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Editorial

Time is money. This seems doubly true in a year of parliamentary elections, which is perhaps why so many laws significantly affecting the business environment in the Czech Republic were passed this summer. One of them is the act on single monthly employer reporting (in Czech Jednotné měsíční hlášení zaměstnavatelů or JMHZ), which promises to reduce the administrative burden for businesses as instead of having to complete several different forms, there will be just one summary report.

Things are indeed looking up for employers: one form rather than twenty, one submission rather than being repeatedly bombarded with requests for data that the authorities already have. Sounds like a victory for common sense.

The exact format of the new report is not yet known, but it is expected to include all details of an employee's income. The state will thus get an almost real-time overview of wages, and employers hopefully some relief from their administrative burden. However, what many do not realise is that aside from simplifying the processes on employers' part, JMHZ will also disclose all information on individual employees to the authorities. Employers should therefore always ensure their compliance with the applicable rules and limit their exposure to potential risks.

But take note that the senate has returned the accompanying bill containing changes to other laws to the chamber of deputies, demanding that the tax exemptions for leisure-related employee benefits and for crypto-asset income be maintained. The question is whether the bill will be passed in time before the election – it would be a shame if the entire project were to get stuck halfway. Nonetheless, we trust that the lawmakers will pick up the pace.

Should you want to keep up a brisk pace, please accept our invitation to this year's KPMG Extra Mile: Bank of the Year relay race, which we are organising on Thursday, 11 September at Prague's Děkanka. You may register here. We look forward to seeing you there!

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Senate: Single Monthly Employer Reporting bill passed

The senate has passed the Bill on Single Monthly Employer Reporting (in Czech Jednotné měsíční hlášení zaměstnavatele or JMHZ). However, the accompanying bill containing unrelated legislative amendments was returned to the chamber of deputies with modifications.


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We already reported on the JMHZ bill and on the changes to tax laws resulting from the accompanying bill, and we published a summary of the changes approved by the chamber of deputies including the news regarding ESOPs, the limit for the exemption of selected income, and the R&D allowance.

However, unlike the bill introducing the single monthly employer reporting itself, the accompanying bill was not approved by the senate but sent back to the chamber of deputies with proposed amendments.

The amendments relating to the Income Tax Act include:

- **The abolition of the annual limit of CZK 40 million** for the tax exemption of income from the sale of securities and ownership interests in companies; the limit would be preserved only for the exemption of income from the sale of crypto-assets. The abolition of the limit had been originally proposed for all the above types of income, but this was not passed by the chamber of deputies.
- A clarification that **tax exempt non-financial leisure and health-related benefits** provided by employers to their employees shall not be wages, salaries, remuneration, or compensation for loss of earnings. The bill approved by the chamber of deputies also included the wording that that they must not be any other supply linked to work performance, which had caused uncertainty from the outset, as benefits are always to some extent linked to work performance. The senate has proposed to delete this wording.
- **A definition of a low-emission vehicle** specifically for income tax purposes as a road motor vehicle of category M1, M2 or N1 that does not exceed the CO_2 emission limit of 50 g/km and is not an emission-free vehicle; the current definition (by reference to another regulation) would make it impossible from 2026 to grant a tax advantage upon the provision of a company car for both business and private purposes.

It is not yet clear when the chamber of deputies might get around to passing the accompanying bill. The chamber may pass either its original version or the senate's version; always as a whole without the possibility of voting on individual proposed amendments. The approved version would then be considered by the president and, if signed, promulgated in the Collection of Laws. It is also possible that the law will not be adopted at all because neither the chamber of deputies' nor the senate's version is passed or the deputies do not get around to passing it before the end of the current parliamentary term.

Taxes

Income taxes - summary of selected changes approved by chamber of deputies

At the end of June, the chamber of deputies approved in its third reading the bill on the Single Monthly Employer Reporting (JMHZ), including draft amendments to the accompanying laws. Although the JMHZ Act as a whole is due to come into effect on 1 January 2026, the amending proposals have postponed certain registration duties of employers, including their obligation to send single monthly employer reports, until 1 April 2026, to give employers sufficient time to comply with these requirements.


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Abolition of withholding tax on agreements for work outside employment and remuneration paid to members of statutory bodies (Czech tax non-residents)

The current system of withholding tax on agreements to perform work (outside employment) and agreements to complete a job (i.e., small-scale employment) is being abolished. Withholding tax is generally applied where the income does not reach a set monthly limit and the taxpayer has not signed a declaration of a taxpayer liable to personal income tax from dependent activity with the respective employer. Income from agreements to perform work (outside employment) up to a given monthly income level and income from small-scale employment will now be subject to monthly income tax prepayments. However, this income does not give rise to an obligation to file an income tax return, meaning that taxpayers will still be able to decide whether to declare such income in their tax returns, e.g., because they want to claim relevant tax credits and allowances. In the third reading of the bill, deputies have approved the abolition of withholding tax from 1 January 2027.

The amendment also abolishes the often advantageous taxation regime of remuneration paid to Czech tax non-resident members of corporate bodies. The current withholding tax is being replaced by taxation through monthly income tax prepayments. If the remuneration of a tax non-resident exceeds 36 times the average wage, the corporate body member will be obliged to file a tax return for the relevant taxable period. This provision is proposed to be effective from 1 January 2026.

Release from the obligation to withhold tax prepayments for employees posted abroad

In the past, the tax authorities have been rather ambiguous and inconsistent in their treatment of employees posted abroad. To change this, the amendment now specifies that the employer as the payer of tax is not obliged to withhold tax prepayments for employees who:

- are Czech tax residents and perform work in a state with which the Czech Republic has concluded a double taxation treaty
- perform work under orders by the user of labour and
- are paid for this work through that payer of tax (employer) based on a contractual relationship.

The provision that a payer who is a Czech tax resident is not obliged to withhold tax prepayments if the wages are paid by their permanent establishment located in another state remains unchanged. However, the amendment specifies that this must be a state with which the Czech Republic has concluded a double taxation treaty.

The non-financial benefit must not be a wage

A clarifying definition of employee leisure benefits was also passed. The Income Tax Act now stipulates that non-financial benefits which, subject to meeting certain other conditions (e.g., fulfilment of a purpose such as health care, culture, sports, education, etc.) may be exempt from tax within defined limits, may not at the same time constitute wage, salary, remuneration, compensation for lost income or other type of consideration related to the work performance. This is to prevent employers from, for instance, granting performance bonuses to employees in the form of non-financial benefits, thus taking advantage of their more favourable taxation. This amendment to the Income Tax Act responds to recent case law of the Supreme Administrative Court.

Discount on social security contributions for employees in fruit and vegetable farming

The amendment to the Act on Social Security Contributions introduces a discount on social security contributions for workers under agreements to perform work (outside employment) in the fruit and vegetable farming sector. The amendment to the Agriculture Act defines new parameters of agreements for seasonal work in fruit and vegetable farming. If these special conditions are fulfilled, the discount is to be **7.1% of the employee's assessment base**, i.e., the social security contributions would be zero on the employee's part. The conditions for granting the discount will have to be met throughout the time of its application. However, the discount will not be available if the employee on aggregate generates more than the average wage for social security purposes (rounded down to the nearest five hundred Czech crowns) from all their agreements to perform work in the fruit and vegetable farming sector with the same employer

What to prepare for with introduction of JMHZ: employee benefit reporting

The senate has passed the Single Monthly Employer Reporting (in Czech Jednotné měsíční hlášení zaměstnavatele or JMHZ) bill. The effective date of the bill remains scheduled for 1 January 2026, with some employer registration and monthly reporting obligations postponed to 1 April 2026 because of several amending proposals. With the introduction of the JMHZ, the financial administration will have information on individual employee income and taxation at its disposal.

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In a series of articles on this topic, we will draw your attention to the tax implications of selected employee benefits, as these will also be part of the income reported monthly to the tax administration and will affect personal income tax on employment and relevant insurance contributions as well as corporate income tax in terms of tax deductibility.

Despite the ongoing legislative process, the JMHZ’s pilot operation started on 1 July 2025, involving selected employers, payroll system operators, and key public administration authorities.

Retrospective reporting for the first quarter of 2026

Contrary to the original plan to start the live operation of the JMHZ from January 2026, the amending proposals postponed some of the employer registration obligations and the actual obligation to submit monthly reports to **1 April 2026**. However, this does not mean that detailed information on the structure of employees' income for the period January to March 2026 will not reach the state administration: in the period from **April to June 2026**, it will be necessary to submit monthly reports also for the first three months of the year so that the relevant public administration institutions have data available for the entire calendar year. The postponement should give employers sufficient time to prepare and implement the related processes that will have to be introduced in connection with the JMHZ, especially as regards their payroll software.

The format and content of the reports not yet known

The detailed content structure of the data that employers will be required to report on a monthly basis is to be published by the government after the final approval of the law and its publication in the Collection of Laws. According to the Ministry of Labour and Social Affairs, the respective government regulation is expected to be issued in October 2025.

Although the exact format and content of the monthly reporting is not yet known, it should primarily include data on individual employees and occupations, including details of the monthly income paid to employees. This will give the tax administration near real-time information on what income employees receive. All, not just taxable

income will be reported. The tax administration will thus be able to assess whether the income is taxable, subject to monthly income tax prepayments, or tax-exempt.
The data will also be available to the Czech Social Security Administration and, in the second phase of the JMHZ implementation, to health insurance companies.

Problem areas under scrutiny: what we will focus on

As the obligation to report employee income approaches, we will look at the problematic issues relating to employee benefits in a series of three articles. Although employee benefits are a commonly used form of employment income, many employers still find it difficult to assess them for tax purposes, especially due to the amendments to legislation introduced in the last two years.

We will discuss, e.g., the tax and insurance aspects of pre-school and school fees paid for employees' children, sports or health services and meal allowances. We will also look at the individual benefits from the perspective of tax deductibility on the employer’s part.

You can look forward to the first in a series of articles in the September issue of Tax and Legal Update.

Taxation of employee stock option plans again and differently

The third change in a year and a half has been proposed to the taxation of employee stock and option plans within the debate of the laws accompanying the JMHZ Bill. This change relates to the taxation of the option plans for startups and entities who meet the definition of a qualified employer. The bill, passed by the chamber of deputies in late June, also contains other sub-amendments.

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The major change is the introduction of an entirely new system for taxing income from the exercise of qualified employee options granted by a qualified employer to a qualified employee.

According to the amendment, **income from the exercise of qualified employee options** generated by a qualified employee should not be taxed as income from employment (dependent activity) but should be treated as other income under the Income Tax Act. This means that this income will not be subject to social security and health insurance contributions. The amendment thus aims to support small innovative companies and start-ups.

Income from the exercise of a qualified option should be determined as the difference between the market value of the acquired share or the financial settlement of the option at the time of exercise on the one hand, and the higher of the market price of the share at the time of granting the option or the agreed option price on the other hand.

In the case of the acquisition of a share in a corporation, the income will be subject to personal income tax in the taxable period in which the share is sold; no later, however, than in the taxable period in which the 15 years from the exercise of the option expire.

Since only the difference between the market price of the share at the time of exercising the option (or at the date of its financial settlement) and the market price of the share at the time of granting the option (or the agreed option price, if higher) will be taxable as other income, any positive difference between the total income generated and the income taxable as other income will continue to be taxable as income from employment (dependent activity) and thus subject to insurance contributions on the part of both the employee and the employer.

A qualified employee option is understood to be a written, gratuitous, non-transferable commitment to acquire a share in a corporation made by a qualified employer to a qualified employee. The employer must report this commitment to the tax administrator. The employee may acquire the share under such a commitment at the earliest after three years from the date it was made, unless specified changes in the employer's or controlling entity's share capital occur earlier or unless the employer or the controlling entity enters the public stock market. At the same time, the employer must disclose to the employee the market price of the share in the corporation at the time of granting the option and at the time of exercising it.

The amendment also states that a qualified option may be settled not only by exercising it to acquire a share in a corporation as such but also by obtaining a financial settlement.

A qualified employee is deemed to be an employee who meets all conditions set out below:

- They have been working for the qualified employer for at least 12 months between the time the commitment of a qualified option is made and the time of its exercise or financial settlement.
- The aggregate of their qualified business shares at the time of granting the qualified option does not exceed 5% of the registered capital of the qualified employer and the controlling entity.
- Their income from employment (dependent activity) between the time of making the commitment to the time of exercising the option is at least 1.2 times the minimum wage applicable at the time of granting the qualified option on a monthly basis.

A qualified employer is defined by their annual turnover (not exceeding CZK 2.5 billion) and total assets (not exceeding CZK 2 billion). The same values apply to corporate groups and consolidated financial statements. Neither the employer nor any other member of the corporate group may belong to a defined group of entities such as banks, insurance companies, or audit firms.

Some minor changes to the current legislation include a change in the moment of taxation where an employer has notified the tax administrator that the taxation of income from stock and option plans will be postponed to a future date: the moment when an employee or employer ceases to be a Czech tax resident is to be omitted from the list of possible taxable moments due to the difficulty of tracking this fact. It is also proposed that the maximum period after which income is to be taxed be extended to 15 years from the date of acquisition of the share in a corporation or the option.

GFD information on reduction of VAT deduction for bad debts

At the beginning of July, the General Financial Directorate (GFD) issued its information on the correction of a VAT deduction for overdue receivables on a debtor's part, explaining the practical application of the new provision of Section 74b(3) of the VAT Act, which applies to the mandatory adjustment of the right to deduct VAT arising after 1 January 2025.

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According to the new provision, VAT payers are obliged to reduce a deduction claimed on a received taxable supply when the related receivable remains unpaid even after six months after its due date: on the part of VAT payers to whom the obligation applies, this constitutes an unpaid debt. If the debt is subsequently paid, the debtor is entitled to reclaim the deduction even if the creditor has assigned the relevant receivable.

This subsequent re-increase in the deduction can be claimed within the standard time limit, i.e., before the end of the second calendar year following the end of the taxable period in which the payment was made.

The due date for VAT purposes derives from a relevant contract, terms and conditions, and other documents or legislation. The GFD's information specifies that for debts with agreed-upon split maturity or payable in instalments, the six-month period is tested for each part separately. However, it must be proven that the obligation to reduce the claimed deduction has arisen for each part. Therefore, the GFD recommends keeping a record of the dates of overdue payables and their parts.

The GFD also recaps how to report a reduction of the claimed deduction and how to subsequently reclaim it in VAT returns and VAT ledger statements. As this is a unilateral adjustment concerning only the debtor, the GFD states that when reducing the deduction, it is possible to include in the VAT ledger statement the number of the original tax document or the number of the internal tax document used to make the reduction. However, a consistent approach must always be followed even if the deduction is subsequently increased again. In the VAT ledger statement, it is always necessary to add the symbol "P" to both the reduction and the increase when correcting the deduction. The date on which the tax is due shall always be the date of the original taxable supply, i.e., the supply that remained unpaid.

In the VAT return form, both the reduction and the increase in the right to deduct in respect of an overdue payable shall be shown in lines 40 or 41 and in informative line 34.

Quarterly VAT payers are a specific group. According to the GFD's information, they are not subject to the obligation to reduce a deduction if payment is made no later than the last day of the taxable period. For example, if six months have passed since the due date in July 2025 and the quarterly VAT payer pays the liability at the end of September 2025, it is not necessary to make a correction in the VAT return for the third quarter of 2025. Such a correction would be meaningless as the deduction would be reduced and increased within the same return.

The GFD further confirms that the obligation to reduce a deduction does not apply to supplies subject to the reverse charge mechanism. The obligation to reduce a claimed deduction also does not arise for offsetting mutual receivables, to the extent of the payable that ceases to exist as a result of the offsetting.

On the other hand, the GFD states that the obligation to reduce a claimed deduction applies even if the payable remains unpaid due to pending complaint proceedings.

The GFD's information also gives examples of the concurrent application of a proportional/reduced deduction with subsequent correction/settlement (increase in the coefficient) at the end of the year, and a reduction in the claimed deduction due to an unpaid debt. If a correction/settlement is made after the deduction has been reduced, no "additional" deduction may be applied as a correction.

Changes to tax depreciation of photovoltaic power plants

In connection with the amendment to the Energy Act, changes have been made to the tax depreciation of photovoltaic power plants. On 1 August 2025, the special method of depreciating these plants or their technological parts under the Income Tax Act was abolished.

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We already addressed this in the February issue of Tax and Legal Update.

Under to the current wording of the Income Tax Act, the technological parts of photovoltaic power plants are depreciated for tax purposes according to a special provision, on a straight-line basis over a period of 240 months, while the construction parts are classified in the relevant tax depreciation group and depreciated on a straight-line or declining-balance basis over the relevant period.

Under the new rules, both the construction and the technological part will be classified into tax depreciation groups and depreciated on a straight-line or declining-balance basis over the minimum period specified by the Income Tax Act. This amendment thus essentially restores the legal situation before 1 January 2011.

The amendment will not affect plants for which depreciation started before 1 July 2024. Taxpayers will continue to depreciate such plants using the special depreciation method (straight-line monthly depreciation over 240 months). For plants whose depreciation started between 1 July 2024 and 31 July 2025, taxpayers may either continue to apply the special depreciation method or choose a new method of depreciation using the classification into depreciation groups.

If taxpayers choose to switch to the new method, they must apply it from the tax depreciation's commencement and may therefore be required to file an additional corporate income tax return.

If the taxpayer starts tax depreciation after the amendment comes into force, i.e. after 1 August 2025, they will only be able to depreciate the assets used to produce electricity from solar radiation on a straight-line or declining-balance basis according to the classification of the assets into relevant depreciation groups.

On 13 June 2025, the General Financial Directorate issued a communication explaining in detail the practical procedure for the implementation of the changes described above.

As before, with the exceptions described below, a photovoltaic power plant will need to be divided into its construction and technological parts. For the purposes of the Income Tax Act, the technological part of a PV plant is considered to be a production or special-purpose facility that does not form a single functional unit with the building even if it is firmly connected to it.

The construction part of the photovoltaic power plant comprising the fixed structures and related building parts will be classified as before using the CZ-CC classification and depreciated in the appropriate depreciation group as a separate building or as part of another building or technical improvement to another building. Typically, this will be depreciation group 4 to 6.

The technological part comprising photovoltaic panels, inverters and switchboards will now have to be classified according to the CZ-CPA classification and depreciated separately from the construction part. It will be possible to classify either the individual assets separately or the entire technological part of the power plant as a single asset, i.e., a set of tangible movable assets. This set will be classified into a depreciation group according to the main functional object, which will usually be photovoltaic panels or inverters. Most often, the assets forming the technological part will therefore be classified in depreciation group 3 or 2.

Batteries are not considered to be part of the technological part of a photovoltaic plant. These are used to store the produced electricity and not to produce it. Therefore, they will always need to be classified separately and included in depreciation group 2 under the CZ-CPA classification.

Different rules will apply in two specific situations:

- If the photovoltaic power plant is a source of electricity for a specific building under building regulations, is a facility firmly connected to the building, and its dismantling would lead to the deterioration of the function and purpose of the building, the technological part of the plant will also be depreciated as part of the building.

- If the building authority limits the duration or lifetime of the PV plant by its decision (temporary construction), this limitation should apply to the entire PV plant, i.e., both the construction and technological part. Thus, the whole PV plant should be depreciated on a straight-line basis over a fixed period.

However, the GFD declares in its communication that to maintain the stability and continuity of its application practice, even for temporary constructions of photovoltaic power plants it will respect the classification of the technological part of the PV plant as a separate asset into the relevant depreciation group(s) (and its corresponding depreciation according to the classification) and the depreciation of the construction part separately over the lifetime of the temporary structure.

Czech top-up tax: senate approves extension of deadlines

The senate has discussed and approved an amendment to the Act on Top-Up Taxes that extends the deadlines for the first-time filing of Czech top-up tax information returns and tax returns. The amendment was forwarded to the president for signature, after which it will be promulgated in the Collection of Laws.


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We informed you about the amendment, which contains a number of other changes, in our September 2024 issue of Tax and Legal Update. During the legislative process, several amending proposals mainly concerning insurance companies were also approved.

The original deadline for filing both the information return and tax return for Czech top-up tax was set at ten months after the end of the reporting period, i.e., October 2025 for calendar year 2024.

Extended deadlines

The Czech top-up tax information return must be filed within 15 months of the end of the reporting period or 18 months for the first-time period. For the 2024 calendar year as the first -time period, the filing deadline therefore is 30 June 2026.

The Czech top-up tax return will now have to be filed within 22 months of the end of the reporting period. For the 2024 calendar year, the filing deadline therefore is 31 October 2026.

The deadlines for filing the tax return and the information return for the allocated top-up tax and the Czech top-up tax have thus been aligned.

Related issues

The alignment of deadlines is to some extent also related to the ongoing preparation of the prescribed forms for top-up tax information returns and tax returns, where it is expected that the tax return and information return form will be common for both taxes and will derive from the GloBe Information Return form published by the OECD.

The government has also prepared a law implementing DAC 9, allowing for the submission of one information return within the EU, possibly also in relation to non-EU countries if an agreement similar to DAC 9 is concluded with the relevant country. However, this bill will not be discussed until after the October elections and the establishment of a new chamber of deputies.

Public country-by-country reporting quickly approaching - Czech companies running out of time

Major Czech corporate groups and Czech companies operating within large multinational corporate groups are facing a new challenge. They will have to disclose sensitive financial information under the EU Directive 2021/2101 as early as 2025. Until now, similar information has only been disclosed to the tax authorities. The new obligation imposes the disclosure of information both in the public register and on the company's website.

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What is it about and who will be affected?

Companies will be obliged to publish reports on income tax (country-by-country reporting) containing, among other things, information about revenues, assets, current income tax, deferred tax, and the number of employees. This data will be reported in aggregate for the jurisdiction and published for the first time **for periods beginning after 22 June 2024**. The report must be published **within 12 months** after the end of the relevant accounting period.

In the Czech Republic, the obligation applies to two groups of companies.

1. **Standalone Czech companies** that are not part of any multinational group, have a net turnover of CZK 19 billion and have a branch or permanent establishment abroad. These are large Czech companies that operate independently but have an international presence, for example in the form of a foreign branch or subsidiary. All three criteria must be met simultaneously.

2. **Czech companies that are part of a multinational group** with consolidated revenues of EUR 750 million. The key here is that the turnover is monitored for the whole group, not just for the Czech entity. This means that even a relatively small Czech subsidiary may become subject to this obligation if it is part of a large foreign group. The EUR 750 million threshold is in line with OECD standards for large multinational groups and significantly lower than the requirement for standalone Czech companies.

For both groups, the financial threshold is tested for two consecutive periods, and the obligation to prepare and disclose the report only arises for the second period in which the threshold is exceeded. Where the accounting period of the ultimate parent company is a calendar year, the first year to which the obligation applies is 2025. The last day by which the 2025 report must be disclosed is therefore **31 December 2026**.

What obligations do Czech companies have?

There are two basic obligations – **to prepare a report on income tax and to make the report available**. The obligation to prepare the report will primarily lie with the ultimate parent companies and standalone companies meeting the above threshold. In the Czech Republic, the number of companies involved is in the low tens.

The obligation to disclose the report is more complex as it depends on the structure of the group and the location of the parent company. Companies in groups with a parent company in the Czech Republic, in the EU, or outside the EU will have different obligations. If a Czech company has the obligation to disclose the report, it must publish it in the Czech public register and at the same time provide a link to the report on its website.

Although the report format is uniform throughout the European Union, the disclosure method and the language vary significantly from country to country. This may lead to a situation where a Czech company is forced to follow not only domestic requirements but also the rules of the countries where the corporate group operates.

Penalties – what are the consequences of non-compliance?

Czech companies that underestimate their obligations face **substantial fines** of up to 3% of their net asset value. For consolidating entities, the penalty can be very high, as these 3% will be calculated on the consolidated net assets.

How to prepare?

A company's preparation will depend on its position in the group. **Czech ultimate parent companies** will face the most challenging task, as they must analyse the entire group and map all entities and jurisdictions, set up systems to collect data across the group, create a uniform reporting process, and ensure proper disclosure in all countries of operation.

Czech subsidiaries will have a simpler but no less important task. They must make sure that their parent company prepares the report and that Czech disclosure requirements are met, all the while coordinating with the parent company to deliver the necessary data on time.

In addition to fulfilling formal obligations, it will be important to assess the reputational impact of the disclosed data. Companies should be clear about the image the disclosed figures will create, how the public will interpret them and what questions the media may raise. From a competitive perspective, it is important to consider what information competitors will gain, how to minimise any negative impact and, where appropriate, how to use transparency as a competitive advantage.

With deadline approaching, preparations need to start now

The new public country-by-country reporting rules will bring both greater transparency and greater pressure on Czech companies and multinational groups. They can mean a significant administrative burden but also an opportunity to demonstrate a responsible approach to tax compliance.

The deadline for the first-time disclosure is inexorably approaching. Companies that start preparing now will have a significant advantage over those that wait. Hesitation can not only be costly in terms of penalties but also damaging to reputation.

Accounting

How to account for demonstration goods

A question many entities face is how to properly account for goods or own products they use for demonstrations. The new Interpretation of the National Accounting Council I-51 provides guidance on how to proceed when classifying demonstration goods as fixed (non-current) or current assets.

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In practice, it is common that an entity displays goods (or uses them for demonstration) for a certain period before selling them. The question then arises whether such goods or products should be classified as inventories or fixed assets.

Generally, entities are required to keep accounts so that the financial statements prepared on their basis give users a true and fair view of the subject matter of the accounting and of the entity's financial position. For this reason, goods or products used for demonstration must be recognised based on their **actual function and length of use**.

If the goods are intended for long-term demonstration to customers, i.e. expected to be displayed/used for demonstration for more than one year or for a period longer than the sales cycle of the goods (if the goods' sales cycle is longer than one year), they should be recognised as fixed assets if they also meet the valuation threshold set by the entity. The entity shall then depreciate such fixed assets according to their expected useful lives.

On the other hand, if the goods are primarily intended for sale and their demonstration is only part of the sales process, they should be recognised as inventories throughout their display time. The Council's interpretation further states that the mere registration of the goods in the relevant register (necessary for their demonstration) is not a reason for reclassifying the goods from inventories to fixed assets.

In classifying goods, **the internal valuation threshold** should also be borne in mind. If this threshold is not exceeded and the goods are expected to be used for demonstration for more than one year, they shall be expensed at the time when the decision to use them for demonstrations is made (accruals/deferrals may be considered).

An entity should always be able to support its intention to use the asset in a certain way and provide all relevant documents. If the intention is subsequently changed, this is not a misclassification of the asset, and the change should not be made retrospectively.

Will first ruling trigger class action avalanche?

Exactly one year after class actions were introduced into Czech law, the Municipal Court in Prague has ruled on the claims of customers to whom a company failed to deliver ordered goods. The customers presented their claims in joint proceedings and succeeded before the court. The decision is not yet final and the defendant company will most likely appeal. Nevertheless, this is an important judgment and shows that the concept works in practice.

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Class action proceedings take place in several steps:

1. gathering a group of at least 10 consumers with similar claims
2. filing a class action through a non-profit organisation as a plaintiff in court
3. the court assessing the admissibility of the class action
4. initiating the class action
5. enrolling other consumers with their claims in the class action within a set deadline
6. the court deciding on the merits.

We have described in detail how collective proceedings are conducted in this previous article.

The current decision is the first that has gone through the entire process. Although the court's decision is not yet final, it is the first indication that the concept works.

It is therefore to be expected that the possibility to join claims in collective proceedings will be used by further consumers. Unlike in individual court proceedings, consumers do not bear the costs of the proceedings and face no financial risks should the proceedings fail. It is sufficient to gather **10 claimants** to file a class action. Apart from consumers, **micro-entrepreneurs** with fewer than 10 employees and turnover of up to CZK 50 million can also join collective proceedings. The defendant may then object to each individual claim brought within the class action suit.

Businesses must therefore be on their guard, as even small consumer claims where an individual action would be pointless because of their insignificant amount can pose a threat in a class action. It is also to be expected that class actions will receive significant media coverage, hence posing not just a financial but also a reputational risk for businesses.

What’s more, a register of collective proceedings in which all currently pending proceedings can be found (including the lawsuits and the subsequent submissions) is already active. The public will thus gain an overview of unfair practices of businesses that would not have come to their attention in individual cases. Although class actions may raise some concerns in the business community, their main purpose is to make the market more transparent and to create fairer business conditions.

One potential shortcoming of collective proceedings is that only non-profit organisations registered with the Ministry of Industry and Trade may file such lawsuits, and currently, only two such organisations have been registered. If the number of proceedings increases in the future, the capacity of these organisations may be insufficient. The funding of their activities also remains a question.

Another problematic aspect is the complexity of enforcing the claims once awarded by the court against the defendants, i.e. the businesses. In some cases, defendants may be in financial difficulties, and it may not be possible to fully satisfy consumer claims because of pending enforcement or insolvency proceedings.

We recommend businesses not take any pre-suit notices from the two currently registered non-profit organisations lightly and seek professional advice from the outset.

Legal

Anti-trust office launches anonymous whistleblowing tool

The public and employees may now report suspected cartel agreements and other anti-competitive practices anonymously, as the Office for the Protection of Competition aims to strengthen the protection of economic competition.

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The Office for the Protection of Competition has introduced a new anonymous reporting tool to help detect and investigate anti-competitive behaviour more effectively. The new tool allows to report suspected cartel agreements, abuse of dominant positions, and other anti-competitive practices in complete confidence, **without having to disclose one's identity**.

Whistleblowers may make a report via a simple online form and attach documents or audio recordings to help in the investigation of their complaint. When doing so, whistleblower may choose to remain anonymous or fill in their contact details for further communication. If the first option is chosen, the anonymity of the whistleblower is protected throughout the communication.

If the whistleblower wishes to receive a reply, they can create a safe mailbox, which they can access using a system-generated number and password of their choice. These access details must be kept safe, as for security reasons and to protect whistleblower's anonymity they cannot be renewed.

The new system extends the public's opportunities to play an active role in protecting a fair economic environment. The office hopes to obtain valuable information leading to the detection of unlawful conduct, but also to speed up investigations and more effectively punish competitors who break the rules.

At the same time, the office points out that the tool is not intended for reporting deliberately false or misleading information, while quality and responsible reporting may have a major impact on maintaining a healthy and fair competitive environment.

Legal

EU: Strengthening air passenger rights

Demanding free-of-charge carry-ons or seat selection for children and transparent pricing when booking flights, the EU is going to battle against the practices of low-cost airlines. In June 2025, the EU's Committee on Transport and Tourism adopted proposals to strengthen passenger rights within the EU, aiming to increase transparency, simplify processes, and ensure fairer treatment of passengers.

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Clear rules for intermediaries

The new rules aim to clarify the role of ticket vendors and other intermediaries. They would have to inform passengers at the time of booking about the full cost of the ticket including all intermediation fees, and of the reimbursement process (which must not take more than 14 days). Should the intermediary fail to meet this deadline, the liability shall pass onto the air carrier who shall have a further seven days to deal with the passenger's claim.

Common form

The EU's committee has proposed the introduction of a standard form for compensation and reimbursement requests which should be sent to passengers pre-filled within 48 hours of any problems; alternatively, passengers may be able to request compensation in other form. This is intended to simplify and speed up the process of exercising the rights of passengers.

Precise definition of extraordinary circumstances

To reduce the margin for interpretation as to when an air carrier can deny compensation to a passenger, an exhaustive and precise definition of extraordinary circumstances has been provided. These include, for example, natural disasters, war, adverse weather conditions or unforeseen labour disputes (excluding strikes by airline staff).

This follows up on earlier efforts to amend the regulation establishing common rules on compensation and assistance to air passengers, which aimed not just to define extraordinary circumstances but to provide a list of extraordinary and non-extraordinary circumstances; however, even after more than 10 years, the amendment has not been passed.

Hand luggage and rights of vulnerable passengers

Another important strengthening of passenger rights is that, according to the proposal, passengers should have the right to take on board free of charge one personal item (such as a handbag, backpack, laptop) with a maximum size of 40x30x15 cm and one small hand luggage of up to seven kilograms and 100 centimetres in total dimensions.

At no extra charge, children under 12 years of age should be guaranteed a seat next to their companion and persons with reduced mobility should be allowed to travel with an assistant and receive compensation for loss of or damage to their mobility equipment or injury to their assistance dog.

Multimodal journeys – new rules on protection

The committee also proposes new rules for multimodal journeys comprising various modes of transport within the same contract (e.g. plane-bus-train). If a passenger has bought a single multimodal ticket, they have the right to protection against missed connections and to related assistance.

In the event of delays of 60 minutes or more, passengers must be offered free meals, refreshment, and a hotel stay. Vendors and carriers should be obliged to make it clear to the passenger before the purchase what type of ticket they are buying (single, combined or separate). Failure to do so would make them liable for reimbursement of the ticket and for 75% compensation for missed connections.

Next steps

The proposal is still at the beginning of the legislative process and awaits its first reading in the European Parliament. The regulation will become valid on the 20th day after its publishing in the EU's Official Journal and will be applicable one year after that, while the EU legislators have not yet proposed a more precise date of application.

EU: new rules to simplify collection of VAT on imports

The Council of the European Union has adopted new rules to simplify the process of collecting value added tax on imports of goods. The change shifts the obligation to pay VAT on EU imports from the consumer to the supplier. The aim is to encourage the use of the Import One-Stop Shop, or IOSS scheme.

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The Import One-Stop Shop (IOSS) is an existing system that serves as a central point for importers of goods from third countries into the EU. The system greatly simplifies the declaration and payment of VAT, as it allows for a registration in a single EU member state even if the goods are then sold throughout the EU.

The new rules will require traders or digital platforms from outside the EU to pay VAT in the member state of the goods' final destination. This should encourage wider use of IOSS, as not using the system would mean having to register in each member state where the goods are sold.

Thanks to IOSS, it is possible to pay VAT upfront, i.e. already at the moment the goods are purchased by the consumer, rather than at the border. This protects the member states' tax revenues and ensures compliance with import VAT rules, while it also shifts the administrative burden of collecting VAT from customers to platforms, making the whole process much simpler for end consumers.

The newly adopted directive will be published in the EU's Official Journal and become valid twenty days after its publication. The changes will be effective from **1 July 2028**.

EU-US trade deal : lower tariffs and cooperation in energy sector

On 27 July, European Commission President Ursula von der Leyen and US President Donald J. Trump agreed on key parameters of future trade relations. This agreement should be the first step in a process that will be further expanded and continue to improve market access.

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As of 7 August 2025, the following should start to apply, arising from the deal:

- **Introduction of a single US tariff ceiling of 15% on almost all EU exports** currently subject to reciprocal tariffs and on exports of cars and car parts, pharmaceuticals and semiconductors.
- **Reduction of tariffs on strategic products** such as aircrafts and aircraft parts, certain chemicals, certain drug generics and natural resources to pre-January 2025 levels, while the EU and US have agreed to keep working to add other strategic products to this list.
- **Protection of steel, aluminium and copper markets** by joint quotas, a 50% reduction in existing tariffs, and coordinated activities against unfair competition.
- **Liberalisation of certain trades**, particularly the elimination of remaining low EU tariffs on US industrial goods.
- **Protection of stable access to energy and technology supplies from the US**, including LNG, oil, nuclear products and AI chips worth up to EUR 700 billion.

On Thursday, 31 July 2025, the changes between the EU and the US were formally adopted with effect from 7 August 2025. On that date, the *ad valorem* tariffs imposed based on the unilateral US decision in April this year as part of Liberation Day have been reversed. This will also influence EU retaliatory tariffs, which will most likely be abolished, leading to an overall reformulation.

Modernisation Fund to distribute up to 6 billion for green transformation of heat plants

Under the auspices of the State Environmental Fund, on 7 July 2025 the Modernisation Fund announced HEAT Call No. 1/2025 - Modernisation of Thermal Energy Supply Systems. The call aims to support the transition of heat plants to clean energy sources.

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Applications will be accepted from 7 July to 28 November 2025. Heat plants can obtain subsidies for projects aimed at the reconstruction or replacement of a heat source in thermal energy supply systems (TESS) to switch from fossil fuels to alternative energy sources. Subsidies can also be obtained for modernisations and energy efficiency improvements of heat distribution systems within TESS. In both cases, the condition of changing the fuel base to a clean source must be met.

Owners of existing or new thermal energy sources with the necessary licences or non-licenced TESS owners with an infrastructure operated by a licensed entity can apply for the subsidy.

The funds for allocation amount to CZK 6 billion, of which CZK 3 billion has been preferentially earmarked for renewable energy projects, and CZK 1 billion for projects to modernise heat distribution within TESS. The aid intensity is 30 to 60 percent of the eligible expenses, depending on the type of project and its technology.

The application for subsidies must also include, among other things, the project's documentation, an emission and energy assessment, a financial analysis, or a description of the investment. The project implementation period has been set at three to seven years, depending on the specific measures implemented. Projects throughout the entire territory of the Czech Republic are eligible for support.

If you are interested in more detailed information, please do not hesitate to contact us.

CJEU: VAT perspective on supply of services to subsidiaries

In a recent judgment, the Court of Justice of the European Union (CJEU) addressed whether a supply of several partial services by a parent company to a subsidiary in the context of active management constitutes a single supply. The CJEU concluded that the services could not automatically be regarded as a single supply, as each of them had its own identifiable nature.

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The CJEU recently addressed an important question concerning the pricing of services provided by a parent company to its subsidiaries. The services included a wide range of activities such as business management, IT services, HR services, and property management.

To calculate the price of services provided to its subsidiaries, the parent company used the cost-plus method. In the price calculation, it included costs such as the lease of premises, telephones, information technology, corporate hospitality, and travel expenses.

In contrast, it excluded from the calculation 'shareholder costs' such as the cost of preparing annual financial statements, audit, general meeting and the costs of raising capital, as it considered them to be unrelated to the provided services. However, the parent company claimed full input VAT on the shareholder costs, which raised objections on the part of Swedish tax authorities.

According to the EU VAT Directive, open market value is what a recipient would have paid to an independent provider under the conditions of free competition (at arm’s length). If comparable services cannot be determined, the arm’s-length price is considered to be the total costs incurred in providing the service.

The Swedish tax administration argued that the active management of subsidiaries by the parent company constitutes a unique service, the equivalent of which does not exist on the free market. Therefore, they required the output VAT to be calculated on the arm’s-length price including the shareholder costs.

The following questions were referred to the CJEU:

1. Does the provision of multiple partial services by a parent company to a subsidiary in the context of active management of that subsidiary constitute a single supply?

2. Do the costs of raising capital and shareholder costs constitute costs incurred in providing management services to subsidiaries?

The CJEU emphasised that according to settled case law, **each supply is normally regarded for VAT purposes as being distinct and independent**. Only transactions that comprise a single supply from an economic point of view should not be artificially split.

In the present case, although the services were supplied together, each of them has its own and identifiable nature. Therefore, the services provided by the parent company cannot automatically be regarded as a single supply. In view of this answer, the CJEU did not further address the question whether shareholder costs should be included in the calculation of the price.

The judgement offers important insight for entities that provide services to their subsidiaries and shows how the transfer pricing and VAT areas are intertwined.

Case law

CJEU: liability for unpaid tax and denial of VAT deduction applied simultaneously

In its recent judgment, the Court of Justice of the European Union (CJEU) held that in the event of tax fraud, it is possible to deny the right to deduct VAT and at the same time apply joint and several liability for tax not paid by the supplier.

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FAU had been buying fuel from Verami, while both companies were in bankruptcy. During a tax inspection, it was found that the chain of transactions in which both companies were involved was affected by tax fraud. FAU was ordered by the tax administrator to pay the VAT not paid by Verami, under its joint and several liability. Furthermore, FAU was denied the right to deduct VAT on the invoices received for the fuel because the chain of transactions was affected by VAT fraud.

According to the CJEU, FAU had not taken every measure to ensure that the transactions they had carried out were not part of an abusive or fraudulent chain. At the same time, the CJEU held that if a person jointly and severally liable (the supply recipient) pays the tax owed by the supplier, the supply recipient then can claim reimbursement of that amount from the supplier.

The CJEU emphasised that the denial of the right to deduct VAT paid by the supply recipient to the supplier is consistent with the VAT principles if the supply recipient knew or ought to have known that they were involved in tax evasion by the supply in question. Joint and several liability then arises irrespective of whether the customer has already paid the VAT invoiced by the supplier. It is therefore irrelevant whether the supply recipient has gained the right to deduct VAT.

The denial of the right to deduct VAT and joint and several liability pursue two distinct and complementary objectives. For the former, it is to combat tax fraud; for the latter, it is to ensure the effective collection of VAT for the public budget in a situation where a transaction is affected by tax fraud. Therefore, in the preset case, it was possible to apply both instruments independently of each other.

SAC: standard of loss and tax deductibility

In its July 2025 judgment 1 Afs 77/2025-74, the Supreme Administrative Court (SAC) dealt with the appropriateness of and change to a standard loss rate set by a taxpayer and with the offsetting of shortages and surpluses across different types of goods. The SAC dismissed the taxpayer's cassation complaint.

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The Income Tax Act considers shortages, i.e. inventory-taking differences where the actual balance of assets is lower than their book balance, to be tax non-deductible costs. However, losses in retail sales (usually losses of goods as a result of unevidenced theft by customers or losses of value of goods as a result of their deterioration, moral obsolescence, or unsalability) up to an economically reasonable amount set by the taxpayer is not considered a shortage and is therefore tax deductible.

Similarly, manufacturing companies set standards for natural losses of materials (shrinkage), for instance due to drying-up, evaporation, solidification, etc. Such standards must correspond to the nature of the business and be customary in the industry. In both cases, the tax administrator may assess the appropriateness of the standard and adjust the tax base by possibly ascertained differences.

In the case at hand, the taxpayer (a well-known Czech chain of electrical appliance stores) initially set its standard of loss at 0.15% of its turnover, and the tax administrator accepted it. However, during a tax inspection, it was ascertained that the taxpayer had claimed as tax deductible also costs exceeding that standard, as they did not calculate the loss as 0.15% of the turnover but of the difference between shortages and surpluses, while taking into account both cash surpluses and surpluses of goods, thus mixing together different types of assets without distinguishing them. The tax administrator did not accept this and excluded the amounts exceeding the set standard of loss (0.15% of turnover) and the undocumented shortages.

Throughout the proceedings, the taxpayer kept changing the calculation and the amount of the standard of loss, claiming that 0.15% of the deficit (shortages reduced by surpluses) corresponded to 0.60% of turnover, or that the standard of loss was up to 1% of turnover, so that the resulting tax deductible loss corresponded to its original calculation, where they had recognised the tax deductible loss incorrectly above the set standard. The SAC, however, held that this was not a mere recalculation but a factual change to the standard of loss which had not been properly justified.

The taxpayer also referred to a survey of a standard of loss at another entity. The court, however, noted that as the tax administrator had accepted the standard of loss set by the taxpayer, there was no reason to make comparisons with other entities, especially as it was the taxpayer who had retroactively challenged their own standard because of exceeding the limit.

The Supreme Administrative Court dismissed the cassation complaint and confirmed that the standard of loss must be **economically justified and unchanging** (unless a change is duly justified) and that **it is not possible to offset shortages and surpluses between different types of assets**. The SAC also pointed out the need of a responsible approach in setting and applying standards of loss in tax practice.

Supreme Administrative Court on beneficial owner of royalties

The tax administrator disputed foreign distribution companies as the beneficial owners of royalties and regarded them as mere intermediaries, therefore refusing the application of withholding tax in the amount under the double tax treaties based on the distributors' tax residence, and assessing additional tax at the standard 15% withholding tax rate.


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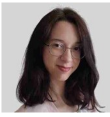
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The taxpayer, a provider of television programmes to consumers in the Czech Republic, paid royalties to distribution companies (Czech tax non-residents) who then paid them to programme producers (also Czech tax non-residents). The tax administrator refused to apply the reduced withholding tax rate under the double tax treaties based on the distributors' countries of residence because it did not consider them to be the beneficial owners of the income.

In the subsequent proceedings, the taxpayer sought the application of the look-through principle, under which the tax administrator should apply the reduced tax rate under the double tax treaties concluded between the Czech Republic and the countries in which the programme producers were tax residents, arguing that those producers were beneficial owners of the royalties.

The tax administrator and subsequently the regional court rejected this on the grounds that there was no legal relationship between the taxpayer and the producers, and that the royalty payments were made to the intermediaries, not to the producers.

The tax administrator emphasised that the burden of proof as to the identification of the beneficial owner was on the taxpayer. Although the taxpayer had submitted to the tax administration a declaration of beneficial ownership by the individual companies producing the programmes (unrelated persons), in the tax administrator's view, this declaration was not sufficient evidence.

The taxpayer then also failed before the Supreme Administrative Court (10 Afs 47/2025-49).

The Supreme Administrative Court (SAC) stated that the presence of an intermediary in the business model (and the payment of royalties to that intermediary) does not prevent claiming tax benefits under international tax treaties relating to the beneficial owner of the royalties who derives economic benefits from the subsequent receipt of the royalties.

However, the SAC agreed with the regional court's conclusion that a precondition for claiming tax benefits is a relationship between the taxpayer paying the royalty and the beneficial owner of that royalty. In the present case, that relationship was absent: the SAC confirmed that the taxpayer had failed to bear the burden of proof and dismissed the cassation complaint.

This judgment may have a **significant impact on Czech taxpayers**. It confirms that a declaration of beneficial ownership is not in itself sufficient evidence. At the same time, from a practical point of view, taxpayers making payments to third parties often have limited possibilities how to verify whether the entities to which they pay royalties or other fees are their beneficial owners, and must often rely on the entities’ declarations in this respect.

The definition of the relationship between the taxpayer and the beneficial owner also remains an open question on which the SAC did not further elaborate as it only indirectly confirmed the conclusions of the regional court which required the existence of a legal relationship.

Given the taxpayer's obligation to withhold and pay tax in the correct amount, business disputes may arise if the beneficial owner of royalties is uncertain and a conservative withholding tax rate is subsequently applied.

Emails need not be signed with guaranteed electronic signature

Is it necessary for emails to bear a guaranteed electronic signature or is it sufficient if only an attached submission bears such a signature? The Constitutional Court opted for the latter and thereby further relaxed the rules of electronic communication.

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The Constitutional Court's ruling of June 2025 (IV. ÚS 3261/24) clarified the requirements for electronic signatures in court submissions and other filings. The dispute, which at first glance may seem like a formality, may indeed have a significant effect on the fundamental right to judicial protection and on the rules of electronic communication.

When details decide big issues

Dopravní Stavby Silnic s.r.o. appealed against a judgment of the District Court for Prague 1, which upheld a plaintiff's action and ordered the company to pay CZK 22,900 with interest.

The company submitted its **appeal** by email as an attachment in pdf format **with an affixed recognised electronic signature** based on a qualified certificate (i.e., a guaranteed electronic signature), while the **email itself did not contain a guaranteed electronic signature**. The district court disregarded the appeal: in its opinion, the guaranteed electronic signature should have been included directly in the email by which the appeal was sent as it was impossible to verify the identity of the person making the submission. The company disagreed with the district court's approach and brought the matter before the Constitutional Court.

Distinction between email and submission

In its ruling, the Constitutional Court distinguished between **a procedural submission** and **a data message carrier** (email). It emphasised that only the submission on the merits is a legally relevant act within the meaning of the Code of Civil Procedure, and therefore the requirement for a guaranteed electronic signature applies only to it. In the present case, the email message merely served as an imaginary envelope to deliver the appeal in electronic form to the district court. A guaranteed electronic signature does not need to be attached to something that by its content is not a submission (in the present case, the email message). According to the Constitutional Court, **the envelope and the submission** on the merits **cannot be artificially separated** but must be viewed as a whole.

The Constitutional Court also added that in the present case, the identity of the person making the submission was clearly identifiable from the signed document (the submission) which was attached to the email. Therefore, the district court's approach was unconstitutional as it should not have disregarded the appeal.

Effects of the ruling

The Constitutional Court's ruling brings important clarifications that do not only apply to procedural submissions. The ruling shows that **an email message itself does not necessarily have to be signed with a guaranteed electronic signature if its attachment contains such a signature**. By this decision, the Constitutional Court has clearly opposed excessive formalism and confirmed that the technical form of communication must not stand in the way of parties to proceedings exercising their fundamental rights.

Contractual autonomy: Can expert determine discount on purchase price?

Can contracting parties agree that a discount on a purchase price shall be determined by an expert? This question was recently addressed by the Supreme Court of the Czech Republic. In the article below, read how the court ruled and what it means for business practice.

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In a contract on the transfer of a share in a limited liability company, the parties agreed that if in the event of a breach of representations and warranties they failed to agree on the amount of a discount on the purchase price, said discount would be determined by an expert. After the purchase of the company, the buyer reported defects consisting of false representation regarding the company's accounts, causing a decrease in the company's profit. An expert agreed-upon in advance then prepared an expert's opinion on the company's accounts, its financial situation, and its value.

However, the seller argued that the buyer was not entitled to a discount on the purchase price. The general courts also concluded that the agreement on the amount of the discount to be determined by an expert was null (i.e., it had no legal effects, something which could not be changed additionally and had to be considered by the court even without such nullity having to be pled by the parties), as it excluded the possibility of judicial review of the conclusions of the expert's report.

The Supreme Court disagreed. It stressed that the Civil Code allows for a certain part of a contract, such as the amount of a discount, to be determined by a third party, such as an expert or a court. Such an arrangement is valid if it is not contrary to the law or public order. Thus, if such an agreement is not precluded by substantive law, the courts should grant it protection in the litigation and respect the autonomy of the will of the parties.

The Supreme Court also noted that no provision of procedural law prohibits the parties from entering into an agreement on the manner of determining the amount of the purchase price discount, nor is such an agreement contrary to the meaning and purpose of the Code of Civil Procedure. If the parties submit an expert’s report prepared in accordance with the agreement in the court proceedings, the court should only examine whether the conditions of the agreement were met, e.g., whether there indeed was a defect in the performance and whether the expert followed the agreed-upon rules when determining the discount.

The Supreme Court's decision thus confirms that contractual autonomy has its place in determining the amount of financial claims and that if an agreement on the determination of the discount by an expert is correctly formulated, it may be enforceable.

In brief

News in Brief, August 2025

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

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DOMESTIC BRIEFS

- The Ministry of Finance has issued Financial Bulletin No. 10/2025 with the following content:
  - Instruction GFD-D-29 on waiver of penalties for failure to file a VAT ledger statement.
  - Addendum No. 10 of the General Financial Directorate to Instruction GFD-D-29 on the waiver of penalties for failure to file a VAT ledger statement.

- The annual Report on the Activities of the Financial Administration of the Czech Republic and the Customs Administration of the Czech Republic was issued in July. It is available for download here.

- An amendment to the Act on Capital Market Undertakings (259/2025) and an act amending certain capital market laws in connection with the establishment and operation of the European Single Access Point (ESAP) (258/2025) have been published in the Collection of Laws.

- The Act on Cyber Security (264/2025) in effect from 1 November 2025 has been published in the Collection of Laws. At the same time, amendments to related laws have been promulgated (265/2025), as well as the Critical Infrastructure Act (266/2025).

INTERNATIONAL BRIEFS

- The European Commission has published a proposal for the European Union's own resources from 2028 onwards. In addition to revenue from ETS and CBAM, the EU plans to add the following new resources of revenue:
  - an annual lump-sum contribution from companies with an annual turnover of at least EUR 100 million
  - a contribution to the EU budget of EUR 2 for every kilogram of waste electrical and electronic equipment not recycled annually
  - a tobacco contribution of 15% of the revenue from the minimum rate of excise duty on manufactured tobacco and tobacco products released for consumption.
- Any decision on the EU's own resources of revenue must be unanimously approved by all member states.

- The OECD has published a report for G20 finance ministers and central bank governors on recent developments in international tax reforms. More than 55 jurisdictions are introducing or planning to introduce an allocated or domestic top-up tax from 2024/2025. More than 10 other countries have taken concrete steps to implement it. The report refers to the G7 statement of 28 June 2025, which describes a common understanding of the US requirements for Pillar 2 rules (the side-by-side solution).

- The OECD is also working on a simplified calculation of the effective tax rate that could be included in the safe harbour system and would reduce administrative complexity.

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

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