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Editorial

The race is on. Now, I don't mean the parents of schoolchildren frantically filling their calendars with car pools and after-school activities. I'm talking about the race in technology – the rapid entry of artificial intelligence, including generative AI, into businesses: in the last year alone, the number of Czech businesses using AI has tripled, according to surveys.

At the same time, I see another less obvious but still strong trend: regulation. And not just of AI. The range of obliged entities in cybersecurity is being expanded (more details in the NIS2 article), companies must respond to the Remuneration Transparency Directive, and some are also starting to be affected by the AI Act.

With this, logically, come concerns. Will the regulatory flood slow us down? Will Europe lose pace with America and Asia in innovation, technology development and also in labour market competitiveness? In short, the tension between innovation and control has been evident for some time.

Economic theory and practice confirm that business does best within clearly defined boundaries. But where are those boundaries? How many rules still support healthy growth, and how many begin to stifle activity?

Sometimes, for complex problems, simple approaches work best. Programmers know the ‘rubber duckie method’ where you try to explain a complex problem as simply as possible so that even the yellow rubber toy on your desk will understand. This should remind us that it’s best to rely on tried and tested rules: predictability and simplicity, a level playing field, transparency and, above all, stability that does not change according to political moods. These are the values that should guarantee that Czech companies will not be just participants in the AI race but front runners.

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Taxes

Pre-school and school fees as employee benefits

We are continuing our series of articles focusing on the introduction of Single Monthly Employer Reporting (in Czech Jednotné měsíční hlášení zaměstnavatele or JMHZ) from the perspective of selected employee benefits that may be subject to JMHZ. This time, we look at the payment of pre-school and school fees for employees' family members - a very common benefit that has its own tax implications.

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The introductory article on this topic can be found here.

Pre-school fee contributions

Many employers and their employees were unpleasantly surprised at the beginning of 2024 after the introduction of the exemption limit for selected leisure-related benefits. Despite the political support for the part-time work for parents or the development of various forms of pre-school education, the new exemption limit also applied to the employer's non-financial contribution for pre-school fees for employees' children. Thus, especially in the case of private nurseries, a parent could exhaust the exemption up to the limit in the first few months of the year.

Following an uproar in the media, the Ministry of Finance first issued its Information on the Methodology for the Valuation of Pre-School Fees and promised to treat the procedure legislatively as well.

The amendment to the Income Tax Act in effect from 1 July 2024 incorporated the new method of valuation of this type of benefit, i.e., pre-school fees paid by the employer for an employee's family members, directly into the Income Tax Act. It was set to take effect retroactively from 1 January 2024.

The amendment to the Income Tax Act established a special valuation method for this non-financial income on the employee's part: the value of this benefit may be set by the employer based on the price that is usually applied in the place and time for pre-schools established by municipalities, regions or the state or set at the amount corresponding to the highest monthly payment for pre-school education according to the decree regulating pre-school education. Thus, pre-school fee benefits may amount to a **maximum of 8% of the minimum wage per calendar month per child** (**CZK 1,664 for 2025**) but may also be lower (corresponding to the usual price).

This means that regardless of the actual employer's contribution (expenses), which can be tens of thousands of crowns per month in the private sector, this benefit will only be included in the employee's exemption limit up to the amount set by the above valuation methods.

At the same time, the employee's own contribution, if any, to the payment of school fees must also be considered.

If the employee's contribution amounts to the value of the benefit as determined by the employer under the Income Tax Act (i.e. the usual price or the highest monthly payment under the decree), the benefit will not arise at all on the part of the employee even if the actual amount of pre-school fees paid by the employer is higher.

The special valuation rules will not apply just to pre-school fees paid to other pre-school facilities but also to corporate pre-schools.

Once the aggregate of the leisure-related benefits exceeds the exemption limit, the contribution for pre-school fees becomes an employee's taxable income subject to social security and health insurance contributions.

If the contribution for pre-school fees is exempt from income tax on the employee's part, it constitutes a tax non-deductible expense for the employer up to the amount of actual expenses incurred for this benefit regardless of the valuation on the employee's part. The contribution becomes tax deductible (again up to the amount of actual expenses) once the value of the benefits provided exceeds the statutory exemption limit, provided that the employee's entitlement to the contribution arises from a collective agreement, an employer's internal regulation, an employment or other contract.

The employer may choose an alternative option and treat the expenses as tax deductible under a special provision of the Income Tax Act. In that case, the non-financial income on the employee's part will be considered taxable up to the usual price or the highest monthly payment under the decree. It will also be subject to mandatory insurance contributions.

For the sake of completeness, please note that a financial contribution for pre-school fees will always be taxable in full.

Contributions to education of other family members

Benefits in the form of non-financial contributions for school fees or for education other than that provided by facilities for pre-school children are valued standardly: their value is determined based on the usual price, most often in the amount of expenses actually incurred by the employer (unless the expenses are affected by, e.g., a specific relationship between the employer and the educational institution).

Contributions for other forms of education are also included in the statutory limit for the exemption of leisure-related benefits (half of the average wage per year), but in their full amount. In general, this could include school fees or education other than pre-school education for children of employees, as well as various forms of education for other family members.

It is generally true that non-financial contributions to school fees that are tax exempt for the employee shall always constitute tax non-deductible expenses for the employer. If the leisure-related benefits exceed the given limit, the portion of the benefits above the limit becomes taxable income for the employee and the employer can claim that portion of the benefit as a tax deductible expense.

Taxes

Accompanying law to JMHZ brings changes to R&D allowances

The entry into force of the new law accompanying Single Monthly Employer Reporting (in Czech Jednotné měsíční hlášení zaměstnavatele or JMHZ) will introduce changes to the administration agenda of employers and to the Income Tax Act. Particularly significant are several changes to research and development allowances.

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The first change is the increase of the allowance to 150 per cent of the expenses incurred for research and development. However, this increase can only be claimed up to a limit of CZK 50 million, and all taxpayers who are part of the same allowance group are included in this limit. The allowance group includes the controlling person and persons controlled by the controlling person themselves or jointly with another person. If the limit is exceeded, the research and development allowance will be 100 per cent of the expenses incurred. At the same time, the possibility to claim 110 per cent of the expenses incurred for research and development from the amount exceeding the aggregate of such expenses for the previous period will be abolished.

Another new feature is the extension of the period for claiming an R&D allowance from three to five years. At the same time, the condition that allows the postponement of the allowance only if the allowance cannot be claimed due to a low tax base or a tax loss will be abolished. Claiming an R&D allowance will therefore operate similarly to claiming a tax loss.

The names of the persons professionally responsible for the implementation of the R&D project will still be required to be included in the project documentation for the R&D project. However, it will no longer be mandatory to indicate their qualifications or the form of their employment relationship.

The senate returned the accompanying law to the JMHZ to the chamber of deputies with amending proposals at the end of July. It is expected to be promulgated in the Collection of Laws in late September/early October 2025. The above provisions are to take effect on 1 January 2026.

Financial administration's view of 2024

The annual Report on the Activities of the Financial and Customs Administration provides an overview of the results of tax and customs administration for the past year.

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Increased tax and customs collection

Total taxes and customs collected in 2024 amounted to CZK 1,423.7 billion, which is 2.4% more than the previous year. Traditionally, VAT accounts for the largest share of state revenue (CZK 584.1 billion) although its growth was slowed by the unification of reduced rates to 12% and slower growth in household spending. Personal income tax collection rose significantly to CZK 263.1 billion (+13.9%) due to faster wage and salary growth. The real estate tax collection also increased sharply to CZK 16.5 billion (+81.8%), mainly due to an increase in the basic rates and a greater power of municipalities to adjust them. On the other hand, corporate income tax collection fell by 6.7% year-on-year.

Inspection procedures and their results

In 2024, the financial administration continued its intensive inspection activities and in addition to its standard procedures used the tax echo mechanism for targeted communication with taxpayers. A total of 44,679 inspections were carried out, a 7.4% decrease year-on-year. These resulted in an increase in tax liabilities by CZK 4.72 billion (a year-on-year decrease of 10.8%) and a reduction of claimed tax losses by CZK 60.3 million (a year-on-year decrease of 33.3%).

Of all inspection procedures completed, the financial administration carried out **9,757 tax inspections** (down 6.1% year-on-year) that resulted in additionally assessed taxes of **CZK 5.98 billion** and tax losses decreased by **CZK 2.98 billion**. These inspections focused mainly on VAT fraud, correct setting of transfer prices for corporate income tax, and unjustified tax credits and non-taxable items for personal income tax. There were 6,937 procedures to remove doubt (year-on-year decrease of 16.4%), resulting in additionally assessed tax of CZK 443.7 million and tax losses adjusted by CZK 62.2 million. The procedures to remove doubt were often carried out to examine the rights to deduct VAT and inspect formal errors in submitted tax returns.

The Ministry of Finance also states that in 1,024 cases the taxable entities were awarded interest paid by the tax administrator, amounting to CZK 148.6 million, which represents a year-on-year increase of 172.7%. However, the published data relate only to VAT, making us question why similar statistics are not provided about other taxes.

And what will this year bring?

2025 has been marked by continued modernisation and efficiency enhancement in the tax and customs administration. The financial administration is further developing the tax echo project with an expected benefit of

CZK 80 million for the state budget, targeting taxpayers who incorrectly claimed tax credits for spouses for 2022. Another important project is the introduction of single monthly employer reporting (JHMZ), which aims to simplify administration through, e.g., pre-filled tax returns.

This year, the financial administration aims to continue towards digitisation and the data-targeting of inspections, with a focus on formal supervision and preventive communication with taxpayers.

New Accounting Act: revised bill brings clarifications

The Ministry of Finance has submitted another revised version of the new draft Accounting Act to the government. Its expected entry into effect has thus been postponed again, with January 2027 being the earliest possible date.

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The bill was submitted to the government together with an accompanying law on 16 July 2025. Given that both bills must enter into effect on the same date and given the need to allow sufficient time between the date both laws enter into force and the date they enter into effect, the ministry has confirmed on its website that both bills will not become effective before 1 January 2027.

Compared to the previous version of the law from last November, most changes proposed in the new bill do not have a major impact on the content of the bill but mainly clarify and expand its terminology.

However, there are a few key points that have changed more significantly. Regarding company conversions, a new rule has been added that provides that the decisive date cannot be a date prior to the decisive date of another conversion whose legal effects have already occurred. This provision should prevent the chaining of conversions, which often occurred in the past and negatively affected the disclosure value of the financial statements. However, the length of the accounting period of the entities involved in the conversion is unclear, as the provision on extending the individual accounting period in the event of a conversion has been removed from the current version of the bill. Moreover, instead of being helpful, the related explanatory memorandum to the bill is rather conflicting in this respect.

Another novelty is the possibility to define the accounting period by calendar weeks - i.e., 52 or 53 calendar weeks, but only for corporations that are included in the consolidated financial statements.

The current version of the bill also includes more detailed ideas on a decree implementing the act on accounting for entrepreneurs and non-profit entities. This is not a draft legislative text but an illustration of what the various accounting methods will look like or be based on. At first glance, it is obvious that the decree draws inspiration from the interpretations of the National Accounting Board and from the International Financial Reporting Standards.

Legal

Unreported work: new Employment Act concept

From 1 October 2025, an amendment to the Employment Act enters into effect introducing a new legal concept – unreported work. It significantly changes the obligation of employers to report the commencement of the employment of foreigners to the Labour Office.

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Until now, employers could fulfil their reporting obligation no later than on the day the foreigner started the work. Under the new rules, it will be necessary to report this before the moment of work performance, which in practice means at the latest one day before the official commencement of employment. If the employer fails to comply with this obligation, this will constitute unreported work, a concept newly defined by the amendment.

Failure to comply with this obligation will be qualified as an offence for which the employer may be fined up to **CZK 3 million**.

Practical implications and recommendations

The amendment responds to the practice within the EU where the concept of unreported work has already been commonly applied. The aim is to increase the transparency and efficiency of controls over the employment of foreigners. The change only concerns the reporting of the commencement of employment; the reporting obligations regarding changes to and the termination of employment remain unchanged.

Employers should pay increased attention to reviewing their internal procedures for the commencement of the employment of foreigners. The key is to set up technical and procedural mechanisms to ensure that the new reporting obligation can be fulfilled in a timely manner, i.e. before the start of work. At the same time, it is important to inform all persons concerned about this legislative change and to warn them of the possible risks associated with non-compliance.

Whatever happened to Code of Administrative Justice amendment?

The amendment to the Code of Administrative Justice was published in the Collection of Laws on September 2.The new rules of will affect the process of defending against decisions or interventions by administrative authorities in court. In our article we provide an overview of the main changes that you should be aware of.

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The original major amendment to the Code of Administrative Justice (CAJ) was not debated separately; instead, the change to the CAJ passed through the legislative process hidden within an amending proposal to the amendment to the Asylum Act.

One of the most interesting novelties is that a binding opinion of an administrative authority preventing the issuance of a permit or a consent can be challenged by a separate legal action, while its unlawfulness can also be argued within an action against the final decision. In practice, this will concern binding opinions of the zoning/planning authorities or binding opinions relating to environmental impact assessments (EIAs). Until now, it was not possible to challenge these binding opinions in court separately, but it was necessary to wait for the administrative authority's final decision issued based on these opinions before bringing any action against them. This is therefore a major strengthening of the parties' defence options.

The amendment also strengthens the procedural position of persons with legitimate interest in the proceedings, i.e. those who are not parties to the proceedings but may be directly affected by the decision. They are now to have the same rights and obligations as the parties to the proceedings.

An important new feature is the modernisation of the rules of submission. If a submission is made electronically, the court will no longer reject it outright if it does not obtain the information necessary for serving the documents. In such a situation, the court will invite the party to remedy this by sending an email to the address from which the submission was received. Holders of mandatory data mailboxes will be obliged to make their submissions exclusively electronically; they will only be able to make paper submissions if they provide a legitimate reason. It will also be possible to ask the court to send copies from the file electronically, which means that the parties or persons with legitimate interest in the proceedings will not have to make a trip to the court to inspect the file.

The amendment also allows the Supreme Administrative Court to decide on the merits of the case in the cassation complaint procedure if it has vacated the judgment of the regional court and has sufficient grounds from the previous proceedings to make the decision. The parties will thus receive a final decision on the merits of the case earlier and without further costs.

As before, it will still be possible to challenge a measure of a general nature within one year of its entry into force.

In addition, it will now also be possible to apply to the court, even after this period, to have the measure of a general nature not applied in a particular case, although it will not be possible to repeal it completely.

The amendment introduces significant changes to the procedural rules of administrative justice, which will strengthen the position of the parties and may increase the effectiveness of judicial protection. It will enter into effect on 1 January 2026. We are closely monitoring the changes to the procedural rules and will incorporate them into our practice in due course. If you would like to discuss the amendment from the perspective of your litigation, please do not hesitate to contact us.

Legal

New cybersecurity law will affect thousands of organisations

The new Cybersecurity Act was published in the Collection of Laws on 4 August 2025. With effect from 1 November 2025, it transposes into the Czech environment the European NIS2 Directive. The aim of the act is to increase the level of cybersecurity in key sectors. Compared to current legislation, it will impact thousands more private and public entities.

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Who is affected by the new law?

The new legislation significantly expands the range of obliged entities. The decisive criteria for determining whether an organisation is an obliged entity are its size and whether the organisation provides any of the services in the sectors defined in the implementing decrees to the Cybersecurity Act, which are now being prepared.

To the previously regulated services from sectors such as healthcare, energy, transport, digital infrastructure or banking, new sectors will be added, including the food industry, manufacturing, public administration, research, utilities and electronic communications networks, managed IT services, waste management, postal services or chemical industry.

Dual regime of obligations and sanctions

Apart from extending the range of obliged entities, the new law foresees a dual regime of lower and higher obligations depending on the criticality level of the regulated entity.

1. The lower obligation regime will mostly apply to smaller organisations that are required by law to provide at least a basic level of security.
2. In contrast, the higher obligation regime will have stricter rules, in particular for the implementation of security measures, incident reporting procedures, implementation of countermeasures issued by the regulator (the National Cyber and Information Security Agency), and the security of supply chains.

The importance of cybersecurity is also underlined by the sanctions for breaches of individual obligations. Fines can reach up to CZK 250 million or two percent of a company's net worldwide turnover. At the same time, the personal liability of top management can be imposed, which can result in a temporary ban on the exercise of an office of a statutory body.

An entity’s responsibility for cybersecurity thus not only lies with its IT departments but directly with its top management who will now have to ensure that cybersecurity measures are actually implemented and maintained and that they do not remain just on paper.

How and when to prepare?

- If you are not sure when your organisation needs to do what in relation to the new Cybersecurity Act, or whether it is affected at all, here is an overview of the most important deadlines, and related obligations:
- 1 November 2025 – effective date of the new Cybersecurity Act.
- 60 days after meeting the conditions for registration: Based on the self-identification principle, obliged entities will be required to report the provision of their identified regulated service to the National Cyber and Information Security Agency. For a basic indication of whether your service will be regulated, you can use the calculator located on the Agency’s portal.
- 30 days from the receipt of the registration of the regulated service: After receiving the decision on the classification as a provider of a regulated service, obliged entities shall provide the contact details of their persons responsible for this area via the Agency’s portal, within 30 days.

One year after registration of the regulated service - a one-year transition period during which the obliged entity must set up and put into practice appropriate technical and organisational measures including risk management and continuity plans, supply chain security, and regular training of employees and senior management.

For many organisations, the new obligations including self-identification can be technically and legally challenging. That's why we provide our clients with comprehensive services that combine the expertise of legal and cybersecurity specialists. If you need to navigate the new Cybersecurity Act’s landscape, are unsure whether the new rules apply to you, or need assistance implementing the legal requirements, don't hesitate to contact us.

Second wave of effects of the AI Act

Half a year after the ban on unacceptable artificial intelligence systems took effect, the European artificial intelligence regulation is entering its next phase. Since 2 August 2025, the second wave of rules of EU Regulation 2024/1689 (AI Act) have been in effect. The regulation is primarily aimed at providers of general-purpose AI models including ChatGPT, Llama, Gemini and other well-known large language models.

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General-purpose AI models - new rules

General-purpose AI models are highly versatile and adaptable to numerous application areas. They can be easily linked to a wide variety of applications, implemented in new models, and further adapted to specific needs. General-purpose models are usually trained on huge amounts of data ranging from text and images to audio and video. The new regulation aims to eliminate the many risks associated with their development and use.

The new rules are primarily intended to ensure that general-purpose models are developed with an emphasis on transparency and accountability and that their use is safe and reliable. Creators are required to disclose information about model capabilities, computational resources, potential risks and data used, including whether they used copyrighted work in their training. At the same time, they must maintain detailed technical documentation and provide other developers with the necessary documentation to safely use and integrate the models into their solutions.

An even stricter regime will apply to highly competent and powerful general-purpose models that are referred to as general-purpose AI models with systemic risk due to their potential impact on the European market or on public health, safety, fundamental rights, and society. These models are subject to registration with the European Commission, must be regularly tested, including adversarial testing, and their providers must continuously monitor their behaviour, report incidents and ensure a high level of cyber security.

Code of practice and guidance for general-purpose AI models

In connection with the new rules, in July, the European Commission presented the final version of a voluntary code of practice for general-purpose AI models, which is the result of almost a year of joint work involving EU and national authorities, academics, experts and representatives of major technology companies. The code of practice focuses on transparency, copyright compliance and security and intends to promote responsible technology development. Once approved by the member states and the Commission, the code of practice will allow signatories to demonstrate their compliance with the AI Act. It will also serve as a practical framework for downstream providers, i.e., providers of AI systems operating specifically based on general-purpose models.

To date, the code of practice has been signed by leading technology companies including OpenAI, Google, Microsoft, and Anthropic. However, some companies are reluctant to sign the code, such as Meta, which has

refused to sign it, or xAI, which has only agreed to the security chapter. According to critics, the code is, among other things, an unnecessary regulation that may hamper the development of artificial intelligence in Europe. However, broad support is key to making the code as widely used in practice as possible and to creating a unified approach to its development.

Further guidance on the interpretation of the obligations is provided by the non-binding guidelines on the scope of obligations of providers of general-purpose AI models under the AI Act issued by the European Commission in connection with the commencement of the rules' effectiveness. The document specifies, among other things, when an AI model is considered a "general-purpose model", how to determine its provider, and the conditions under which downstream providers may occur in this position.

Starting the sanction mechanism and what to do next

The AI Act imposes obligations on AI system providers and users as well as on the member states. They had until 2 August 2025 to empower the relevant national authorities to oversee compliance with the AI Act. In the Czech Republic, this agenda fell, among others, to the Ministry of Industry and Trade, which is responsible for the preparation of the Czech act on artificial intelligence. The Czech Telecommunications Office has been designated as the main supervisory authority.

If your organisation is developing or using AI-based solutions and has not yet started preparing for the AI Act, do not delay. In fact, despite (failed) efforts to postpone the effectiveness of the AI Act, the time to prepare is quickly running out. Moreover, along with the effectiveness of the general-purpose model rules, under the AI Act, a sanction mechanism will be triggered. The most serious breaches will be subject to fines of up to EUR 35 million or seven per cent of a company's worldwide turnover, while less serious breaches will be subject to fines of EUR 7.5 million to EUR 15 million or one to three per cent of worldwide turnover.

In practice, the process of developing and implementing the necessary measures can be time-consuming and usually requires the involvement of various experts across organisations. We therefore recommend starting as soon as possible with a clear mapping of the AI tools in use, categorising them by risk, determining your organisation's role and identifying the associated responsibilities. If you are not sure about the AI Act or just need to make sure you are moving in the right direction, do not hesitate to contact us.

Banking amendment: wider powers for CNB and clarification of rules for branches of banks from third countries

The amendment to the Banking Act and other financial market laws is already valid, and most of its provisions will enter into effect from 11 January 2026. The amendment transposes the Capital Requirements Directive VI (CRD VI), regulates certain issues in relation to the Capital Requirements Regulation III (CRR III), and contains provisions concerning the previous implementation of the CRD V following its application in practice.

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Stronger powers to Czech National Bank

The CNB will seek earlier and more detailed information on transactions that may increase risks for banks and financial holding companies. This concerns transfers of large blocks of assets or liabilities, purchases and sales of significant stakes, and mergers and demergers. The bank will be required to submit in advance information on the reasons for the transaction, its impact on capital and liquidity, changes in risk management and staffing to the CNB, which then may refuse a transaction if it could undermine stability or raises AML suspicions. The amendment also clarifies sanctions and provides for an enforcement penalty the CNB may use to seek redress.

Branches of non-EU banks

To achieve greater uniformity of approach across the EU, the amendment introduces more detailed rules for branches of foreign banks from non-EU countries. The Banking Act and related legislation will include a more detailed list of documents required to obtain a permit from the CNB, a more uniform regulation of obligations, and rules for greater cooperation with other European supervisors.

Existing branches must adjust their processes, risk management, and governance and adapt to the new reporting obligations by 11 January 2027 to actively demonstrate to the CNB that they meet the new licensing conditions. The CNB may request from the branches a time plan of their adaptation to the new legislation and progress reports on its implementation.

Changes in governance, management, and approaches to ESG risks

The amendment strengthens the requirements for integrity and professional competence of the management of the bank or branch. Banks will also have to place even greater emphasis on environmental, social and governance risks: they will have to identify, assess and manage them more thoroughly, in a similar way to other prudential

risks. This will require updating internal guidelines and policies.

The CNB will assess the suitability of persons proposed for appointment as members of the statutory body or supervisory board before their appointment.

How we can help you

At your request, we will perform a gap analysis to assess whether you meet the requirements of the amended legislation, propose implementation measures, and help you implement them into your internal processes and internal regulations.

Legal

Foreign Subsidies Regulation: review may affect practice The Foreign Subsidies Regulation is

The Foreign Subsidies Regulation is facing a review by the European Commission. What will the commission focus on, what's the current status and what steps are expected?

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The Foreign Subsidies Regulation has been applied in the EU from 2023, as we already reported in our previous article. The Regulation's main purpose is to ensure a level playing field in the EU's internal market by preventing distortions of competition through foreign subsidies, i.e., direct or indirect financial contributions from outside the EU. These can take many forms, e.g. interest-free loans, guarantees, capital injections, tax relief, etc.

Under the Regulation, companies in certain cases have a notification obligation. The European Commission must be notified in advance of a merger, an acquisition of a controlling interest in another undertaking, or a creation of a joint venture where (i) one of the undertakings involved in the merger, the undertaking being acquired, or the joint venture is established in the EU and has a turnover of at least EUR 500 million; and (ii) the undertakings concerned have received over the last three years foreign subsidies exceeding EUR 50 million. In such a case, the business combination cannot be implemented before such notification.

In addition, the notification obligation also applies when bidding for public contracts. If the value of the public contract is EUR 250 million and the foreign subsidies granted to the tenderer (including its subsidiaries and parent companies as well as main suppliers and subcontractors involved in the same tender in the public procurement procedure) have amounted to at least EUR 4 million in the last three years, this must be reported to the contracting authority when submitting the tender or a request to participate in the public procurement procedure. Failure to comply with these obligations can result in a fine of up to 10% of the total turnover of the undertakings.

The Regulation requires the Commission to review the Regulation by July 2026 (and every three years thereafter). The aim is to see how it works in practice and what could be improved. The Commission has therefore launched a review, focusing specifically on:

1. the assessment of foreign subsidies that distort the internal market
2. the application of the balancing test, i.e., whether the positive effects of a foreign subsidy outweigh its distortive effects
3. the review of potentially distorting foreign subsidies on the Commission's own initiative
4. notification thresholds
5. in general, the level of complexity of the rules and the costs incurred by businesses.

The Commission is now seeking feedback from stakeholders through public consultation (gathering views on

specific elements of the implementation of the Foreign Subsidies Regulation from member states, businesses, individuals, etc.) and a call for evidence (more general feedback on the objectives of the review report, its scope and context).

Anyone interested in engaging in the review can comment or fill in the questionnaire on the Commission's portal until 18 November 2025. The Commission will then use the input in its review report, which may be complemented by proposals for legislative changes.

It is important for businesses to know that the results of the review, or the legislation subsequently adopted, may be directly translated into practice – participation in public procurement procedures, and transactions. We are monitoring the developments closely and will keep you informed of any changes.

Legal

A digital system for EU travel finally in sight

At the end of July, the European Commission announced that the Entry/Exit System (EES) for the tracking and registration of foreigners travelling to the Schengen Area will begin its implementation on 12 October 2025.

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The EES will replace the current practice of manually stamping passports when crossing the external borders of the Schengen Area. The implementation will take place gradually over a period of six months and will cover a total of 29 European countries. The new system will digitally record data on the entry and exit of non-EU citizens travelling to the Schengen Area for short stays, usually up to 90 days. The system will also collect their biometric data and automatically check compliance with the authorised period of stay.

The main objectives of the EES are to increase the security and efficiency of border controls, to reduce illegal stays and to make the movement of people across EU borders more transparent. Companies employing third-country nationals will have to monitor more closely their employees' business and private trips within the Schengen Area to prevent breaches of immigration rules that could lead to refusals of entry.

The EES' launch is the next step in the digitisation of EU border management. Its full implementation will be challenging and will require careful coordination between member states, border crossing point operators, and the private sector, all of which should also be already preparing for the launch of the European Travel Information and Authorisation System (ETIAS), currently expected to be operational in 2027.

CBAM: new obligations for importers

The Carbon Border Adjustment Mechanism (CBAM) is the European Union's key tool to combat climate change. It aims to eliminate the risk of 'carbon leakage' where production is moved to countries with less stringent emission standards. New obligations for importers are now on the horizon, starting from 2026, and companies need to prepare now.

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The CBAM registry, which works as a central digital platform, enables importers and installation operators to meet their emissions reporting obligations. In the current transitional period, which lasts until the end of this year, importers are obliged to report the emissions contained in their products to the relevant authorities on a quarterly basis, but for the time being without having to pay a fiscal charge for these emissions.

From 2026, when the CBAM enters its final phase, the requirements for importers will become stricter. Imports of goods subject to the CBAM will only be possible by authorised CBAM declarants, which are entities authorised by national authorities. The registration of the status of authorised CBAM declarants is carried out by the Czech Customs Administration. These entities will have to annually declare the quantity of goods imported and the corresponding emissions, as well as surrender the required number of CBAM certificates to be purchased during the year. The price of these certificates will correspond to the average weekly price of emission allowances in the EU ETS.

The Customs Administration has recently issued several practical guidelines on how to obtain the authorised CBAM declarant status. In this regard, we recommend that all entities affected by CBAM register and obtain the status well in advance.

EU-US Framework Trade Agreement will help make trade cheaper

In August, the European Union and the United States issued a joint statement on a new framework agreement. This is intended to make trade between the two parties easier and cheaper.

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applies to, e.g., cars, pharmaceuticals, semiconductors, and timber. This change should make it easier to export European products to the United States and at the same time reduce their price for American consumers.

In the statement, the EU, among other things, promised to remove tariffs on all industrial products imported from the US. This means that US businesses will be able to sell their products in Europe on more favourable terms. In addition, the EU will give US farmers better access to the European market, which may mean a wider range and possibly lower prices of some foodstuffs for European consumers.

In return, the US will reduce its existing high tariffs on imports of cars and car parts from Europe, which currently stand at **27.5%**. However, this move is conditional on the EU first passing the necessary laws to remove tariffs on US goods. Both parties have also committed to preparing and signing a detailed agreement as soon as possible, setting out specific rules and conditions for mutual trade.

Overall, this framework agreement should bring greater stability and predictability for businesses on both sides of the Atlantic and more profitable purchases for end consumers on both parts.

Case law

CJEU agrees with VAT payer claiming tax exemption

The Court of Justice of the European Union (CJEU) has ruled that the tax exemption for exports of goods can also be applied to supplies of goods originally intended for the supply to another member state, as long as the conditions for exemption of exports are met.

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W, a Polish company, in their tax returns declared tax-exempt intra-community supplies of apples. According to the waybills, the goods were to be transported and delivered from Poland to Lithuania, and the transport was to be arranged by the customer. However, based on customs documents the Polish tax authorities established that the apples had in fact been exported directly to Belarus, without the supplier's knowledge. The Polish tax authorities claimed that the supply of goods could not be exempted from tax as a supply of goods to another member state (tax-exempt intra-community supply) and should have been subject to Polish tax.

The CJEU reiterated that an export of goods takes place and the tax exemption applies if:

- the right to dispose of the goods as their owner was transferred to the customer
- the supplier proves that the goods were dispatched or transported outside the EU
- the goods physically left the EU as a result of the dispatch or transport.
- According to the CJEU, the first criterion was met because the supplier transferred the right to dispose of the apples as their owner to the customer.

As regards the second criterion, it was important that the objective conditions for the application of the tax exemption for exports of goods were met. The circumstances that the parties had initially agreed on supplying the goods to another member state (which eventually did not take place) and that the supply outside the EU took place without the supplier's knowledge were irrelevant, subjective elements. In the present case, the supply of apples outside the EU was proven beyond dispute, as the tax authorities confirmed this based on customs documents.

As regards the third criterion, according to the CJEU, in the present case it was undisputed that the apples were transported by the buyer outside the EU.

A VAT exemption is intended to ensure that the supplies of goods are taxed at the place where the exported goods are consumed. In the present case, the supplier could not be deemed to have made the supply within Poland, as the apples were not consumed there.

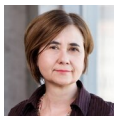
The CJEU further emphasised that when the substantive requirements are met, the principle of fiscal neutrality requires the VAT exemption to be granted even if certain formal requirements were omitted by the taxable persons. It would be disproportional to deny the exemption for exports solely on the grounds that the supplier did not have the correct export documents, where the tax authorities were certain that the goods were exported.

Given that the substantive criteria for exemption were met, the CJEU held that in the present case it was possible to apply the exemption for exports of goods, as the export in question was confirmed by the tax authorities based on customs documents.

In brief

News in Brief, September 2025

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



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DOMESTIC NEWS

- Decree No. 301/2025 on the percentage share of individual municipalities in the parts of the national gross revenue from value-added tax and income tax (effective from 1 September 2025) has been published in the Collection of Laws.

- In the Collection of Laws under No. 312/2025, the Ministry of Finance has published a forecast of the average gross monthly nominal wage in the national economy for 2026, which is CZK 51,497. As a result, the minimum wage will increase by CZK 1,600 to CZK 22,400 per month from 1 January 2026. The corresponding hourly rate for a fixed working week of 40 hours will be CZK 134.40. The increase derives from the indexation mechanism enshrined in the Labour Code in 2024. The minimum monthly assessment base for the health insurance of employees will therefore also increase.

- An amendment to the Act on Experts, Expert Offices and Expert Institutes, in effect from 1 January 2026, has been published in the Collection of Laws under No. 285/2025. The amendment mainly ensures compliance with related secondary legislation and includes technical changes to the decree on the rules of procedure for district and regional courts.

- An amendment to the Public Health Insurance Act has been published in the Collection of Laws under No. 289/2025 (with effect from 1 January 2026). The main affected areas include: 1. Enhancing the motivation of insured persons to engage in prevention 2. Fund management of health insurance companies 3. Provision of paid cross-border healthcare 4. Medicinal products, foods for special medical purposes, and medical devices 5. Ensuring access to dental care 6. Data base for setting payment mechanisms.

- For the comment procedure, the government has published a draft regulation to implement the law on single monthly employer reporting. The main objective of this draft is to specify the technical details of the communication between the employer and the Ministry of Labour and Social Affairs, thereby establishing the prescribed format (XML file) and content structure of the submission (i.e. data sentence).

- Financial Bulletin of the Ministry of Finance No. 11 contains the Communication on the Treaty between the Czechoslovak Socialist Republic and the Federal Republic of Germany for the Avoidance of Double Taxation in the field of Income and Property Taxes in relation to the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting.

FOREIGN NEWS

- The OECD has published a list of the first signatories to the Multilateral Competent Authority Agreement on the exchange of information from GloBE Information Returns (GIR MCAA), filed by constituent entities of multinational groups subject to the global minimum tax. The list of signatories includes Austria, Belgium,

Denmark, France, Ireland, Italy, Japan, South Korea, Luxembourg, New Zealand, Portugal, Slovakia, Spain, and the UK.

- The OECD has updated its central register of jurisdictions that have been granted transitional qualified status in connection with the implementation of the domestic minimum top-up tax (DMTT). It has also published the Income Inclusion Rules (IIRs). The following jurisdictions have been newly granted qualified status for the DMTT: Gibraltar, Indonesia, the Isle of Man, Japan, Malaysia, North Macedonia, Poland, Portugal, Singapore, South Africa, Thailand, and the United Arab Emirates. The following jurisdictions have been granted qualified status for the IIR: Gibraltar, Indonesia, the Isle of Man, Jersey, Malaysia, New Zealand, North Macedonia, Poland, Portugal, Singapore, South Africa, Switzerland, and Thailand.

- The KPMG EU Tax Center regularly monitors changes in direct taxes in the EU and internationally. Here you will find regular summaries of the latest news (e-news) and alerts on important events (tax flash) with the possibility to subscribe to them.

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