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In brief

News in Brief, November 2025

Editorial

The incoming government coalition has presented its draft policy statement. Officials can now start opening their drawers to look for the documents they filed away four years ago. The revised electronic reporting of sales (EET) system will return, and there should be changes to the income tax law, including a reduction in corporate tax back to 19 percent. Several previously abolished tax credits for individuals will be available again, and the recently introduced cap on tax-exemption of employee benefits should be done away with. However, there are also some completely new developments in the pipeline, such as the introduction of mandatory transfer pricing documentation presented in advance. Research and development allowances should become more attractive thanks to their simplification, as the period of time for claiming them should be extended and the legal certainty increased.

Employers should take note of several developments that are already affecting tax practice or will do so soon. These include a more intensive monitoring of illegal forms of employment, a new law on mandatory contributions to retirement savings products, and the preparation of payroll systems for the introduction of single monthly employer reporting.

Czech legislation is attempting to address the issue of shared transport in various ways. While the General Financial Directorate has published updated information on the tax obligations of providers of transport services via mobile applications and established cooperation with the Bolt platform, municipalities must proceed on their own when it comes to regulating shared electric scooters. Prague, for example, is essentially abolishing them by not including them in the new licensing system.

You can also use some of the shared transport services on Wednesday, 19 November, when our flagship conference, the Tax and Legal Forum, will be held at the Cubex Center in Prague's Pankrác district (where the metro station is still closed). The main guest will be Karel Šimka, President of the Supreme Administrative Court. His appearance will be followed by seven presentations by our experts on the most important changes and developments in taxation and law for 2026 and their impact on everyday practice. We look forward to seeing you there.



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Tax changes in government's policy statement

The incoming government coalition has prepared its draft policy statement. In public finances, it emphasises the principles of promoting economic growth, avoiding tax increases, and ensuring proper tax collection.



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The most significant impact on multinational companies should be the reduction of the corporate income tax rate to 19 percent and the introduction of mandatory transfer pricing documentation. The reintroduction of electronic sales reporting (EET) will have a widespread effect. Several other minor changes to taxation and mandatory insurance in the draft statement are summarised below.

Entrepreneurs

Income tax

- introduction of a duty to maintain transfer pricing documentation for multinational groups
- reduction of the corporate income tax rate from 21% to 19%
- creation of an incentive depreciation policy for investors in start-ups
- introduction of faster and more effective tax depreciation of fixed assets
- simplification and enhancement of the attractiveness of research and development allowances, increase in the legal certainty for their deductibility (for example, in cooperation with the Technology Agency of the Czech Republic), and extension of the period during which allowances can be claimed
- investment incentives focusing on regions and economically disadvantaged areas, on local businesses generating added value, and on companies that allocate their earnings back into the Czech economy
- introduction of investment incentives and tax relief for long-term investors in affordable rental and cooperative housing
- preparation of a system of tax-beneficial depreciation for the construction of company apartments for employees
- reduction of costs for active Czech farmers through tax and fiscal measures.

VAT and indirect taxes

- increase of the limit for mandatory VAT registration significantly above CZK 2 million (subject to EU approval)
- shortening of the deadline for returning VAT deduction claimed on unpaid invoices, from the current six months to three months
- unification of VAT on catering services and the serving of non-alcoholic beverages at a rate of 12%
- introduction of 0% VAT on prescription drugs

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- commitment not to introduce excise duty on still wine and carbon tax on fuels.

Tax credits for individuals

- introduction of increased tax credit for fourth and subsequent children
- reinstatement of:
- the tax credit for a spouse, in its original form
- the tax credit for students
- the tax credit for placing children in pre-school facilities.

Employees

- removal of the cap on tax exemption of leisure-related benefits provided to employees
- exemption of voluntarily provided gratuity (under defined conditions) to employees in the catering industry from social security and health insurance contributions and from income tax.

Self-employed

- end to increasing the minimum monthly assessment base for social security contributions for self-employed persons for whom self-employment is their main activity, at 35% of the average wage.

Administration and collection of taxes and mandatory insurance premiums

- introduction of electronic reporting of sales from 2027 (with the option of free use of Czech Financial Administration software, no mandatory printing of receipts or permanent online connection, and exemption for small businesses
- and occasional earnings).
- use of advanced analytical tools and artificial intelligence to detect illegal tax optimisation
- stricter inspections of employment agencies, including checks to identify tax and insurance evasion
- establishment of a single collection point combining the collection of taxes, social security, and health insurance
- abolition of mandatory reporting of workers under agreements to perform work outside employment to health and social security registers
- completion of online tax authority project
- examination of tax obligations of foreign marketplaces and e-shops
- simplification of tax and administrative conditions and reporting (small and medium-sized enterprises).

Real estate tax

- end to automatic indexation of real estate tax using inflation coefficients.

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Government regulation on JMHZ: what data to provide and in what form?

The government regulation implementing the Act on Single Monthly Employer Reporting (in Czech "Jednotné měsíční hlášení zaměstnavatele" or JHMZ) was published in the Collection of Laws (No. 417/2025 Coll.), representing a fundamental step towards the practical introduction of a single employer reporting system.



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We wrote about the act on single monthly employer reporting (JMHZ) in more detail here.

The regulation, which comes into effect on 1 January 2026, specifies in detail what data employers will be required to provide and in what form.

The regulation itself and its annexes specify the reported data, their scope and disclosure to the relevant institutions, the period for which the data is reported, and the information kept in the employer and employee records. The regulation also specifies the format and content structure of submissions, including technical requirements for electronic data transmission and unambiguous identification of submissions.

Employers should ensure that their payroll systems contain the necessary information and can generate data files with the prescribed content and structure. The JMHZ will be launched on 1 April 2026, and the deadline for submitting the first monthly report for April is 20 May 2026.

Regulation No. 417/2025 Coll. is available here (pdf).

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Financial administration stepping up illegal work checks

The Czech financial administration is significantly intensifying its inspection activities focused on illegal forms of employment, in particular disguised labour mediation. We therefore recommend that all employers pay increased attention to the correct setting of their labour-law relations.



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In its press release, the financial administration points out that within its analytical activities and inspections, it aims to assess the actual economic substance of business relationships and the factual characteristics of the work performed, and verify compliance with tax obligations. Several recurring patterns of illegal work have emerged from the financial administration's inspection practice. Most common are artificially created contractual relationships involving chains of companies, including formal employment agencies, where it is often impossible to trace the actual legal employer of the workers provided.

Another risky scheme involves chains of legal entities that invoice for the delivery of work even though the employees perform the work under the direct supervision of the user.

The financial administration also mentions cases where employers formally transform part of taxable wage to various types of allowances to which employees are not entitled or that are provided to employees on a lump-sum basis, which are not subject to tax: such as travel allowances, contributions for the maintenance of work clothing, or allowances for wear and tear on personal tools. These allowances are sometimes paid unjustifiably, or their amounts are overestimated through lump-sum calculations.

The financial administration recommends that companies take specific measures and always verify the actual nature of the cooperation. If a user cooperates with an employment agency, they should verify the validity of its license from the Ministry of Labour and Social Affairs and require proof that the agency pays the mandatory contributions for its employees. According to the financial administration, caution is advised, and in case of uncertainty, consulting an expert is recommended.

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Mandatory employer contribution to retirement savings products

The new act on mandatory employer contributions to retirement savings products, which was approved in September this year, will come into effect in January 2026. On which employers does it impose new obligations?



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The law introduces a fundamental change for employers whose employees perform hazardous work classified in the third category. Employers will now be required to pay a mandatory contribution to their supplementary pension insurance or additional pension savings scheme for these employees for each month in which the employee works at least three shifts of hazardous work, if the employee so requests. For the sake of completeness, we would like to point out that a long-term investment product (DIP) is not a retirement savings product within the meaning of this act, so the employer's contribution to a DIP will not be considered the fulfilment of this obligation.

The law thus responds to the fact that the system of reducing the retirement age, introduced in 2025 for employees performing hazardous work in the fourth category (which is linked to the employer's obligation to pay increased social security contributions), does ultimately not apply to employees in the third risk category. The mandatory employer contribution is therefore intended to increase the old-age security of these employees and contribute to their possibility of drawing a pre-retirement pension.

Amount and conditions of the mandatory contribution

An employer's obligation to pay a mandatory contribution only arises based on an employee's request. The employee shall notify the employer in writing that they are exercising the right to the mandatory contribution and provide the necessary details for making the payment (e.g., the name of the pension company and the account number). The first decisive period for which the employer will be obliged to pay the contribution is the calendar month following the delivery of this request. The mandatory contribution is always due by the end of the month following the month in which the employee became entitled to the mandatory contribution.

Employees are only entitled to the mandatory contribution in the month in which they work at least three shifts of hazardous work. A hazardous work shift is defined as a shift in which the employee performs hazardous work for at least the majority of the shift. If the hazardous work shift is shorter or longer than eight hours, each hour started is counted as one-eighth of a hazardous work shift.

The mandatory employer contribution is included in the annual limit of CZK 50,000, which is exempt from income tax and social security and health insurance contributions for the employee (this also applies to the portion of the

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insurance premium paid by the employer).

If the employer already voluntarily contributes to the employee's retirement savings products in an amount equal to or greater than the mandatory contribution (e.g., based on an employment contract or collective agreement), this voluntary contribution is considered to fulfil the legal obligation.

Contributions up to the limit specified by law will be tax deductible for employers. Contributions above the statutory limit will normally be deductible only if the entitlement to them arises from an employment contract or collective agreement or the employer's internal guidelines.

Employers’ obligations and penalties

Employers are obliged to inform their employees of their right to the contribution and how to claim it before they start performing hazardous work. If an employee is already performing hazardous work on the date the law comes into effect, they must be informed of their entitlement within 15 days of the law coming into effect, i.e. by 15 January 2026.

The employer is also obliged to issue the employee with a payment confirmation of the mandatory contribution by the end of the calendar month in which the contribution was first paid. At the same time, they must keep detailed records about employees who have exercised their right to the contribution, about hazardous work shifts worked, the amount of contributions paid, and other related data. These records must be kept for ten years and submitted to the regional social security administration upon request.

Employers who fail to comply with these obligations face fines of up to CZK 2 million. Compliance with these obligations will be monitored by the regional social security administrations.

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Long-term investment products (DIP) now more flexible

Since May 2025, the flexibility of long-term investment products (DIP) has increased. When changing a provider, the savings period from the previous product is now counted towards the savings period of the new product, which allows investors to maintain tax benefits and continue saving seamlessly.



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The previous legislation did not allow the savings periods to be added up when transferring funds between DIP providers. In practice, this meant that when changing a provider, taxpayers lost their accumulated savings time and could thus lose their entitlement to tax benefits.

Now, if all accumulated funds are transferred from one DIP to another approved DIP provider, the savings period from the terminated product is counted towards the minimum period of the new one, which ensures that taxpayers do not lose their accumulated savings time when changing providers and can continue saving smoothly without jeopardising their entitlement to tax benefits.

The condition for accumulating the savings periods is that all funds must be transferred between approved DIP providers and the transfer must be properly documented. At the same time, the condition that funds from the DIP may not be withdrawn for a period of 120 months remains in place. Otherwise, the taxpayer will have to return the tax benefit provided.

The new rules shall also apply retroactively for 2024. Taxpayers who changed their DIP provider in 2024 and later will thus be able to retain the savings period from the previous product if they met the transfer conditions.

The change brings greater flexibility for the long-term investment product, as taxpayers are no longer tied to a single provider for the entire duration of the product and can thus respond better to market offers without losing their tax benefits.

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News on tax obligations when providing transport services via mobile applications

The General Financial Directorate (GFD) published its updated information on the tax obligations of entities involved in the provision of transport services via mobile applications (Uber, Bolt, and Liftago). The GFD's information considers legislative changes in VAT, as well as providing additional information on the tax implications with respect to income tax on employment. At the same time, the GFD announced the conclusion of a memorandum on the provision of information for proper tax collection with the Bolt platform.



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The updated GFD information is effective from 1 January 2025 and replaces the previous version of the information from 2023.

Value added tax

The provision of passenger transport services for consideration via a mobile application with the place of supply in the Czech Republic is a taxable supply for VAT purposes, regardless of whether the transport provider has the relevant trade licence.

The new GFD information refers to the current conditions for mandatory VAT registration, which are based on GFD's general information on changes in VAT payer status and registration procedures from 1 January 2025.

Where a transport provider established in the Czech Republic is not yet a VAT payer, they will become one no later than 1 January of the following calendar year if their turnover in the immediately preceding calendar year exceeds CZK 2 million. However, if their turnover exceeds CZK 2,536,500 before the end of the taxable period, they become a VAT payer already from the day following the date on which the threshold was exceeded.

Similarly, a service consisting in providing access to a mobile application that allows a taxable person established in the Czech Republic to receive transport requests is also a taxable supply from a VAT perspective.

If the service of access to the mobile application is provided by a person not established in the Czech Republic and the passenger transport provider is a VAT payer, the transport provider is obliged to declare output VAT on this service and, at the same time, has the option of claiming a VAT deduction if the legal conditions are met.

If the transport provider is not registered for VAT as a payer, they are obliged to register as a person identified for VAT regardless of the amount of turnover. In such a case, they will pay output VAT on the service received but will not be entitled to claim input VAT.

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Income tax

If transport services are provided by natural persons, they are subject to personal income tax with the option of claiming actual expenses or expenses as a percentage of income. If the provider meets the legal conditions, they may enter into a lump-sum tax regime.

Service providers who are legal entities tax all income through their corporate income tax returns.

There is also the possibility that other natural persons may perform transport for a natural or legal person. The GFD information has now drawn attention to the obligations of transport service providers as payers of tax on income from employment (dependent activity). This applies to natural or legal persons operating transport services if these services are performed for them by natural persons on the basis of a contractual relationship that fulfils the characteristics of a dependent activity (activity performed personally, on behalf of and according to the instructions of the employer, in subordination to the employer who has the authority to direct the performance of work and issue binding instructions). The type of contractual arrangement, i.e. employment contracts or other agreements on personal performance of work, is irrelevant in this case (e.g., a "Svarc system" or disguised agency employment).

Cooperation between platforms and financial administration

The GFD also announced that it had signed its first memorandum of cooperation with the Bolt technology platform. This agreement focuses on the regular provision of selected data for tax administration purposes and represents an important step towards the greater transparency of the ride-hailing platform sector. It is expected that the data will be used to verify the tax obligations of persons involved in the provision of transport services.

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Regulation of shared electric scooters insufficient – Prague introduces own solution

Current legislation provides municipalities with only limited options for responding to problems associated with the operation of shared electric scooters. Cities are therefore looking for alternative ways to regulate them.



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The law does not sufficiently regulate parking rules and liability for shared electric scooters. The Road Traffic Act stipulates that any obstacle to traffic must be removed by the person who caused it. In practice, however, it is almost impossible to trace a specific user, and the liability of operators is not regulated by law. Municipalities are therefore significantly limited in their ability to enforce remedies. They also have limited options for regulating shared micromobility on their own. Regulation cannot be effectively established by a generally binding decree, so cities mainly use contracts with service operators. However, this approach has proven to be insufficient.

Prague has responded most decisively to the persistent problems. From 1 January 2026, it will introduce a new licensing system for shared micromobility, which will allow the use of reserved parking spaces for a fee, but only for shared bicycles and electric bikes. Electric scooters will not be included in the system, and since it will not be possible to park these vehicles outside these areas, their operation in the city will practically cease.

Other cities are taking a more moderate approach. České Budějovice has regulated the operation of shared electric scooters through agreements with operators, which specify designated parking spaces and conditions for their use. Ostrava, on the other hand, has introduced local traffic regulations that restrict the movement of electric scooters in pedestrian zones in the city centre.

While Prague has opted for the strictest form of regulation, other cities are trying to preserve shared services, albeit under stricter supervision. However, there is still no uniform legislation, and cities are therefore looking for their own ways to maintain a balance between accessible mobility and order in public spaces. The question remains whether shared electric scooters will suffer the same fate as Segways once did—initially a welcome addition to urban transport that eventually almost disappeared from the streets.

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Slovakia's third consolidation package: higher taxes, new rates and other changes from 2026

The Slovak Parliament has approved the third public finance consolidation package, bringing significant changes to the tax system in Slovakia with effect from 1 January 2026. Here is a summary of the most important changes.



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Increase in personal income tax

New rates of 30 percent and 35 percent are being introduced to Slovak personal income tax, expanding the number of rates from two to four:

- Up to a tax base of EUR 44,000: the rate remains at 19% (corresponding to a gross monthly wage of up to EUR 4,282)
- Above EUR 44,000: 25% rate (gross monthly wage from EUR 4,282 to EUR 5,875)
- Above EUR 60,000: 30% rate (gross monthly wage from EUR 5,875 to EUR 7,302)
- Above EUR 75,000: 35% rate (gross monthly wage above EUR 7,302)

Further consolidation measures

- increase in the tax rate for constitutional officials and members of parliament under a special regime from 5 percent to 10 percent
- introduction of a new minimum corporate income tax bracket for companies with taxable income above EUR 5 million
- increase in the special levy rate for collective investment from 4.36 percent to 15 percent
- introduction of a higher assessment base for self-employed persons for mandatory insurance contributions.
- introduction of insurance contributions paid on income during incapacity for work, maternity leave, and carer's allowance
- increase in VAT on selected foods from 19 percent to 23 percent
- increased taxation on gambling and non-life insurance
- general tax amnesty from 1 January to 30 June 2026, during which taxpayers will have the opportunity to pay their tax arrears or declare additional tax without being assessed a penalty or default interest
- restrictions on VAT deductions for company vehicles used also for other than business purposes

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More information is available on KPMG Slovakia's website.

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Subsidies for construction of charging stations

The Czech Ministry of Transport has launched two new calls for proposals under the Transport Programme 2021-2027 to support the development of infrastructure for alternative fuels, specifically the construction of charging stations.



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Call No. 40 focuses on the construction of standard charging stations in cities and municipalities. Applicants may obtain support of up to 80 percent of eligible project expenses. At the same time, there is a limit on expenses per charging station of between CZK 70,000 and CZK 220,000, depending on how many charging points the station has and whether it is anchored to the ground or to a vertical object. The minimum scope of the project is set at 20 AC/DC standard charging points.

Call No. 41 supports the construction of ultra-fast charging stations with a minimum output of 150 kW throughout the Czech Republic. Support can reach up to 55 percent of eligible project expenses, but here too there is a limit on expenses per station, in particular CZK 1,900,000. At the same time, eligible expenses can be increased by CZK 10,000 for each 1 kW of additional power (above the specified 150 kW). The minimum scope of the project is set at 10 DC ultra-fast charging stations.

The allocation for each call is CZK 320 million, and applications for subsidies under both calls can be submitted until 27 January 2026. The project must be completed by 31 December 2029, at the latest.

If you are interested, we will be happy to provide you with more detailed information or help you prepare your grant application.

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Subsidies for research and development of advanced technologies

In cooperation with the Business and Innovation Agency, the Ministry of Industry and Trade has begun accepting applications for DEEP TECH – Call IV, announced under the Applications programme, which supports industrial research and experimental development in advanced technological solutions.



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Applications may be submitted until 19 February 2026. Large enterprises with more than 3,000 employees can only apply for support if they plan to work on the project in effective cooperation with a small or medium-sized enterprise. The aim of the project is to increase the technological readiness of advanced technological solutions and to support highly innovative processes, products, and services in selected deep tech areas, such as semiconductors (microchips), artificial intelligence and machine learning, robotics, the defence industry, biotechnology, sustainable energy and low-emission technologies (including means of transport), electronics and photonics, communications and network technologies, and other advanced materials.

A subsidy of up to CZK 100 million can be obtained for a single project. The aid intensity for large enterprises is set at 25–65 percent of total eligible expenses, depending on whether the project focuses on industrial research or experimental development, and on the nature of the effective cooperation. Eligible expenses include the costs of contract research, R&D consulting services used for the project's purposes, personnel expenses, the costs of tools, instruments, and equipment in the form of depreciation, the costs of materials and components, and lump-sum costs amounting to 15 percent of personnel expenses.

The project must be implemented in the Czech Republic outside the capital city of Prague and completed no later than 28 February 2029.

If you are interested, we will be happy to help you prepare your application for this type of support.

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Case law

How to correctly treat building land from VAT perspective

The issue of VAT on the sale of real estate, especially land, often causes confusion and leads to different interpretations. A recent ruling by the Supreme Administrative Court (SAC) provides guidance on how to determine whether the sale of land is a taxable supply or an exempt supply without the right to deduct VAT. Since the court ruled in accordance with the legislation in force until 30 June 2025, it is also necessary to look at the conclusions of the ruling from the perspective of the current VAT Act.



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According to the VAT Act valid until the end of June 2025, land is considered building land if a structure permanently attached to the ground is to be built on it and:

1. it is or has been the subject of construction modifications or administrative acts for the purpose of building such structure, or
2. construction work is being or has been carried out in its vicinity for the purpose of building such structure.

If the land is not building land according to this definition, its sale is exempt from VAT, without the right to deduct the related input VAT.

In its judgment 4 Afs 121/2024-31, the Supreme Administrative Court dealt with the condition that a structure is to be built on the land, and examined whether certain work or administrative acts (e.g., zoning plan) were in fact directed toward this end.

The case in question concerned two adjacent plots of land. The VAT treatment of one of them was unclear. The tax administrator claimed that the classification of the land as building land in the zoning plan was sufficient to fulfil the condition that a structure permanently attached to the ground is to be built on the land. However, the SAC ruled that classification in the zoning plan alone was not sufficient, as it is also necessary to examine other circumstances, in particular the intention of the contracting parties, i.e., whether they really intend to build on the land. The key was the purchase agreement, which in this particular case did not confirm the intention to build. The SAC emphasised that even the fact that a single price was agreed in the purchase agreement for both plots of land had no influence on the assessment of the VAT treatment, since in this case the second plot of land could not be considered an ancillary supply to the building plot. The SAC thus ruled that the second plot of land was not building land and its supply should have been exempt from output VAT.

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Thus, until the end of June 2025, if both conditions were met (a structure was to be built and there was an administrative act or construction work), the sale of land was subject to VAT. The formal classification of land in the zoning plan in itself was not decisive; the actual intention to build on the land, and the circumstances of the transaction, in particular the content of the purchase agreement, also had to be considered.

From 1 July 2025, these conditions have merged into a single provision: building land is also considered to be a plot on which a structure can be placed based on the zoning documentation, the definition of a built-up area, or a decision by the building authority to build a structure. It is now sufficient for the land to be specified in the zoning documentation as designated for building a structure permanently attached to the ground. In other words, if the land is "buildable," it meets the conditions for building land.

This case shows that when assessing the VAT treatment, not only of land, it is always necessary to proceed from current legal regulations and thoroughly examine all the circumstances of a specific transaction.

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Case law

SAC: application of double tax treaty to sale of domestic real estate business share

The Supreme Administrative Court (SAC) ruled that a Cypriot company's income from the sale of a business share in a Czech company whose value consisted in more than 90 percent of real estate is subject to taxation in the Czech Republic.



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Under the Czech Income Tax Act, income of tax non-residents from the transfer of shares in corporations based in the Czech Republic is sourced in the Czech Republic and is therefore taxable here. The double tax treaty between the Czech Republic and Cyprus grants the right to tax this income in the source state if more than 50 percent of the company's value derives from Czech real estate.

In its decision in case 22 Afs 143/2025 - 40, the SAC recalled the general approach to the interpretation of double tax treaties, emphasising that these treaties can neither replace the domestic tax regulations of the contracting states nor establish a new right of the state to demand payment of tax. As a rule, they only change the tax regime established by domestic tax regulations, and in principle only to the benefit of taxpayers.

The SAC further reiterated that the Income Tax Act itself provides a sufficient legal basis for taxing income from the sale of shares in corporations based in the Czech Republic. The treaty does not prevent such taxation if, as in this case, the income stems from the transfer of shares in a company where more than 50 percent of its value is derived from real estate located in the Czech Republic.

In the present case, the taxpayer pointed to their legitimate expectations and the absurd consequences arising from the analogical interpretation of the Income Tax Act, according to which all income from the sale of shares of the largest Czech publicly traded corporation (ČEZ, a.s.), 75 percent of whose assets consist of real estate, would have to be taxed similarly (the court did not deal with the methodology for determining the value of real estate in the value of the company).

According to the SAC, a taxpayer's legitimate expectations may also arise based on the passivity on the part of an administrative authority that is deliberate and intentional in the application of legal regulations. However, when assessing whether such practice can be considered binding, it is crucial that it is a consistent, coherent, and long-term activity or inactivity that repeatedly confirms a certain interpretation of the law and that the taxpayer can legitimately rely on. According to the SAC, however, the latter condition was not met in the present case. The taxpayer did not prove that the financial authorities had consistently, coherently, and over a long period of time not taxed income from the transfer of shares in ČEZ, a.s., nor that the taxpayer had knowingly relied on such practice. References to the passivity of the authorities therefore cannot give rise to legitimate expectations.

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Case law

SC: Share ownership dispute has no place in proceedings to redeem (reestablish) shares

The Supreme Court has clearly defined the limits of the procedure to redeem (reestablish) lost or destroyed shares in court. If a dispute over ownership arises, the court may not decide who owns the shares in these proceedings. Lost or destroyed documents may only be reestablished if there is no doubt about the ownership rights.



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The subject of the dispute was the redemption (reestablishment) of 29 Class A shares with a nominal value of CZK 1 million and three Class B shares with a value of CZK 100,000. The applicant claimed that she was the owner of the shares and that they had been lost. However, another person objected to this, claiming that they were the owner of the shares, as the shares had never been validly transferred to the applicant. In addition, they claimed that the shares had not been lost and that some of them were being held by family members.

The court of first instance rejected the motion to reestablish the shares, but the appellate court reversed this decision and declared the shares reestablished, because, in its opinion, it was not clear where the shares were currently located. In determining the ownership of the shares, the appellate court relied on a previous court decision in another case, in which the court stated in its reasoning that the applicant was the owner of the shares. An extraordinary appeal was then lodged with the Supreme Court (SC) against the appellate court's decision.

The SC dealt with a key question: in the proceedings to redeem (reestablish) documents, can the court examine who the owner of the documents is? The answer is clear – it cannot. According to the Act on Special Court Proceedings, only a person with a legitimate interest, usually the owner of the document, may file a motion to reestablish the documents. However, if someone objects that they are the owner, a dispute over ownership arises. Such a dispute must be resolved exclusively in separate proceedings under the Civil Procedure Code, not within the procedure to redeem (reestablish) documents.

Once it becomes apparent that the ownership of the shares is disputed, the court must dismiss the motion. The appellate court therefore erred when it began to prove who the owner of the shares was and even relied on a previous decision in another case in which the appellant was not a party to the proceedings.

The decision has practical implications for shareholders and their legal representatives. If certificated shares (shares in paper form) disappear and their owner can be clearly proved, their redemption (reestablishment) in court can be sought without further complications. However, if another person enters the dispute claiming ownership, the direct path to reestablish the shares is closed. The party wishing to assert its rights must first succeed in standard contentious proceedings, for example, by filing an action to determine ownership. Only then is

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there room to redeem (reestablish) the shares.

This judicial decision thus confirms the principle that special proceedings to redeem (reestablish) documents in court must not replace complex ownership disputes. It provides legal certainty that the ownership of shares will be decided upon by means of a full-scope inquiry in contentious proceedings, not just as a secondary issue in the procedure to redeem (reestablish) a lost document.

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Case law

CJEU on VAT treatment of Czech 'society' without legal personality

The Advocate General of the Court of Justice of the European Union (CJEU) has issued an opinion on case C-796/23 Česká síť s.r.o, focusing on determining the taxable person who performed the supply and is liable to pay value added tax in the context of business activities performed by four legal entities.



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The Advocate General of the Court of Justice of the European Union (CJEU) has issued an opinion in case C-796/23 Česká síť s.r.o. In her opinion on the matter, she addressed the issue of determining the taxable person who performed the supply and is liable to pay value added tax in the context of the business activities of four legal entities.

Česká síť s.r.o. cooperated with several US-based corporations operating in the Czech Republic through their branches. All of them provided internet connection services to end customers, each acting in its own name and with its own customer portfolio.

The executive director / statutory representative of Česká síť s.r.o. was also the head of the branch offices of all three US companies. He was thus the sole person effectively managing all four entities operating in the Czech Republic.

The tax administrator concluded that pursuant to Section 2716 of the Civil Code, a 'society' (previously an 'association without legal personality') de facto existed whose members were Česká síť s.r.o. and the three branches. According to the tax administrator, Česká síť s.r.o., as the designated partner was responsible for paying VAT for the entire 'society'. Since the total revenue of all four entities exceeded the threshold for VAT registration, the 'society' (i.e., the association made up of all four entities) was assessed additional output VAT.

Česká síť s.r.o. challenged the tax administrator's decision, and the dispute reached the Supreme Administrative Court. The latter referred the following questions to the CJEU for a preliminary ruling:

- Is a situation in which, pursuant to special national value added tax arrangements for 'societies' (associations of persons that do not have legal personality), a 'designated partner' is liable for the payment of the VAT for the entire society, despite the fact that another partner had dealt with the end customer in relation to the supply of services, compatible with VAT Directive 2006/112/EC?
- Does the compatibility of the situation with Directive 2006/112/EC depend on whether the other partner had overstepped the rules of representing the society and dealt in his, her or its own name with the end customer?

The Advocate General states that if the main objective of the cooperation between the three US companies and

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Česká síť s.r.o. was to remain below the turnover threshold for mandatory VAT registration, this could be considered an abusive arrangement. In such a case, according to the Advocate General, Česká síť s.r.o. could be assessed additional VAT if it were considered the main organiser of the arrangement.

According to the Advocate General, the key factor in determining the person liable for tax (taxable person) is to ask who acted on their own behalf and at their own risk. In the case under consideration where the individual entities acted in their own name, at their own risk and on their own behalf, each must be considered separately as a separate taxable person. According to the Advocate General, a 'society' under the Civil Code cannot be considered a taxable person if no one acted on its behalf externally.

We will continue to monitor this case and provide an update as soon as the CJEU rules on the matter.

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Case law

SAC rules on right to deduct VAT on fixed service fee

According to the Supreme Administrative Court (SAC), it is possible to claim a VAT deduction also for received services that were invoiced at a fixed monthly fee. The fact that the fee was agreed in this manner is not a fundamental obstacle to proving the scope of the received services. However, it is necessary to provide a chain of related evidence.



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OLMAN SERVICES received cleaning services from its suppliers, which it used as sub-supplies for its customers. These sub-supplies were only arranged when the company's own capacities were insufficient to meet customer requirements. As it was difficult to determine the subject matter of the contracts, the company agreed with the suppliers on a fixed fee corresponding to the average number of days of cleaning services per month.

However, the tax administrator rejected the right to deduct VAT on the grounds that the scope of the received services was not sufficiently defined and the invoiced fee was not clearly specified. They also pointed to several non-standard features of the suppliers (such as having a virtual registered office and later being designated as unreliable payers).

As part of providing evidence, the company submitted a chain of evidence together with an explanation. This included tax documents, attachments with a breakdown of individual cleaning jobs (detailing the number of cleaning days, cleaning locations, cleaned areas, and rates per square meter of cleaned area), contracts, bank account statements confirming payment, and witness statements from the company's customers and suppliers' representatives, including email correspondence.

The SAC concluded that it is not possible to deny the right for VAT deduction on the grounds that the fee had been set as a fixed monthly amount regardless of the actual number of days of service provision (moreover, the actual number of days was clear from the documents provided by the company). Such a fee arrangement is not prohibited by law, and its determination is therefore at the discretion of the contracting parties.

The SAC stated that if the presented evidence is objectively related and supported by the company's explanation and witness statements, the arrangement for services to be provided "when necessary" cannot be considered an insufficient definition of the scope of services.

The SAC therefore ruled in favour of the company and confirmed the right to deduct VAT.

Regarding the tax administrator's doubts about the non-standard nature of the business and the credibility of the suppliers, the SAC stated that in such a case, it would be necessary to initiate proceedings to prove the involvement in tax fraud, with the burden of proof on the tax administrator.

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Case law

CJEU: Romanian windfall tax compatible with EU law

The CJEU has confirmed that the Romanian windfall tax imposed on renewable energy producers between November 2021 and March 2022 is not contrary to the rules governing the functioning of the European energy market and climate targets as defined by EU law.



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Romania introduced a special 80% tax levied on revenues generated from the sale of electricity at prices above a specified threshold for the period from 1 November 2021 to 31 March 2022. However, producers of electricity from fossil fuels, including those engaged in combined heat and power generation, and producers of electricity from biomass, were exempt from this tax. This period preceded the introduction of a similar measure by Council Regulation (EU) 2022/1854 of 6 October 2022 on an emergency intervention to address with high energy prices.

A company that is a member of a French corporate group and produces wind energy in Romania objected to several inconsistencies with EU law in this legislation. The Romanian court summarised them and requested a preliminary ruling on whether:

- this constituted unauthorised state aid to entities not subject to this tax, which would be granted contrary to Article 107(1) TFEU
- the tax created obstacles to the free movement of services and was thus contrary to Articles 49 and 56 TFEU
- the tax was contrary to the rules of the European energy market contained in Directive (EU) 2019/944 on electricity market
- the tax was contrary to the climate objectives and Regulation (EU) 2021/1119 on climate neutrality.

The CJEU considered the first two questions inadmissible, primarily because the referring court had not sufficiently substantiated the alleged conflict with EU law.

Pertaining to the third question, the CJEU stated that the tax was not contrary to Directive (EU) 2019/944 on the electricity market, because it at least in part pursued a budgetary objective and did not aim to regulate electricity supply or ensure the protection of consumer or free competition.

On the last question, the CJEU stated that a tax that places a short-term burden on producers from clean sources is not contrary to Regulation (EU) 2021/1119 on climate neutrality, given the temporary nature of the tax and its inability to influence greenhouse gas emissions in the long term.

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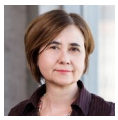
In brief

News in Brief, November 2025

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



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DOMESTIC NEWS

- Financial Bulletin 15/2025 contains GFD Instruction No. D-73 on the placement of files or their relevant parts at tax authorities and their regional branches.
- On its website, the financial administration has announced the extension of the possibility of group registrations for VAT from 1 January 2025. State organisational units and local government units, including organisations receiving contributions from the state budget, can now also become members of such groups. The information summarises the basic rules of registration, a group's status as a VAT payer, and the consequences for individual members, including the termination of their separate VAT registrations.
- The Ministry of Industry and Trade has sent the European Commission its official input into the public consultation on the digital package, specifically the part focused on simplifying the rules under the AI Act. The input derives from proposals and suggestions from Czech companies collected by the ministry and subsequently discussed in interdepartmental discussions.
- The Ministry of Justice has launched a new restructuring portal that provides clear information, methodological support, and practical tools for entrepreneurs facing financial difficulties. The aim of the portal is to help especially small and medium-sized enterprises to recognise risks on time and take measures to prevent bankruptcy.The portal also includes another new service provided by the Ministry of Justice, namely the Restructuring Register, launched in trial operation at the end of September and the beginning of October and now publicly accessible. The register also includes a list of restructuring administrators. This complies with the digitisation requirements of Act No. 284/2023 Coll., on preventive restructuring.
- A decree amending Decree No. 298/2014 Coll., on the determination of a list of cadastral areas with assigned average base prices of agricultural land, has been published in the Collection of Laws (effective 1 January 2026, Print 383/2025).
- Decrees on submissions through prescribed forms have been published in the Collection of Laws for:
    - income tax (No. 386/2025)
    - value added tax (No. 387/2025)
    - real estate tax (No. 388/2025)
    - road tax (No. 389/2025)
    - solar electricity tax (No. 390/2025), and
    - gambling tax (No. 391/2025).

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The decrees follow on the amendment to the Tax Procedure Code and respond to the case law of the Constitutional Court and the Supreme Administrative Court concerning submissions through prescribed forms. A new distinction is made between the content structure of the forms, which is determined by the Ministry of Finance by decree, and the data structure, which is determined by the tax administrator. The aim is to clarify the legal framework for the creation of tax forms without significantly changing their content for taxpayers.

- The following has also been published in the Collection of Laws:
    - Communication of the Ministry of Labour and Social Affairs on the amount decisive for the participation of employees working under agreement to perform work outside employment in sickness insurance (No. 396/2025). The decisive amount is CZK 12,000.
    - Communication of the Ministry of Foreign Affairs on the conclusion of the treaty between the Czech Republic and the Republic of Cameroon for the avoidance of double taxation and the prevention of tax evasion with respect to income taxes (No. 415/2025). The treaty has been in application in the Czech Republic from 7 July 2025.
    - Regulation implementing the Act on Single Monthly Employer Reporting (effective 1 January 2026, No. 417/2025).

- Government regulation on the coefficients by which the numbers of children, pupils, and students are multiplied for the purpose of determining the share of regions and municipalities in tax revenues (effective 1 January 2026, No. 427/2025).

FOREIGN NEWS

- The Economic and Financial Affairs Council of the European Union (ECOFIN) has left unchanged the list of eleven non-cooperative jurisdictions (Annex 1, the blacklist): American Samoa, Anguilla, Fiji, Guam, Palau, Panama, the Russian Federation, Samoa, Trinidad and Tobago, the US Virgin Islands, and Vanuatu. Vietnam has been removed from Annex 2 (the grey list) and four new jurisdictions have been added: Greenland, Jordan, Montenegro, and Morocco. Annex 2 now includes 11 jurisdictions: Antigua and Barbuda, Belize, British Virgin Islands, Brunei Darussalam, Eswatini, Greenland, Jordan, Montenegro, Morocco, Seychelles, and Turkey.

- The ECOFIN Council has backed the European Commission's recommendations on tax incentives to promote the Clean Industrial Deal. The council welcomed these recommendations and emphasised that tax incentives should be considered part of a broader policy to support the development of clean energy, the decarbonisation of industry, and the development of clean technologies.

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