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Editorial

The arrival of a new year is traditionally associated with making resolutions. According to surveys, 80 per cent of Czechs make personal commitments at the beginning of the year. However, when it comes to fulfilling them, their enthusiasm wanes. More than half of them do not keep them at all or forget them very quickly.

In the business world, the turn of the year is usually associated with a plethora of changes. This year is no exception, and the January issue of our Tax and Legal Update provides an overview of the most significant ones.

From the employers' perspective, the main event will be the launch of the single monthly employer reporting system, which will be accompanied by amendments to the Income Tax Act and other changes affecting payroll administration. However, the list of changes in employee taxation and insurance contributions is traditionally much longer.

The new Accounting Act is still awaiting approval, and we will see whether it will be passed this year. The previous government submitted its draft, including an accompanying bill, to the new chamber of deputies, and now it will depend on how the chamber responds. If everything goes smoothly, we can expect the new law, which will introduce modernised accounting principles and related tax changes, to come into effect in 2028.

We will continue to monitor, record, and explain any further developments concerning the new accounting legislation as well as all key tax and legal changes in our Tax and Legal Update also in 2026. And that is one resolution that we will definitely adhere to!



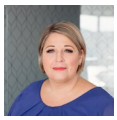
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Taxes

Changes in employee taxation in 2026

The new year brings changes in employee taxation and social security and health insurance contributions. Below, we bring you an overview of the most important changes that employers can expect.



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Increase in maximum annual assessment base and progressive tax threshold

For 2026, the maximum annual assessment base for social security contributions has increased to CZK 2,350,416 (CZK 115,680 over the previous year). Once this income threshold is reached, no further social security contributions are paid by the employee or employer. At the same time, the threshold for applying the 23% tax rate has increased to an annual income over CZK 1,762,812, which corresponds to a monthly income over CZK 146,901. Income below this threshold will continue to be taxed at a rate of 15%.

Agreements on work outside employment

The decisive income for participation in sickness insurance has increased to CZK 12,000 per month. If this threshold is reached, the income from the agreements on work outside employment is subject to social security and health insurance contributions.

Increase in minimum wage

From January 2026, the minimum wage has increased from CZK 20,800 to CZK 22,400 for a set weekly working time of 40 hours, with an hourly minimum wage of CZK 134.40. As a result, the minimum monthly assessment base for health insurance of employees is also higher.

Increase in limit for exemption of non-financial benefits

From 1 January 2026, the limits for the exemption of health and leisure-related employee benefits have increased. Benefits not exceeding these limits will not be subject to taxation and social security and health insurance contributions on the part of employees.

The limit for the exemption of health-related benefits has been set for 2026 at the level of the average wage,

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i.e. CZK 48,967; the limit for the exemption of leisure-related benefits at 50 per cent of the average wage, i.e. CZK 24,483.50.

Changes in domestic and foreign travel allowances

From 1 January 2026, the minimum basic allowance for the use of a personal motor vehicle on a business trip has changed from CZK 5.80 to CZK 5.90 per kilometre. Meal allowances for domestic and some foreign business trips (obligatory under the Labour Code) have also risen.

Lump-sum compensation for remote work

The lump-sum compensation for expenses related to remote work (home office), which employers can provide under the Labour Code, has been decreased from CZK 4.80 to CZK 4.70 per hour.

Employee meal allowances

Both financial and non-financial meal allowances (non-obligatory employee benefits) are exempt up to an aggregate of 70% of the upper limit of the meal allowance that can be provided to salaried employees for domestic business trips of 5 to 12 hours. For 2026, an allowance of CZK 129.50 is thus exempt.

The meal allowance exemption is nonetheless conditional upon the employee having worked at least three hours per shift; employees without a set shift (e.g. statutory bodies) must work at least three hours per calendar day. At the same time, employees must not at the same time be entitled to an (obligatory) meal allowance as part of a travel allowance. Employees will be entitled to an additional exempt allowance (in the same amount) if the total shift including breaks exceeds 11 hours (employees without a set shift must work at least 11 hours per calendar day).

Single monthly employer reporting (JMHZ)

The single monthly employer reporting (JMHZ) will fundamentally change the way employers report data to social security authorities and many other authorities included in the system. The JMHZ will replace the monthly reports to the Czech Social Security Administration (ČSSZ) and consolidate a number of reporting obligations into a single electronic submission to be filed once a month, always between the first and the 20th day of the following month.

In the transitional period from January to March 2026, no reports will be submitted. During this period, employers will only pay social security contributions. The reports for this period will be submitted between 1 April and 30 June 2026. The first standard JMHZ will be submitted for the month of April 2026, i.e., between 1 and 20 May 2026.

The JMHZ does not cover health insurance. In 2026, employers will therefore have to submit regular monthly overviews and notifications to health insurance companies as they have done so far.

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Abolition of withholding tax for tax non-resident members of statutory bodies

Remuneration paid to members of statutory bodies who are Czech tax non-residents will now be subject to monthly prepayments of tax on income from employment (and progressive taxation). Withholding tax that had been in application until the end of 2025 will therefore no longer be levied.If the remuneration of a tax non-resident exceeds 36 times the average wage, they will be required to file an income tax return in the Czech Republic for the given taxable period.

Low-emission vehicle definition

For income tax purposes, a new definition will be used, namely that a low-emission vehicle is a road motor vehicle of category M1, M2 or N1 that does not exceed the CO2 emission limit of 50 g/km and is not a zero-emission vehicle.

The new regulation is crucial for maintaining tax benefits for low-emission company cars even after 2025.

Release from obligation to withhold tax prepayments for employees posted abroad

From January 2026, employers will not have to withhold tax prepayments for employees posted abroad if these employees also meet other conditions.

Mandatory employer contributions to retirement savings products

Employers will now be required to contribute to supplementary pension insurance or additional pension savings schemes for employees who perform third category risk work (if the employee works at least three shifts of this risk work in a given month). The contribution is mandatory and amounts to four per cent of the social security assessment base. It is tax-deductible for the employer and counts towards the annual limit of CZK 50,000 that is exempt from tax and insurance contributions for the employee. The employer must start contributing from the calendar month following the delivery of the employee's written notification. Contributions to a long-term investment product (DIP) will not be considered as fulfilling this obligation.

Changes in health insurance for working parents

From 1 January 2026, the state will only pay health insurance premiums for parents caring for at least one child under the age of seven, while it will no longer be conditional on the parent not earning any income. The minimum assessment base requirement will not apply to the parent as long as they assert this entitlement with their health insurance company and subsequently inform their employer of this.

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VAT news for 2026

Although most of the major changes introduced by the extensive amendment to the VAT Act and passed in 2024 came into effect in 2025, some amendments became effective as late as 1 January 2026. Below, we summarise what has changed in the VAT Act from the new year.



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Financial activities

Certain financial activities will no longer be considered supplies exempt from tax without the right to deduct VAT. This change brings Czech law into line with the EU VAT Directive and the CJEU's case law (e.g., judgment C-175/09 AXA UK). These financial activities include, e.g., the collection of payments, the collection of radio or television licence fees, the payment of pension insurance benefits, the collection of recurring payments from citizens, and the keeping of records of investment instruments.

The reason for including the above collection/payment activities under taxable supplies is that from a VAT perspective, these are not payment services but debt collection services. Keeping records of investment instruments, on the other hand, represents the management and safekeeping of assets. Neither debt collection nor the management and safekeeping of assets can be exempt from VAT.

Refund of unduly paid tax

Supply recipients will now be able to ask the tax administrator for a refund unduly paid tax, by submitting a VAT return for a tax refund. The supply recipient will thus be able to apply for a refund of VAT, e.g., in situations where the supplier had incorrectly stated a higher VAT rate in the invoice or where the supply should have been exempt from VAT or subject to the reverse charge mechanism, in which case VAT should not have been stated in the invoice at all. This change responds to the case law of the CJEU (e.g. judgments C-35/05 Reemtsma Cigarettenfabriken GmbH, C-564/15 Tibor Farkas, C-691/17 PORR Epitési Kft., and C-273/18 SIA "Kuršu zeme").

Although at first glance it may seem that this is a change in favour of the supply recipients, in our opinion its application in practice may be quite limited. The refund of unduly (wrongly) paid tax will only be possible in exceptional cases where it is impossible or excessively difficult for the supply recipient to seek the refund from the supplier (e.g. due to the supplier's insolvency). It will also be necessary to meet several conditions strictly laid down by law. In particular, the supply recipient must have demonstrably made effort to obtain the refund of the wrongly paid amounts from the supplier, or there must be a final court decision on the supplier's obligation to reimburse the wrongly paid amounts to the recipient. In such cases, details of the court decision should be included in the VAT return for a tax refund.

The supply recipient is entitled to a VAT refund in the amount of wrongly paid VAT that constitutes the supplier's

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unjust enrichment. However, not every case of incorrectly stated VAT rate can be considered an unjust enrichment, and it will always depend on the assessment of the specific situation and the specific contractual arrangement.

Tax refund upon supply of goods for export outside the EU in a passenger's personal luggage

The change has been introduced in connection with digitisation of customs administration and is relevant for VAT payers (e.g. retailers) who refund VAT to tourists from third countries upon sales and subsequent exports of goods outside the EU. Immediately after supplying the goods to the tourist, VAT payers will now have to report the details of the sales document via the Czech Customs Administration's information system. VAT payers will then receive confirmation from the Customs Administration's system that the goods have been exported from the Czech Republic. We recommend that VAT payers who decide to refund VAT should register in this system right after the beginning of the year.

Tax refund to foreign persons upon purchases of goods from another member state or upon imports of goods

Foreign persons (with their registered office and establishment outside the EU) who have purchased goods from another member state or imported goods from a third country with the place of supply in the Czech Republic (the first supply) will now be able to claim input VAT. The condition is that they have used these goods within their economic activities to carry out a taxable supply with the place of supply in the Czech Republic, for which the person who received the supply is obliged to declare tax (the second supply). This change aims to reduce the burden of the tax administration, as it will allow businesses to claim a VAT deduction without being registered for VAT.

Other changes concern, e.g.:

- tax refund to persons enjoying privileges and immunities,
- tax refund to international organisations based outside the Czech Republic,
- the delivery of documents to a foreign person by e-mail or public notice if that person or their authorised representative for delivery does not have access to a data box.

Adjustment of VAT deduction upon acquisition of fixed assets

The January VAT return (for December 2025) will show for the first time a change in the adjustment of the VAT deduction upon the acquisition of fixed assets used for mixed purposes (this came into effect on 1 January 2025). This may apply, e.g., to vehicles used for both business and private purposes. The change consists in the removal of the 10% tolerance limit. From now on, any difference between the coefficient of the qualified estimate used by the VAT payer during the year and the coefficient of the actual use of fixed assets calculated after the end of the year will have to be adjusted in the first year (i.e. the year of acquisition).

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Taxes

Accounting bill and related tax changes awaiting discussion by new deputies

The outgoing government approved a new accounting bill and its accompanying law, with proposed effectiveness from 2028. It will now depend on how the new chamber of deputies approaches the proposed legislation: if the deputies decide to pass it, all business entities will have to prepare for new accounting principles and related tax changes.



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The previous government approved the bills at the end of November. The newly established chamber of deputies will now decide whether and when to discuss them, as they are not yet on the agenda for the session beginning on 13 January 2026.

We have been providing ongoing information about the proposed changes in Daňovky (e.g. here).

We now summarise selected changes resulting from the accompanying law, particularly from the income tax perspective. At the same time, we highlight what the transition from the current to the new regime means for each individual change.

Simplification of tax depreciation

- Depreciation groups are to be abolished; a fixed asset's tax value should be the new decisive factor.
- The limit for tax depreciation is to increase to CZK 100,000.
- Three basic tax depreciation periods are to be introduced:
  - 60 months – movable assets and immovable assets up to CZK 2 million
  - 360 months – other immovable assets
  - 180 months – goodwill.
- Depreciation is to be applied on a monthly basis. It has been proposed to abolish the straight-line and declining depreciation methods as well as the option to suspend depreciation.
- For technical improvements, a new term is being introduced: a tax additional improvement to an asset, which will occur whenever its cost for the taxable period exceeds CZK 100,000 or 10 per cent of the asset's value. Any improvement exceeding CZK 10 million will always be considered a tax additional improvement

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to an asset. Under the safe harbour rule, repairs and maintenance may also be considered a tax additional improvement to an asset if the taxpayer so decides.

- If an asset is subject to an additional improvement during the period of its depreciation, the depreciation charge remains unchanged, but the tax depreciation period will be extended. However, the extended depreciation period should not exceed the minimum depreciation period. If it exceeds this period, the monthly tax depreciation charge will be recalculated so that the undepreciated value of the asset, increased by the additional improvement, will be depreciated over this minimum period (e.g., 60 months for movable assets).

- To assess whether an asset acquired before the new law's effective date should be depreciated for tax purposes, the decisive factor will be its increased input cost under the original wording of the law, i.e. the acquisition cost including any technical improvements (this value must be higher than CZK 100,000).

- After the new law's effective date, if the tax value of an asset does not exceed CZK 100,000 (with the exception of assets where accounting depreciation is used for tax depreciation purposes), that asset will no longer be depreciated, and a one-time expense equal to the asset's tax residual value will be charged to expenses in the first taxable period after the new law comes into effect.

- The tax depreciation period for assets acquired before the new law's effective date is equal to the remaining depreciation period under the original law. If this period is longer than the newly set minimum period, it may be shortened to this minimum period.

- For intangible assets depreciated for tax purposes under the current law (usually intangible assets acquired before 1 January 2021), the new regime will apply from the effective date of the new law, and the tax value will be determined based on the book value of the asset on that date (with the exception of intangible assets whose depreciation continues from before, e.g. those acquired by contribution). In the first taxable period, the result of operations will be adjusted by the difference between the tax and book values.

- For taxpayers who use IFRS, all assets are depreciated only for accounting purposes, and accounting depreciation charges are treated as deductible expenses for income tax purposes if all conditions are met. For these purposes, goodwill arising other than from the purchase of a business is not an asset for income tax purposes, and therefore no expenses associated with it are tax deductible.

Use of International Financial Reporting Standards (IFRS)

- The result of operations under IFRS can be used as the basis for determining the tax base.

- IFRS will be mandatory for banks, insurance companies, investment companies, pension companies, funds and corporations that have issued investment securities accepted for trading on a EU regulated market and other entities defined by law.

- IFRS may be used voluntarily by entities administered by the Specialised Financial Authority or entities included in consolidated financial statements prepared in accordance with international accounting standards.

- The transition to determining the tax base under IFRS is considered a change in the tax method. The law defines rules to ensure that the transition to a different system is tax neutral in the long term. Differences in the tax value of assets and liabilities under the original and the new method will be reflected in the tax base over a period of ten years.

- IFRS are considered to be the standards defined by Commission Regulation (EU) 2023/1803 of 13 September

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2023, adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council, as amended.

New concept of finance leases

- Under the new Accounting Act, a finance lease will be treated as a purchase (the lessee will include the asset in their balance sheet and account for it, including its depreciation). This concept is also adopted for tax purposes.

- The new rules for finance leases will also apply to assets acquired before the new law comes into effect. On the first day of the new law's effectiveness, the tax value of these assets will equal the sum of payments that could affect the tax base if the current law were applied, increased by certain other items such as the agreed purchase price at the end of the finance lease. The tax depreciation period for an asset acquired before the new law comes into effect will equal the tax depreciation period for that asset under the new law, reduced by the period during which the asset was provided for use before the new law came into effect.

Next steps

The wording approved by the government builds on previous versions published during the preparation of the new accounting bill and accompanying law. The latest version does not include any changes in the approach to the tax deductibility of contractual penalties and social and health insurance paid after the end of the taxable period, which should continue to be linked to their payment.

If the legislative process is allowed to continue, businesses will need to assess how the new legislation will affect their accounting and taxation, both in terms of the new rules and the transition to them.

The new legislation also opens up opportunities that are not available under the current legislation. Most significant among them is the possibility to keep accounts for statutory purposes under international accounting standards and to use these accounts also for calculating income or top-up tax. However, this new possibility and its implications must be evaluated against the existing approach.

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Most common equal treatment violations by employers

With the arrival of the new year, we are getting closer to the transposition of the EU Pay Transparency Directive, which will bring a whole range of new obligations for employers, such as the development of a detailed wage policy, providing detailed information to employees, and mandatory reporting to state authorities. Equal treatment and the prohibition of discrimination at the workplace, however, have already been the focus of the State Labour Inspection Office.



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Equal treatment and the prohibition of discrimination are high on the agenda of inspection authorities. Last year alone, the labour inspectorate received 322 requests for inspections and carried out 640 inspections focused purely on this area. With the arrival of the Pay Transparency Directive, which is due to be transposed by 7 June 2026, these figures will rise even further. What are the most common violations by employers?

Wage confidentiality

One of the most common violations by employers was the negotiation of wage confidentiality clauses. Labour inspectorates found violations of the law in 63 cases. Although wage confidentiality clauses have only been officially prohibited since 1 June 2025, the inspectorates' approach also points to their earlier problematic nature. Under the Labour Code, it is not possible to contractually stipulate provisions that deviate from the Labour Code, which according to the State Labour Inspection Office is what the wage confidentiality clauses did.

Provision of benefits

When checking compliance with equal treatment requirements, labour inspectorates paid close attention to attendance bonuses and will continue to do so in the future. Attendance bonuses are usually given to employees who do not miss any shifts during the period under review (e.g. due to illness or other obstacles to work). However, this practice discriminates against employees who are unable to come to work for objective and legally foreseeable reasons.

Employers also erred in the provision of equal access to benefits. In many cases, employees on parental leave, employees receiving old-age pensions, or employees in their probationary or notice periods were excluded from certain benefits.

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Remuneration in regions

Labour inspectorates also finally turned their attention to large retail chains. In 2024, they uncovered two employers who had divided their stores throughout the Czech Republic into three different remuneration groups. Employees from Prague and the surrounding areas generally received higher wages than employees from less populated regions. One of the retail chains was fined CZK 200,000 for this practice.

Labour inspectorates are generally stepping up their inspection activities, so employers should pay close attention to these issues. In 2024, the inspectorates imposed 56 fines totalling CZK 1,448,000, with an average fine of CZK 28,000. This is almost a threefold increase compared to 2022. However, a fine is not the only (and most significant) consequence that employers may face. It is common practice for inspectorates to focus more on such employers in the future to verify that they do not become repeat offenders.

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Working without valid visa may lead to deportation

A recent case heard by the Regional Court in Ostrava clearly shows that the rules for employing foreigners apply to everyone without exception, be they a factory worker or manager. Free access to the labour market does not mean an exemption from the obligation to obtain the appropriate residence permit. Underestimating immigration obligations carries a high risk for both employees and employers.



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In this case, a foreigner from the Republic of Korea was inspected while performing his managerial duties for which he did not have a valid visa or residence permit. The police and the court confirmed that the absence of these documents is a fundamental obstacle to the performance of work and a reason for deportation, regardless of a foreigner's qualifications or them not needing a work permit to work in the Czech Republic.

An administrative deportation penalty applied to the foreigner despite him as a citizen of the Republic of Korea not needing a visa to travel for tourism or other non-profit purposes and, at the same time, having free access to the Czech labour market via a government regulation. The case clearly illustrates the risks associated with employing foreigners, which are often not limited only to financial penalties.

Two basic conditions for legal employment of foreigners

In general, citizens of countries outside the EU, EEA and Switzerland must have a valid permit to stay and work in the Czech Republic, i.e., they must have both a residence and a work permit. However, there are many exceptions to these requirements. The Employment Act lists cases where foreigners can work without a work permit, i.e. they have free access to the labour market. In practice, however, people with free access to the labour market often do not realise that these exceptions only apply to work, not residence. Therefore, they must still obtain a valid visa or residence permit.

Without such permits, their employment could be considered illegal work, which may have very serious consequences for both the foreigner and their employer.

Practical implications and recommendations

Employers should always verify what type of permit their employees have, and ensure their compliance with immigration and labour-law legislation throughout the duration of their employment. The above example shows that checks by the foreign police and labour inspectorates can also affect white-collar personnel.

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Any violations can be punished quite severely. The absence of the necessary documents may lead to the cancellation or non-renewal of a foreigner's residence permit or, as this case shows, even to their deportation from the Czech Republic. Employers face further sanctions, such as a financial penalty of up to CZK 10 million, exclusion from subsidy or migration programmes, or even a ban on activities.

We therefore recommend regularly checking the type and validity of the residence permits of all foreign employees and setting up internal processes to ensure that this obligation is always fulfilled.

If you are unsure about your overall set-up, please do not hesitate to contact us.

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News in CBAM from 2026

The transitional period for the EU Carbon Border Adjustment Mechanism (CBAM) ended in 2025, and the mechanism became fully operational on 1 January 2026. What new obligations arise, and when will the mechanism be extended?



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CBAM is an EU tool designed to protect European industry from 'carbon leakage' – i.e. the relocation of production to countries with less stringent climate policies – while also encouraging emission reductions outside the EU. What can importers expect as we move into the next key phase, and what further changes is the European Commission planning?

End of transitional period and new obligations from 2026

The CBAM transitional period which began in October 2023 has ended. Until now, importers only had a reporting obligation, which involved the quarterly reporting of emissions associated with imported goods. New obligations apply from 1 January 2026.

- Registration as an authorised CBAM declarant: Only registered entities may import goods subject to CBAM. Under the Omnibus simplification, importers may continue to import after 1 January 2026 if they apply for authorised declarant status by 31 March 2026.

- Since goods subject to CBAM may only be imported by an authorised declarant from 1 January 2026, one of the TARIC certificates (e.g., Y238, which indicates that the entity applied for authorised declarant status before 31 March 2026) must be indicated in column 44 of the customs declaration. TARIC certificates are available on the customs administration website.

- Purchase and registration of CBAM certificates in quantities covering emissions released during the production of imported goods in third countries: The prices of certificates are linked to the price of emission allowances in the EU ETS. However, certificates will only be purchased from 1 February 2027, retroactively for 2026.

- Annual CBAM declaration: Importers will be required to submit an annual summary declaration of imported goods and their emissions. The first official report will have to be submitted by 30 September 2027.

- Refinement of the emissions calculation methodology: Importers must obtain accurate emissions data from their foreign suppliers.

- Possibility of recognising carbon tax paid outside the EU: If carbon tax has been paid in the country of origin, it can be deducted from the obligation to purchase CBAM certificates.

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Extension of CBAM to other products from 2028

From 1 January 2028, CBAM will be extended to downstream products, i.e., products with a high steel and aluminium content, such as machinery, household appliances, industrial components, and others (a total of 180 items).

- 94 per cent of these products are industrial goods (e.g. basic metal parts, cylinders, radiators, casting machines).
- Six per cent are consumer goods (e.g. washing machines).

This should prevent production from being relocated to third countries and carbon-intensive products being imported back into the EU. At the same time, the Commission is tightening the rules to prevent the circumvention of CBAM. For example, it is introducing stricter requirements for tracking the origin and emissions of goods and seeking to strengthen the Commission's powers to deal with cases of circumvention.

Finally, it should be noted that the Commission has published an evaluation report on the CBAM transitional period (2023-2025), which confirms that CBAM is an effective tool for reducing emissions not only in the EU but thanks to international cooperation also in countries outside the EU. This can certainly be considered a first piece of positive news for 2026.

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Subsidies

Innovation Fund offering subsidies for decarbonisation and clean technologies

The European Climate, Infrastructure and Environment Executive Agency (CINEA) has announced new calls for proposals under the Innovation Fund. The calls focus on supporting highly innovative projects that are essential for achieving the EU's climate goals and contribute to the decarbonisation of industry and the development of clean technologies.



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The calls offer a significant opportunity for businesses and research institutions. The main criteria are the degree of innovation, a contribution to the reduction of greenhouse gas emissions, and the amount of capital expenditure.

Applications for support can be submitted from 4 December 2025 to 23 April 2026 via the EU Funding & Tenders portal. As in previous years, the programme will support the general decarbonisation of industry and the production of innovative clean technology components and highly innovative technologies leading to climate neutrality. Total funds for allocation are EUR 2.9 billion, with the possibility of a 20 per cent increase.

Net Zero Technologies – General Decarbonisation – Small/Medium/Large-Scale Projects

The general decarbonisation objective is divided into three calls based on the value of the project's capital expenditure:

- Small-scale projects – €2.5 million to €20 million
- Medium-scale projects – €20 million to €100 million
- Large-scale projects – over €100 million

It is clear from the above that project expenditure must reach at least EUR 2.5 million. These calls for proposals support, e.g., activities focused on innovation in low-carbon technologies and processes in selected sectors, carbon capture, storage and utilisation, and the construction and operation of innovative technologies for renewable energy sources.

Net Zero Technologies – Clean-Tech Manufacturing

This call supports the construction and operation of facilities for the production of innovative components for clean technologies, e.g. for renewable energy sources, electrolysers and fuel cells, energy storage solutions (batteries, etc.), and heat pumps. The capital expenditure of the project must be at least EUR 2.5 million.

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Net Zero Technologies – Pilot Projects

This call focuses on highly innovative and breakthrough technologies enabling the high level of decarbonisation necessary to achieve climate neutrality. Support is available for the construction and operation of pilot projects aimed at verifying, testing and optimising highly innovative solutions in selected sectors. A higher level of innovation is expected under this call than under the other calls of the programme. As with the previous call, the capital expenditure of the project must reach at least EUR 2.5 million.

The aid intensity can reach up to 60 per cent of eligible expenses. Together with the application for support, it is necessary to submit, among others, a feasibility study, business model, detailed project budget, financial model, and, above all, a calculation of greenhouse gas emissions reduction or a GHG emission avoidance calculation. The project must be implemented within the European Union or the European Economic Area.

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Case law

SAC's strict view on 'Svarc' system in Rohlik.cz case

The Supreme Administrative Court (SAC) has ruled that the couriers of online supermarket Rohlik.cz had been illegally working under the 'Svarc' system. It thus confirmed the decision of the lower courts, and the company must pay a fine of CZK 2.5 million. The decision is also significant with respect to the new government's declaration of its intention to tighten controls on illegal work.



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The SAC dealt with the question of whether couriers performed their work as self-employed persons (in Czech OSVČ) or whether they in fact performed dependent work that should have been covered by an employment relationship. Rohlik.cz defended itself against the fine by arguing that its cooperation with the couriers did not show the characteristics of dependent work.

The company argued that the couriers were not required to perform the work in person, did not perform it on a regular basis and on behalf of the company, according to its instructions, or in a subordinate position. The SAC disagreed with these assertions, pointing out, among other things, that the couriers used company resources, such as cars marked with the company logo, and communicated with customers on behalf of the company.

Another important aspect mentioned by the SAC was that the couriers were economically dependent on the company. The SAC concluded this based on the finding that the couriers' income from this activity constituted a substantial part of their livelihood. The SAC also pointed to the system of planning and monitoring the couriers' work, which, in its opinion, indicates the couriers' subordination to the company.

Rohlik.cz further argued that digital platforms function differently and have different relationships with suppliers. The SAC did not accept this reasoning either. On the contrary, it drew attention to already valid Directive 2024/2831 of the European Parliament and of the Council on improving working conditions for platform workers, which is to be implemented into Czech law by December 2026. Among other things, the SAC pointed out that the rules contained in this directive are in fact stricter for employers than the domestic rules.

The content of the work matters, not its designation

The SAC's decision thus confirms that the formal designation of a contractual relationship cannot obscure its actual content. If the performance of work meets the characteristics of dependent work, an employment relationship must be established. This is true even in a situation where both parties agree that their cooperation should be based on commercial law. For employers, this means that they must carefully analyse the terms of their cooperation with self-employed persons.

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The issue of the ‘Svarc’ system is becoming increasingly topical. Let us recall the statement by the incoming Minister of Finance that the fight against the grey economy and illegal work will be a key priority for the ministry in the coming years. The ministry plans to set up a specialised team to combat illegal work. This team is to cooperate extensively with the financial administration, customs and labour inspectorates and focus on systematic checks and detection of illegal practices in the labour market.

It is therefore high time to thoroughly review contractual relationships with external suppliers and related internal processes. If you have any questions, please do not hesitate to contact us.

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Case law

CJEU rules on VAT treatment of Czech ‘society‘ without legal personality

The Tenth Chamber of the Court of Justice of the European Union (CJEU) ruled on case C-796/23 Česká síť s.r.o. It concerns the determination of the taxable person who performed a taxable supply and is obliged to pay value added tax in the context of a ‘society’ without legal personality.



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A summary of the dispute and the opinion of the advocate general can be found in our previous article.

In its decision, the CJEU sided with the opinion of its advocate general. Among other things, it stated that to determine the taxable person for VAT purposes, it is essential to verify who carried out the relevant economic activity and who bears the economic risk associated with it.

According to the CJEU, the individual companies, although linked by capital, carried out their economic activities independently and should therefore be considered separate taxable persons. With reference to previous case law (C-340/15), it also states that the proven existence of cooperation between several companies cannot be sufficient to call into question their independence.

The CJEU also agreed with the advocate general's opinion that Česká síť and the branches concerned (even though legally independent) could be considered a single taxable person, but only if it were proven that the splitting of turnover between these four companies constituted an abuse of law.

The CJEU concludes that a ‘society’ without legal personality cannot, in this case, be considered the person who provided the services, and therefore cannot be the person liable for paying VAT.

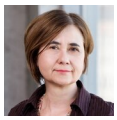
According to the CJEU, Articles 9(1) and 193 of Directive 2006/112 preclude a national law from treating one member of a ‘society’ without legal personality as the person liable for VAT on services provided by all the members of that ‘society’ independently.

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In brief

News in Brief, January 2026

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



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DOMESTIC NEWS

- The Czech Ministry of Finance has prepared a summary of changes within its competence taking effect on 1 January 2026.
- The Czech Financial Administration has prepared a summary of changes in taxation from 2026.
- As reported on the Ministry of Finance's website, the European Commission has published its final report on the VAT Gap for 2023. The EU average worsened to 9.5% compared to 7.9% in 2022, while the Czech Republic remained stable at 8.0% (8.2% in 2022) and below the EU average.
- An updated overview of valid double tax treaties was published on the Ministry of Finance's website in December.
- At the beginning of December, Financial Bulletin 19/2025 was published, which contains:
    - an overview of the types of taxes and parts thereof for which the tax authorities maintain personal tax accounts, to whose respective bank accounts payments from taxable entities are received
    - an instruction on how to correctly pay tax to the tax authority in 2026, including appendices.
- News, deadlines and recommendations for self-employed persons relating to lump-sum tax are summarised on the Financial Administration's website. The option to enter the lump-sum tax regime ends on 12 January 2026!
- The new year has brought a change in the reporting of work-related accidents. Government Regulation No. 322/2025 Coll., on the obligations of employers in the event of occupational accidents, has been in effect since 1 January 2026. Employers will now have to report occupational accidents and send records of occupational accidents only electronically via the State Labour Inspection Office's portal.
- A large number of legislative changes under the responsibility of the Ministry of Labour and Social Affairs entered into force from the beginning of 2026. Key changes include adjustments to unemployment benefits and retraining allowances, the introduction of single monthly employer reporting (JMHZ), and an increase in care allowances for persons with level I and II dependency.
- The following was published in the Collection of Laws and the Collection of International Treaties in December:
    - Decree on the percentage share of individual municipalities and regions in the national gross revenue

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from value added tax and income tax (effective 1 January 2026, Print No. 511/2025)

- Government Regulation No. 516/2025, on the procedure for calculating cost-based rent for affordable rental housing (effective 1 January 2026, Print No. 516/2005)

- Amendment to Government Regulation No. 351/2013 Coll., which determines default interest and costs associated with the enforcement of claims, determines the remuneration of receivers, liquidation administrators and court-appointed members of statutory bodies of legal entities, and regulates certain issues of the Commercial Bulletin, public registers of legal entities and natural persons, the register of trust funds, and the register of beneficial owners (effective 1 January 2026, Print No. 517/2025)

- Amendment to Government Regulation No. 220/2019 Coll., on the maximum number of applications for visas for stays exceeding 90 days for business purposes, applications for long-term residence permits for investment purposes, and applications for employee cards that can be filed with an embassy (effective 1 January 2026, Print No. 520/2025)

- Amendment to the Valuation Decree (effective 1 January 2026, Print No. 523/2025)

- Notice of the Ministry of Labour and Social Affairs on establishing the average wage in the national economy for the first to third quarters of 2025 for the purposes of the Employment Act (Print No. 537/2025) and the Labour Code (Print No. 538/2025) – according to both notices, this amounts to CZK 48,171.

- Notice of the Ministry of Labour and Social Affairs on establishing one hundred and seventy-fourths of the average wage in the national economy per recalculated number of employees for the first to third quarters of 2025 for the purposes of Section 203a of the Labour Code (Print No. 539/2025) – according to the notice, this amounts to CZK 276.90.

- Decree on the determination of the lump-sum amount of compensation for costs for remote work for 2026 (effective 1 January 2026, Print No. 572/2025) – the compensation amounts to CZK 4.70.

- Decree on the change in the basic compensation rate for the use of road motor vehicles and meal allowances and on the determination of the average price of fuel for the purposes of providing travel allowances for 2026 (Print No. 573/2025). For single-track and three-wheeled vehicles, the amount is CZK 1.60, and for passenger cars, CZK 5.90. At the same time, the price of fuel under the Labour Code has been announced: CZK 34.70 per litre of 95 octane petrol, CZK 39 per litre of 98 octane petrol, CZK 34.10 per litre of diesel, and CZK 7.20 per kilowatt hour of electricity.

FOREIGN NEWS

- Under the Danish presidency, the ECOFIN Council has published a report on progress in tax initiatives for the second half of 2025. The report shows that the Commission has decided to withdraw several draft directives that have not yet been discussed (e.g. on financial transaction tax, abuse of shell companies, DEBRA, and transfer pricing). With regard to the Unshell Directive consideration is being given to incorporating the relevant provisions into the new version of the Directive on Administrative Cooperation (DAC). The BEFIT proposal for a common framework for corporate income tax in the EU was not discussed in the second half of the year due to other priorities. The Council approved an agenda for simplifying and clarifying tax legislation, which aims to reduce the administrative burden and remove outdated rules. The Commission plans to present a comprehensive legislative proposal in the second quarter of 2026.

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- The Cyprus presidency's programme for the first half of 2026 indicates that the priority in taxation will be the agenda for simplifying and clarifying EU tax legislation with the aim of strengthening the EU's competitiveness. Another objective is to advance legislative work on modernising the customs union (adoption of the EU Customs Code and establishment of a European Customs Office).

- Sweden has been added to the OECD's list of countries that have signed a Multilateral Competent Authority Agreement on the Exchange of GloBE Information (GIR MCAA, Pillar 2). The list now includes 23 countries.

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