent worldwide change in the taxation of the digital economy is reached. The ministers have not yet agreed on the extent and duration of a directive. They also discussed other open issues such as the directive's incompliance with bilateral double taxation treaties. The current EU presidency holder, Austria has the ambition to pass DST before the year-end.

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