KPMG

Tax & Legal

Taxes
Tips and tricks
Legal
World news
Subsidies
Case law
In brief

November 2024

Obsah

Editorial

Taxes

VAT Act amendment coming into effect: overview of main changes

Ministry of Finance: new Accounting Act to take effect only from 2026

Taxes Chamber of deputies: proposal to abolish notified agreement scheme

New limit for health-related benefits

Employee stock option plans to revert to old rules of taxation of income from dependent activity

Exemption of income from sale of securities and shares in corporations restricted from 1 January 2025

Retirement savings products likely to face changes to compounding of savings periods

Increased tax support for donations to apply until 2026

Tips and tricks

How to avoid assessment of tax using auxiliary mechanisms?

Legal

New regulation of kratom and low-level THC content cannabis

World news

Pillar Two: Exchange of information on information returns within EU (DAC 9)

Subsidies

Subsidies for charging station constructions

Case law

Can an additional VAT return be filed after the end of a tax inspection?

SAC on VAT deduction and supplier check

CJEU: Electricity is commodity

CJEU: Veggie burgers can be called burgers

CJEU: VAT deduction on assets provided to suppliers free of charge

In brief

News in Brief, November 2024

Editorial

As the end of the year approaches, MPs are debating several amendments that will affect income taxation, aiming to correct deficiencies that could cause problems in practice. Some of these changes have already caused serious trouble for businesses, so it is time to return to time-tested practices. This is the case, for example, with the taxation of income from employee stock option plans, where it is now proposed to return to how this income was taxed until the end of last year. In this issue of Tax and legal Update, you will find out what taxation options employers can choose from.

It seems that we no longer have to worry about the introduction of a 'notified agreement' concept for agreements to perform work (outside employment). Employee benefits will also see an important improvement: the annual limit for an exemption from income tax introduced this year was too low to cover some health benefits, hence the proposal now on the table raises the limit up to the level of the average wage, although only for benefits such as vaccinations, physiotherapy, or vitamin purchases. The proposal will be debated in the coming weeks, and we will be watching its developments closely.

Although some changes are being abandoned, there will still be some novelties from January – for example concerning VAT and the preparation of annual reports. At our traditional pre-holiday conferences, you will get the chance to discuss them with Simona Hornochová, Director General of the Financial Administration, or Stanislav Kouba from the Ministry of Finance of the Czech Republic.

We all are looking forward to meeting you in Prague, Olomouc, and České Budějovice. The overall aim of our Tax and Legal Forums is to have the coming year full of legislative changes start smoothly and without complications for you.

See you there!



Tomáš Kroupa
Partner
KPMG Czech Republic

© 2026 KPMG Česká republika, s.r.o., a Czech limited liability company and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Taxes

VAT Act amendment coming into effect: overview of main changes

The chamber of deputies has approved an amendment to the VAT Act in its third reading. The senate is expected to approve the chamber's wording, and the planned effective date of 1 January 2025 will therefore be adhered to. Certain changes, in particular relating to immovable assets, will have postponed effectiveness from 1 July 2025. Below, we summarise the most significant changes.



Tomáš Havel
thavel@kpmg.cz



Daniela Sommer
ddsommer@kpmg.cz



Michaela Baumann
michaelabaumann@kpmg.cz

Changes to the right to deduct VAT

After 1 January 2025, it will be possible to claim the right to deduct VAT on received supplies until the end of the second calendar year immediately following the calendar year in which the right to deduct arose. This in principle means that the period in which claims can be made may last up to 35 months (e.g., for supplies received in January 2025, the last period in which a claim can be made will be December 2027). This time limit does not apply to supplies under the reverse charge regime where an exception is already regulated by the current wording of the VAT Act.

Furthermore, the time limit for correcting the tax base on the supplier's side and the related corrections of the VAT deduction on the customer's side has changed. For taxable supplies performed, it will be necessary to keep track of the reasons for making these corrections (e.g. granting a discount or returning a taxable supply) for a period of seven years. The main reason for extending the time limit is mainly the provision of warranties. However, in the case of advances, the three-year time limit for correcting the tax base will remain.

The time limit for correcting the input VAT deduction due to correction of the tax base on the supplier’s side differs depending on the direction of the correction: if the VAT deduction is to be reduced, the time limit shall be seven years as mentioned above (or three years for advances); if the VAT deduction is to be increased, the time limit shall be the same as the time limit for claiming the VAT deduction (i.e. the correction shall be made no later than the end of the second year following the year in which the obligation to correct the deduction arose).

Changes in overdue receivables

From 1 January 2025, the conditions for correcting the tax base for irrecoverable debts shall be relaxed. It will no longer be necessary for the customer (debtor) to be the VAT payer. Furthermore, the time elapsed from the issue of

© 2026 KPMG Česká republika, s.r.o., a Czech limited liability company and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

the first enforcement order will be reduced to one year. In the case of insolvency, the condition that the debtor must be subject to insolvency proceedings to make the correction shall be eliminated, and it will no longer be necessary to have the outstanding receivable registered in the insolvency proceedings within the deadline set by the court. Creditors will thus be able to recover the VAT unpaid by the customer by correcting the tax base back more often.

The most significant change, especially for companies carrying out B2C transactions, is the new grounds for making the correction, i.e. the correction for small receivables. For tax base correction purposes, small receivables are defined as receivables up to CZK 10 thousand and overdue for more than 6 months. One condition for making these corrections will be to call on the debtor twice to pay the receivable. In addition, the annual total of receivables for which the creditor will make a tax base correction against one debtor cannot exceed CZK 20,000.

Once the amendment to the VAT Act takes effect, the supply recipient will have to keep close track of overdue receivables. The new wording of the law obliges the recipient to correct the right to deduct and reduce the VAT deduction if the receivable is not paid within 6 months after its due date, up to the amount of the unpaid receivable. If the receivable was partially satisfied, only the unpaid part of the receivable shall be corrected. If the receivable is subsequently paid in full or in part, the VAT payer is entitled to again increase their right to deduct.

Liability for unpaid VAT

In general, a supply recipient with a place of supply in the Czech Republic is liable for any underpayment of VAT on that supply or consideration if at the time when the obligation to declare tax arose the supply recipient knew or should have known and could have known that the VAT on that supply would not intentionally be paid.

The amendment to the VAT Act will shift the burden of proof consisting of the knowledge test (knew, should have known and could have known) from the tax administrator to the taxpayer. This means that, for the purposes of the liability for unpaid VAT, supply recipients will have to prove that they acted in good faith, i.e., that they were unaware of the supplier's intention not to pay the tax. A more widespread use of the concept of liability for unpaid VAT can therefore be expected.

Immovable assets

Given the delayed effective date (1 July 2025) of the changes to immovable assets, we only briefly summarise the planned changes:

- To classify buildings as buildings designated for housing and social housing purposes, the new VAT Act will not refer to the Construction Act but directly to the information entered in the real estate register.
- The amendment to the VAT Act will divide the relevant provisions on the supply of immovable assets into separate sections: the supply of land, and the supply of selected immovable assets.
- The new VAT Act will explicitly consider land that is designated for development according to the municipality's zoning plan as building land.
- As regards the supply of selected immovable assets, only the first supply defined as the supply before the end of the second year after the completion of the building or its substantial alteration will be exempt from VAT.
- A substantial change to the selected real property will be defined directly in the act, with a single criterion: a 30% increase in price compared to the value before the alteration.
- The concept of internally produced fixed assets will be abolished: the taxpayer will reduce their right to deduct using the coefficients applicable at the time of their acquisition and adjust the claimed deductions using the current year coefficient in the year the relevant assets were put into use.

© 2026 KPMG Česká republika, s.r.o., a Czech limited liability company and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Ministry of Finance: new Accounting Act to take effect only from 2026

The Ministry of Finance has published an updated working version of the draft of the new Accounting Act and has confirmed that it is expected to come into effect from January 2026 at the earliest.



Václav Baňka
vbanka@kpmg.cz



Monika Sychrovská
msychrovska@kpmg.cz

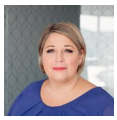
The draft of the new Accounting Act, the latest version of which has been published by the ministry, is currently being discussed by the government's legislative council. Once approved by the government, it will be debated in the chamber of deputies. The new law is followed by an accompanying law that amends 130 related legal regulations including a major amendment to the Income Tax Act. The accompanying law has undergone an inter-ministerial comment procedure, and the comments are currently still being processed. For this reason, it is no longer realistic that the pending legislation will come into effect on 1 January 2025, which was the date envisaged. According to the ministry's statement, the new law will therefore not take effect until 1 January 2026 at the earliest.

The debate in the chamber of deputies will be crucial for the completion of the legislative process. For comparison, the draft amendment to the VAT Act was debated by the deputies for four months. If the chamber of deputies fails to pass the new Accounting Act and its accompanying law before the autumn elections, the entire legislative process will have to start again in the newly elected chamber of deputies.

© 2026 KPMG Česká republika, s.r.o., a Czech limited liability company and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Taxes Chamber of deputies: proposal to abolish notified agreement scheme

The planned introduction of a ‘notified agreement’ scheme for agreements to perform work outside employment is likely to be cancelled. A proposal has also been submitted in the chamber of deputies to abolish mandatory social security and health insurance contributions from unnotified agreements exceeding the threshold for small-scale employment. Another proposal relates to income tax and amends the conditions for withholding tax on income from agreements to perform work.



Lenka Nováková
lnovakova@kpmg.cz



Iva Krákorová
ikrakorova@kpmg.cz

From **January 2025**, changes to sickness insurance relating to notified agreements were to be launched. However, proposals to abolish this regulation have been filed during the discussion of a draft amendment to the Employment Act and other laws in the chamber of deputies, currently subject to the second reading. The reason for this is the expected minimal impact on income from insurance relating to agreements to perform work, which became evident from the data for the first two months of the agreement notification obligation. The legislators thus want to first evaluate statistical data over a longer period. The notification obligation for agreements to perform work, introduced in July 2024, will remain in place to monitor the volume and structure of such agreements in the long-term.

Another amending proposal also modifies the related income tax area. It proposes that withholding tax on an agreement to perform work should only be applied if the income does not reach the relevant threshold for participation in sickness insurance. The threshold for participation in sickness insurance is likely to be calculated annually as **25% of the average wage**, as originally envisaged for notified agreements. If this proposal is passed, this threshold for agreements to perform work would thus be **CZK 11,500** in **2025**.

The chamber of deputies will decide on the above amending proposals in the coming weeks.

© 2026 KPMG Česká republika, s.r.o., a Czech limited liability company and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

New limit for health-related benefits

The chamber of deputies is currently debating an amendment to the Employment Act and other changes to laws. In the area of income tax, it is proposed to introduce a new limit specifically for health benefits, up to the amount of average wage. The existing limit should be maintained for other leisure related benefits.



Lenka Nováková
lnovakova@kpmg.cz



Iva Krákorová
ikrakorova@kpmg.cz

In 2024, an annual limit for the exemption of employee non-financial leisure benefits from personal income tax was introduced, set at half of the average wage. However, this limit has proved insufficient, especially for health-related benefits, considered essential by both employers and employees. A proposal to amend the amendment to the Income Tax Act has been submitted during the discussion in the chamber of deputies, introducing a second specific limit up to the average wage only for health benefits. This limit would thus apply to reimbursements for the purchase of goods or services of a healthcare or similar nature provided by healthcare facilities or for the cost of prescription medical devices paid from the cultural and social needs fund, the social fund, after-tax profits, or tax non-deductible expenses.

In practice, this would allow employers to continue to cover vaccinations, physiotherapy, immunity-supporting vitamins and psychological counselling provided by healthcare facilities up to the above limit without any tax implications for employees.

If the amending proposal is passed, employers will be able to provide employees with tax-exempt health benefits equal to the average wage **from 2025**. This limit will be monitored separately from the limit for exempting leisure benefits from income tax, which is a half of the average wage.

© 2026 KPMG Česká republika, s.r.o., a Czech limited liability company and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Employee stock option plans to revert to old rules of taxation of income from dependent activity

After almost a year of uncertainty over the taxation of income from employee stock option plans, a proposal to amend the Income Tax Act was submitted by deputies during the discussion of an amendment to the Act of Child Care Services in Children's Groups (Print No. 716) to allow employers to revert to how they taxed this type of income before the end of 2023.



Lenka Nováková
lnovakova@kpmg.cz



Marie Smékalová
msmekalova@kpmg.cz

Since January 2024, the administration of employee stock option plans has become significantly more complicated for employers due to a change in the point of time of the taxation of income from dependent activity arising from the acquisition of a share or an option in an employer, their parent company or subsidiary, or an entity related to the employer through capital. In most cases, the point of time when this income is taxed has been shifted to the future. Insurance premiums only began to reflect this from 1 July 2024, since the original draft amendment failed to take into account the shift in the point of time of taxation.

Changes in the point of time of taxation have caused problems with the tracking of the actual taxable moment of such income (i.e. when to tax the income within payroll processing or in which year to include it in the tax return) and have also raised the issue of avoiding double taxation of income abroad, among others.

If the amending proposal is adopted, e**mployers will be able to choose whether to apply postponed taxation**.

According to the proposal, the procedure for postponing taxation would only apply if the employer notified the tax administrator by the 20th day of the month following the month in which the employee acquired the share or option that they wished to postpone the point of time of taxation.

Otherwise, the employee's income would be t**axed in the same way as it was until the end of 2023**: i.e., in the month the share or transferable option is acquired or the non-transferable option exercised if the income is required to be taxed within the monthly payroll. However, if the employee only taxes this income as part of their income tax return, then the obligation would apply to the taxable period in which the acquisition or exercise of the shares or options in question occurred.

The payment of relevant insurance premiums, if any, should be made at the same moment as taxation.

The draft amendment not only seeks to correct the taxation procedure for the future but also to regulate that of 2024, via transitional provisions. For this year, the procedure of postponing the point of time of taxation would apply only if the employer notifies the tax administrator of such intention within two months from the

© 2026 KPMG Česká republika, s.r.o., a Czech limited liability company and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

amendment's effective date.

If the employer does not notify the tax authorities of their intention to postpone, the employer will be required to additionally pay income tax prepayments and insurance premiums for the individual months of 2024 when the employee generated income from dependent activity arising from the acquisition of shares under the employee stock option plan if the taxation is to be done in payroll in accordance with the law.

The transitional provisions also provide that the late payment of income tax prepayments and any insurance premiums for individual months of 2024 will not be penalised.

© 2026 KPMG Česká republika, s.r.o., a Czech limited liability company and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Exemption of income from sale of securities and shares in corporations restricted from 1 January 2025

From 1 January 2025, income from the sale of securities and shares in corporations meeting the time test of three years for securities and five years for shareholdings will be exempt from personal income tax only up to CZK 40 million per taxpayer in a taxable period.



Lenka Nováková
lnovakova@kpmg.cz



Simona Zahradníčková
szahradnickova@kpmg.cz

The aggregate income threshold of **CZK 40 million** will only apply to income from securities and shares in corporations that meet the conditions of the time test for tax exemption. If the time test for holding a security or a share in a corporation is met and at the same time the aggregate gross income in the taxable period does not exceed CZK 40 million, then such income will be fully exempt from personal income tax. However, if the aggregate income exceeds CZK 40 million, such income will be exempt from personal income tax only partly, i.e., only to the extent not exceeding CZK 40 million. The taxable income may then be reduced by expenses demonstrably incurred to generate such income in an amount corresponding to the proportion in which the income exceeds the CZK 40 million threshold.

Example

A personal income tax payer generates income from the sale of a share in a corporation exempt based on the time test and amounting to CZK 21 million and income from the sale of a security exempt based on the time test and amounting to CZK 39 million. The aggregate income totals CZK 60 million.

The acquisition cost of the share in a corporation was CZK 9 million, while the purchase price of the security was CZK 36 million. The taxpayer does not generate any other income from the sale of securities or from the transfer of shares in corporations.

	Shares in corporations	**Securities**
Income meeting the time test	CZK 21 million	CZK 39 million
Acquisition cost/purchase price	CZK 9 million	CZK 36 million

© 2026 KPMG Česká republika, s.r.o., a Czech limited liability company and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

The income from the sale of the share in a corporation that will now be tax exempt amounts to CZK 14 million, i.e. (CZK 40 million / CZK 60 million) * CZK 21 million, while CZK 7 million, i.e. (CZK 20 million / CZK 60 million) * CZK 21 million will be included in the tax base. Similarly, income from the sale of the security that will now be tax exempt amounts to CZK 26 million, i.e. (CZK 40 million / CZK 60 million) * CZK 39 million and CZK 13 million, i.e. (CZK 20 million / CZK 60 million) * CZK 39 million will be included in the tax base.

The income from the sale may be reduced by the expenses demonstrably incurred in generating such income in the same proportion as that used for calculating taxable income. For the sale of the share in a corporation, expenses would amount to CZK 3 million, i.e. (CZK 20 million / CZK 60 million) * CZK 9 million and for the sale of the security, expenses would amount to CZK 12 million, i.e. (CZK 20 million / CZK 60 million) * CZK 36 million.

	Shares in corporations	**Securities**
Exempt income	CZK 14 million	CZK 26 million
Income to be taxed	CZK 7 million	CZK 13 million
Eligible expenses	CZK 3 million	CZK 12 million

The partial tax base for income from the sale of the security is CZK 1 million, and the partial tax base for the sale of the share in a corporation is CZK 4 million.

Revaluation of claimed expenses

The acquisition cost/purchase price of a security or a share in a corporation acquired before 31 December 2024 and included as income in the tax base due to exceeding the limit of CZK 40 million may be remeasured to market value under certain conditions.

A taxpayer who sells securities or shares in corporations (acquired before 31 December 2024) after the effective date of this act may claim as an expense the market value as at 31 December 2024. A taxpayer who sells securities or shares in corporations in a taxable period beginning before the effective date of this act but receives the income after the effective date (e.g., payment is agreed to in instalments) may claim as an expense the market value as at 31 December 2024 or the market value as at the date of sale.

© 2026 KPMG Česká republika, s.r.o., a Czech limited liability company and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Retirement savings products likely to face changes to compounding of savings periods

Amending proposals have been submitted as part of the forthcoming amendment to the Act on Child Care Services in Children's Groups to ensure that savings periods are added up upon the transfer of funds to new retirement savings products and that the new tax treatment is correctly applied to state aid advances relating to building savings for calendar years 2023 and earlier.



Filip Morcinek
fmorcinek@kpmg.cz



Natálie Šílená
nsilena@kpmg.cz

Retirement savings products

According to the current wording of the Income Tax Act, tax-efficient retirement savings products are those through which taxpayers save for at least 120 calendar months from the date of their arrangement and at the same time do not make a withdrawal earlier than at the age of 60. The Income Tax Act does not imply that the savings period can be added up upon the transfer of funds to a new retirement savings product. As a result, current legislation in fact restricts taxpayers from transferring funds between various tax-efficient retirement savings products of the same type or from transferring funds from supplementary pension insurance with state contribution to a tax-efficient additional pension savings scheme.

The amending proposal responds to this deficiency by stipulating that savings periods shall be added up upon the transfer of funds from one retirement savings product to a new one of the same type. However, the conditions of the funds being transferred to the same type of retirement savings product does not apply where funds are being transferred from a supplementary pension insurance scheme to an additional pension savings scheme. The savings periods shall be added up only if the taxpayer transfers all saved funds to a new retirement savings product.
The good news is that according to the transitional provisions of the amendment, the new rule should apply to retirement savings products agreed upon after 1 January 2024 as well as before that date.

Building savings

Apart from the issue of adding-up of savings periods for retirement savings products, legislators are also proposing to add a transitional provision on state aid for building savings. The proposed transitional provision is intended to ensure that the new tax treatment introduced by Act No 349/2023 Coll. with effect from 1 January 2024 is not applied to state aid relating to advances for calendar years prior to 2024. The aim is to ensure the legal certainty that state aid paid after 1 January 2024 but relating to earlier periods will remain exempt from income tax under the previous rules.

© 2026 KPMG Česká republika, s.r.o., a Czech limited liability company and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

© 2026 KPMG Česká republika, s.r.o., a Czech limited liability company and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Increased tax support for donations to apply until 2026

The chamber of deputies proposes to extend the applicability of the increased limit on the value of donations that taxpayers may deduct at 30% of the tax base until 2026. It also proposes to maintain the tax relief for donations made in support of Ukraine.



Václav Baňka
vbanka@kpmg.cz



David Mlíkovský
dmlikovsky@kpmg.cz

In the second reading of the amendment to the Act on Measures Connected with the Armed Conflict in Ukraine, an amending proposal has been filed to extend the effectiveness of tax relief for donations until 2026 (for legal entities until 28 February 2027).

The key point of the proposal is to maintain the applicability of the increased **30% limit** on the maximum value of donations that can be deducted from the tax base for all types of donations (not only donations intended to support Ukraine), which was introduced in 2022 and was originally intended to apply only in the short term. The increased limit will thus also apply, e.g., to donations made in connection with this year's floods.

Other measures, such as the extension of the scope of deductible donations to include donations made in connection with support for Ukraine or the possibility to claim such donations directly as a tax-deductible expense, will also remain in force.
For details on the measures applicable to date, see our article Income tax view on 2022 donations to Ukraine.

The amending proposal is now awaiting a vote by the chamber of deputies in its third reading. We expect a consensus across political parties on its adoption.

© 2026 KPMG Česká republika, s.r.o., a Czech limited liability company and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Tips and tricks

How to avoid assessment of tax using auxiliary mechanisms?

In some cases, the tax administrator may determine tax even without the taxpayer's cooperation, using auxiliary mechanisms. We summarise below what this means for the taxpayer and how to avoid this situation.



Pavlína Rampová
prampova@kpmg.cz



Karolína Kubíčková
kkubickova@kpmg.cz

When can the tax administrator determine tax using auxiliary mechanisms?

Auxiliary mechanisms can be used if the two following conditions are met:

- The taxpayer fails to meet their obligations in proving the asserted facts.
- The tax cannot be assessed on the basis of evidence.

This means, e.g., that the taxpayer has failed to prove their tax assertions, failed to file a tax return, or failed to provide the tax administrator with cooperation in the fact-finding phase of the proceedings. The tax administrator may also use auxiliary mechanisms where the taxpayer fails to comply with the legal obligation to keep proper accounting records. Such failures on the part of the taxpayer may result in the tax authority not having a basis for assessing the tax based on evidence, even though that is the preferred option for the assessment of tax. The tax authority must therefore justify why the tax could not be assessed that way.

Which auxiliary mechanisms can the tax administrator use?

- Comparison of comparable taxpayers and their tax obligations. The data of other taxpayers should be the main basis for determining the tax when using auxiliary mechanisms. The tax administrator shall consider similar cases while taking into account the specifics of the taxpayer (e.g. differences in turnover, number of employees, amount of assets, etc.).
- Evidence not challenged by the tax administrator. This is evidence that has either already been submitted by the taxpayer or is available to the tax administrator from the tax inspection. The tax administrator shall take them into account in relation to the scope of the taxpayer's activity.
- Explanations given. These are explanations under Section 79 of the Tax Procedure Code, which cannot be used as means of evidence but can be used as an auxiliary mechanism. However, the tax administrator should still treat the explanations with caution because they may not be true.
- The tax administrator's own knowledge and information acquired during tax administration. This may be, e.g., available statistical data or information on usual margins.

The tax administrator therefore in fact estimates the actual tax liability, e.g., based on the taxpayer's past economic results or the economic results of similar taxable entities.

What are the implications for the taxpayer?

© 2026 KPMG Česká republika, s.r.o., a Czech limited liability company and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Although the tax administrator is obliged to consider any advantages that may arise for the taxpayer from the established facts, auxiliary mechanisms may indeed have negative implications for the taxpayer. As these mechanisms are used to only estimate the tax liability, they can often lead to a higher tax being assessed than would have been calculated if the taxpayer had provided evidence and other assistance to the tax authority.

Practical tips on how to avoid tax assessment using auxiliary mechanisms

1. Comply with your statutory obligations. This includes the timely filing of complete tax returns and proper bookkeeping. You must also always thoroughly document and prove to the tax administrator all facts that affect the tax assessment and that the taxpayer asserts.
2. Communicate, communicate, communicate. The taxpayer should actively communicate with the tax administrator and provide requested information and explanations. It is better to proactively address any ambiguities or issues than to wait for the tax administrator's assessment.
3. Put the issue in the hands of professionals. Lawyers or tax advisors can guide taxpayers through tax proceedings from start to finish and help them respond appropriately and in a timely manner.

© 2026 KPMG Česká republika, s.r.o., a Czech limited liability company and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

New regulation of kratom and low-level THC content cannabis

‘New’ or ‘designer’ drugs like kratom are rapidly changing the market of addictive substances, and their sale needs to be regulated. Under the new rules, it will only be possible to buy such products in specialised shops. Rules are also being introduced for obtaining a licence to grow, distribute, and advertise them.



Tomáš Kočař
tkocar@kpmg.cz



Karolína Kubíčková
kkubickova@kpmg.cz



Eliška Veselská
eveselska@kpmg.cz

Until now, Czech law has not regulated psychoactive substances with low health and social risks, such as kratom or cannabis with low THC content. These substances were thus available to the general public, including minors, even via the internet or vending machines. However, under the amended law on addictive substances, the growing, distribution, and sale of psychoactive substances will be regulated, as will be their advertising. The government shall establish a list of substances legally referred to as psychomodulants by regulation.

New rules

To limit the availability of psychomodulants, their sale in vending machines or outside of a specialised shop will be prohibited. In addition, online sales or sales by means of distance communication will only be possible if it is ensured that the products are not purchased by minors. Persons under the age of 18 will not be allowed to enter the specialised shops.

The product packaging will have to include a statement on the effects, risks, recommended dosage, and warnings about the dangers of underage use. The law also prohibits any packaging resembling candy, food, or toys. Advertising or sponsorship promoting psychomodulants will be prohibited under the new rules.

Crucially, a licence issued by the Ministry of Agriculture will be required for the growing, distribution, and sale to end customers. A list of licence holders will be published on the ministry's website.

New psychoactive substances

Due to the rapid development of new substances, the legislators will also regulate the handling of substances that are assumed to be psychoactive but whose health risks have not yet been established. Once these psychoactive substances with unknown health effects become part of the relevant list, it will only be possible to use them in research projects for which a permit will need to be obtained and evidence of, among other things, the research

© 2026 KPMG Česká republika, s.r.o., a Czech limited liability company and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

plan and other facts related to the research project will need to be provided. An assessment of whether the psychomodulants will be listed as prohibited or regulated and whether their sale will be allowed will only be made then.

Effective date

The amendment has already been signed by the president and is heading for publication in the Collection of Laws. It should enter into effect on 1 December 2024.

© 2026 KPMG Česká republika, s.r.o., a Czech limited liability company and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Pillar Two: Exchange of information on information returns within EU (DAC 9)

The European Commission is proposing a single framework for exchanging information on top-up tax information returns, which would allow the filing of a single information return within the EU. The proposal includes a single format for information returns for all member states.



Václav Baňka
vbanka@kpmg.cz



Ondřej Novák
ondrejnovak@kpmg.cz

The information return (GloBE Information Return or GIR under OECD model rules) is the principal filing instrument for top-up tax. It contains information on an entire group, its constituent entities, and its tax obligations in the countries where the group operates.

Article 44 of the EU Minimum Tax Directive requires each constituent entity to file its information return with its local administrator. An exception is possible if the ultimate parent entity (UPE) or another authorised entity files the top-up tax information return for the entire group and if the state where the information return is filed has an agreement on the exchange of information on top-up tax information returns with the constituent entity's member state.

Exchange of information within the EU

An amendment to the Directive on Administrative Cooperation in the Field of Taxation (DAC 9) proposes the introduction of a mechanism for the exchange of information on top-up tax information returns filed within the EU. The existence of such a mandatory exchange of information will allow multinational groups to file their information returns centrally within the EU: the ultimate parent entity or another authorised entity will be able to submit the entire group's information return in one single member state. However, the Minimum Tax Directive still requires each entity to notify its member state tax administration about which entity is filing the group's information return and in which member state.

It should be added that the proposed regulation can only be applied in relation to constituent entities within the EU. The filing of an information return in a non-EU state can only be relied upon if an agreement on the exchange of information on top-up tax information returns is concluded. Also, the proposed regulation does not apply to other filings beyond the scope of the information return that may be required by individual member states.

Uniform format for the information return

The proposed amendment to the directive (DAC 9) also includes a new appendix with rules regarding the filing and the standard format for the top-up tax information return. Its format has been aligned with the OECD model (GIR)

© 2026 KPMG Česká republika, s.r.o., a Czech limited liability company and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

but includes minor adjustments for the purposes of the EU Minimum Tax Directive.

Next steps

The European Commission's proposal has yet to pass through the prescribed legislative process. Under the current wording, member states would then have to implement the rules by 31 December 2025. As it is a procedural regulation, it could already affect the first-time processing and filing of information returns for the allocated top-up tax.

Information on this topic can also be found in the KPMG EU Tax Centre report.

© 2026 KPMG Česká republika, s.r.o., a Czech limited liability company and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Subsidies for charging station constructions

From 14 October 2024, applications can be submitted for support under Calls 30 and 31 of the Operational Programme Transport 2021– 2027, which aim to support the development of fast-charging infrastructure for passenger vehicles.



Silvie Beranová
kpmg@kpmg.cz



Lukáš Otýpka
lotypka@kpmg.cz

At the end of September 2024, the Ministry of Transportation announced the calls for proposals, and applications for support can be submitted until 27 January 2025. Specifically, support can be obtained for the construction of infrastructure for alternative fuels or charging stations that are publicly accessible. The funds allocated for each call and aid intensity are as follows:

- **Call 30 - construction of charging stations across the Czech Republic**. The funds allocated for this call amount to CZK 1 billion; the maximum aid intensity is 55% of eligible costs.
- **Call 31 - construction of charging stations in priority areas** of the Trans-European Transport Network (TEN-T). The allocation is set at EUR 385 million; the aid intensity can reach up to 70% of eligible costs.

Apart from the above limits, the maximum eligible costs are limited to CZK 900,000 per one charging station with a power output of 50 kW. If the output is higher, the limit of eligible costs may be increased by CZK 10,000 for each 1 kW of additional power output. For Call 30, the minimum scope of the project is set at 10 DC charging stations; for Call 31, the project must include the construction of at least 6 DC charging stations.
Eligible costs may include, for example: project preparation costs, construction costs, charging station acquisition costs including assembly and installation, or one-off fees related to the permitting and commissioning of the charging stations.

The project must be completed by 30 June 2029. At the same time, only costs incurred by 31 December 2028 can be supported.

If you are interested, we will be happy to help you with the preparation of your application for support.

© 2026 KPMG Česká republika, s.r.o., a Czech limited liability company and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Case law

Can an additional VAT return be filed after the end of a tax inspection?

The Supreme Administrative Court (SAC) dealt with a dispute concerning the possibility of filing additional tax returns for lower tax after a tax inspection had been completed. The Supreme Administrative Court sided with the regional court which ruled in favour of the taxpayer.



Petra Němcová
pnemcova@kpmg.cz



Kateřina Zákostelská
kzakostelska@kpmg.cz

During a tax inspection, the tax administrator concluded that the taxpayer had not provided sufficient evidence to prove that they had received the services on which they deducted input VAT. On that basis, the tax administrator issued orders to pay additional tax. After these were issued, the taxpayer 'surprised' the tax administrator by filing additional VAT returns for a lower tax, submitting new evidence to prove the correctness of the original assertions.

The tax administrator dismissed the additional VAT returns and discontinued the proceedings on the grounds that the taxpayer had filed the additional returns outside the tax inspection's deadline and had not submitted new evidence that would justify a repeated tax inspection. The Appellate Financial Directorate (AFD) was of the same opinion.

However, the regional court reversed the AFD's decision on the grounds that it had misapplied the law and that the additional VAT returns had been filed in accordance with law. The court stated that the Tax Procedure Code does not preclude the filing of an additional tax return for a tax lower than that determined by the results of a tax inspection. The situation would be different if the last known tax had been determined using auxiliary mechanisms or by agreement or if the additional tax return had been filed in the course of a tax inspection.

The SAC upheld the regional court's conclusions and emphasised that a taxpayer has the right to file an additional tax return for a lower tax if they find out that the tax had been assessed at an incorrect amount. This right is not even limited by the end of a tax inspection (except for tax determined using auxiliary mechanisms or by agreement). The SAC rejected the AFD's assertion of the presumption of correctness in respect of a tax assessed based on a tax inspection. Following the filing of an additional tax return, the tax administrator may initiate a tax inspection and assess the tax ex officio, whereby a balance between the rights of the tax administrator and of the taxpayer is ensured. This means that within the deadline for assessing tax, the tax proceedings are open to both the taxpayer and the tax administrator.

Unlike the regional court, the SAC held that for the possibility of filing an additional tax return after the end of a tax inspection, it is not relevant whether there are any reasons for a repeated tax inspection.

The SAC's decision has a significant impact on practice, as tax authorities must carefully assess new evidence and facts submitted by taxpayers and cannot automatically discontinue proceedings on additional tax returns by

© 2026 KPMG Česká republika, s.r.o., a Czech limited liability company and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

referring to the presumed correctness of the previously assessed tax. In turn, taxpayers should be aware of the possibility to file additional tax returns even after the end of a tax inspection.

© 2026 KPMG Česká republika, s.r.o., a Czech limited liability company and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Case law

SAC on VAT deduction and supplier check

The Supreme Administrative Court (SAC) has once again dealt with the refusal of a VAT deduction on the grounds of a company's involvement in a transaction affected by tax fraud. One of the issues was whether the company's checks of its suppliers had been adequate and sufficient and whether the company had known or could have known that it had been involved in tax fraud.



Petra Němcová
pnemcova@kpmg.cz



Lucia Balážová
lbalazova@kpmg.cz

A company trading in copper cathodes and zinc was refused a VAT deduction on their purchase, following a tax inspection where the tax administrator concluded that the company had engaged in fraudulent transactions. The tax administrator believed that the company should or could have known about the fraud but had not taken any measures to prevent its engagement in the fraud (for instance, the company had purchased the commodities at suspiciously low prices, had not adequately checked their quality, and the supplier had not published its financial statements).
The company disagreed with the tax administrator's conclusions, appealed the decision, and subsequently filed a lawsuit with the Municipal Court in Prague. Both the Appellate Financial Directorate and the Municipal Court upheld the tax administrator’s conclusions. The company therefore lodged a cassation complaint with the Supreme Administrative Court (SAC).

The SAC agreed with the conclusions of the previous instances and dismissed the complaint. According to the SAC, the company had not sufficiently vetted its suppliers, had traded with them without adequate contractual arrangements, and should have been more cautious when trading with new and potentially risky entities in the market. The company had also failed to prove that it had acted with sufficient prudence to minimise the risk of being involved in VAT fraud. The court sided with the tax administrator, concluding that the company had known or could have known about the suspicious circumstances of the transactions in question. In this case, the taxpayer did not provide evidence convincing the SAC that they had acted in good faith.

In its decision-making, the SAC relied on established case-law which provides that taxpayers must take measures appropriate to any suspicious circumstances of a transaction. The court found that although witness statements confirmed that certain steps had been taken by the taxpayer, those had not been sufficient in relation to the nature of the high-risk transactions. Measures consisting in checking only basic information on new suppliers (i.e. that they are VAT payers, registered in the Commercial Register and fulfil their tax obligations) or paying for goods only after their delivery cannot be considered sufficient.

The decision confirms that if a taxpayer takes certain precautionary measures, these must be appropriate to the specific risks and circumstances of the transaction. The case highlights the importance of adequate supplier verification and transparency in commercial transactions. The court's decision also reflects the growing need for more rigorous internal controls for firms doing business in high-risk markets.

It is crucial for all companies, not just those in similar sectors, to implement robust control and compliance

© 2026 KPMG Česká republika, s.r.o., a Czech limited liability company and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

systems to prevent similar litigations and financial losses associated with tax fraud.

© 2026 KPMG Česká republika, s.r.o., a Czech limited liability company and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Case law

CJEU: Electricity is commodity

The Court of Justice of the EU (CJEU) has ruled that a German company must charge Swedish VAT on supplies of electricity at charging stations in Sweden. The judgement provides clear rules for the taxation of electricity and highlights differences from the well-known Vega International case. The company must now apply commissionaire structure rules and reassess its tax obligations.



Martin Krapinec
mkrapinec@kpmg.cz



Kateřina Zákostelská
kzakostelska@kpmg.cz

A German firm had initially assumed that its role consisted of the provision of network access services and not the supplies of goods. This interpretation led it to not charge Swedish VAT. However, the court's decision changed this practice.

The company acted as an intermediary (commission agent), buying electricity from charging point operators and then supplying it to end users. The court held that this was a commission contract. Although the company was acting in its own name, it was in fact doing so on behalf of the operators of the charging points. This created the legal fiction of two separate supplies: first from the operators to the German firm, and then from the German firm to customers.

Apart from the supply of electricity itself, the company also provided services of access to the network of charging points via cards and apps, offered users information on the prices, availability, and location of charging stations, as well as other features including route planning. For these services, the company charged a fixed fee independent of the amount of electricity consumed. The referring court, i.e. the Swedish court, has yet to assess whether this service was an independent supply or part of the electricity supply.

The court's decision clarified the tax treatment of charging electric vehicles. In this context, electricity is considered tangible goods. Unlike in the Vega case where the court concluded that the supply was a credit service, here the supply of electricity is clearly defined as a physical supply subject to VAT at the place of consumption.

The Vega International case dealt with a parent company providing fuel cards to its subsidiaries. The court at the time determined that this was a financial service and not subject to VAT on the grounds that it was the case of fuel financing rather than a direct fuel supply. Contrariwise, the German company had physically supplied the electricity, and the transactions had been subject to VAT in Sweden where the consumption had taken place.

The difference between the two cases lies in the nature of the provided supply. The CJEU emphasised that if the German company was responsible for the physical supply of electricity, it could not be regarded as a provider of financial services. It must therefore charge Swedish VAT and at the same time comply with the commissionaire structure rules.

What does the decision mean for the German company? It will have to adapt its business model and ensure compliance with VAT rules. At the same time, the judgment sets the standard for other providers of electromobility

© 2026 KPMG Česká republika, s.r.o., a Czech limited liability company and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

services in the EU.

© 2026 KPMG Česká republika, s.r.o., a Czech limited liability company and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

CJEU: Veggie burgers can be called burgers

Member states may not prohibit the use of names associated with animal-based products for plant-based foods if there is no specific legal definition of such names. Thus, according to the Court of Justice of the EU (CJEU), it is not possible to generally ban the use of labels such as "steak" or "sausage" for plant-based products.



Tomáš Kočař
tkocar@kpmg.cz



Karolína Kubíčková
kkubickova@kpmg.cz

The French government had issued a regulation aiming to ensure clearer food labelling and protect consumers from misleading information. The regulation banned the use of names traditionally associated with meat products even where it was clearly stated that the products were plant-based, such as 'soya steak' or 'veggie sausage'. The European Vegetarian Union and other bodies challenged the regulation before the French Conseil d'État.

The Conseil d'État referred to the CJEU to interpret whether such a ban is compatible with EU law. In its decision, the CJEU stated that EU law lays down uniform rules to protect consumers from misleading designations. Member states can then adopt further rules to protect consumers with regard to food names but must at the same time set the conditions for the use of certain names (including, for example, meat content).

According to the CJEU, it is not possible to introduce a general ban on the use of traditional names (e.g. steak, burger, sausage) for plant-based products unless these names are clearly defined by law. Member states thus cannot restrict the use of traditional names unless there is a clear legal definition and they are misleading. This was not so in the French case, and French regulation was therefore contrary to EU law.

This decision could have a major impact on the sale of vegetarian alternatives to popular dishes and could lead to changes in relevant legislation in individual member states.

© 2026 KPMG Česká republika, s.r.o., a Czech limited liability company and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Case law

CJEU: VAT deduction on assets provided to suppliers free of charge

The Court of Justice of the EU (CJEU) has ruled in favour of the taxpayer in a dispute between an Austrian company and the Romanian tax authority over the deduction of VAT on an asset provided to a subcontractor. The tax authority had challenged the right to deduct, but the court set clear conditions for when the deduction can be claimed.



Tomáš Havel
thavel@kpmg.cz



Petra Němcová
pnemcova@kpmg.cz

An Austrian company was registered for VAT in Romania because a part of its production and processing activities took place in Romanian territory. The company produced castings, which were subsequently processed in Romania. For this purpose, the company used the services of a Romanian subcontractor. The final products were then delivered to the Austrian company's customers in other EU member states.
The Austrian company purchased a crane which it then made available free of charge to its Romanian subcontractor who processed the castings for the company. In its Romanian VAT return, the Austrian company claimed input VAT on the purchase of the crane.

The tax authorities in Romania challenged the deduction on the grounds that the Austrian company neither proved that the acquisition of the crane was intended for its economic activity in Romania nor submitted a balance sheet for its permanent establishment in Romania.

The CJEU, however, ruled that the VAT deduction could not be denied if it was proven that the crane was necessary for the Austrian company's economic activity, i.e., that it was used for the purposes of its business. At the same time, the CJEU emphasised that this approach was only possible if the cost of the crane was included in the price of the taxable supplies provided by the Austrian company to its customers. The CJEU further held that the failure to keep separate accounts for the Romanian permanent establishment was not in itself a ground for denying the right to deduct VAT. The Romanian tax authorities should have examined all evidence and verified whether the above substantive conditions for the right to deduct had been met.

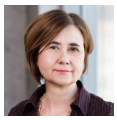
As it is quite common that taxpayers provide gratuitous supplies to their suppliers, the tax implications should always be assessed.

© 2026 KPMG Česká republika, s.r.o., a Czech limited liability company and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

In brief

News in Brief, November 2024

Last month's tax and legal news in one or two sentences.



Lenka Fialková
lfialkova@kpmg.cz



Václav Baňka
vbanka@kpmg.cz

DOMESTIC NEWS

- Decree No. 287/2024 Coll., amending certain decrees in connection with the adoption of Act No. 162/2024 Coll., amending Act No. 125/2008 Coll., on transformations of corporations and cooperatives, has been published in the Collection of Laws. It is effective from 2 October 2024.
- An amendment to Decree No. 456/2020 Coll., on real estate tax submissions through prescribed forms, has been published under No. 297/2024 with effect from 1 January 2025.
- Government Regulation No. 240/2014 Coll., on toll rates, toll discounts and remuneration for the provision of the European Electronic Toll Service (effective from 1 January 2025, No. 299/2024) has been amended.
- Under the jurisdiction of the Ministry of Labour and Social Affairs, the following notices were published in the Collection of Laws in October:
    - Notice No. 307/2024, establishing reduction limits to adjust daily assessment bases for the purposes of sickness insurance applicable in 2025
    - Notice No. 308/2024 Coll., declaring an increase in the threshold decisive for employees to participate in sickness insurance. This threshold will amount to CZK 4,500 next year.
- The Financial Administration of the Czech Republic is introducing changes that will facilitate communication between the state and its citizens. It is gradually moving to gov.cz, a single domain that is part of a broader government plan to simplify access to public services. Some websites of the financial administration have already switched to the new domain. The old links will be redirected to the new addresses (for the next 10 years). In addition to websites, email communication will also be affected by the change. The current addresses using the @fs.mfcr.cz domain will gradually be replaced by new addresses with the @fs.gov.cz ending. The transition will be completed by the end of 2024 at the latest, but emails sent to the old addresses will continue to be delivered automatically.
- The EU list of non-cooperative jurisdictions in the tax area has been published in Financial Bulletin No. 9/2024.
- An amendment to the Insolvency Act (No. 252/2024 Coll.) and an amendment to Decree No. 254/2024 Coll., on the essential requirements for submissions and prescribed forms for electronic submissions in insolvency proceedings, are in effect from 1 October 2024.

FOREIGN NEWS

- The KPMG EU Tax Center regularly summarises changes in direct taxes in the EU and internationally that may affect your business. Here you can read about important case law and new legislation at OECD, EU, and national levels. For the complete edition of 4 November 2024, click here.
- Concerning Pillar 2, we draw your attention to new registration obligations in Germany and Austria.
- Slovakia is finalising the approval of the consolidation package in effect from 2025. Key changes to

© 2026 KPMG Česká republika, s.r.o., a Czech limited liability company and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

corporate income tax include:
    - Increase in the corporate income tax rate from 21% to 24% for taxpayers with a tax base of over EUR 5 million.
    - Decrease in the corporate income tax rate from 15% to 10% for taxpayers with a tax base not exceeding EUR 100,000.
    - Decrease in the withholding tax rate on dividends from 10% to 7% for dividends paid to individuals (natural persons).
- The Financial Transaction Tax (FTT) Act has been passed in Slovakia. FTT rates vary according to the type of transaction: the basic rate is 0.4% with a maximum of EUR 40 per transaction, except for cash withdrawals, which are subject to a 0.8% rate, and card payments, which are subject to an annual tax of EUR 2.
- A summary of the Slovak consolidation package can be found here.

© 2026 KPMG Česká republika, s.r.o., a Czech limited liability company and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

LinkedIn | Twitter | Facebook | Instagram

www.kpmg.cz
Tel.: +420 222 123 111

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2026 KPMG Česká republika, s.r.o., a Czech limited liability company and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.