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May 2026

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News in Brief, May 2026

Editorial

Setting out on a completely new path is almost always a major challenge – one that time and experience gradually turn into routine. Only with some distance can we assess whether it was a step in the right direction. This is also true for the introduction of the Single Monthly Employer Reporting (in Czech: jednotné měsíční hlášení zaměstnavatele or JMHZ). I am convinced this is the right way forward, even though the start will undoubtedly be very challenging. We should, however, look to the future, which promises a reduction in employers' administrative burden and partial relief from the responsibility they currently bear as the payers of personal income tax on behalf of their employees.

During the past month, when the JMHZ system was launched, employers have been entering data into the system about themselves as employers and about their employees. In the final rush at the end of April, according to Ministry of Labour and Social Affairs statistics, the system contained approximately 61.5% of employers (253 thousand forms) and 67.7% of employees (4 million forms). Completing the data on time is crucial for the subsequent first-time reporting for April, which must be submitted between 1 and 20 May. By the end of June, it is then necessary to additionally report January, February and March.

Representatives of the Ministry of Labour and Social Affairs and the Czech Social Security Administration are well aware of employers' concerns about penalties for late or incorrect submission of registration data or the subsequent monthly reporting. That is why they have clearly stated that the aim is not to hand out fines but to flag any potential errors in time – and, above all, to successfully get the whole system up and running. Sanctions are intended as a measure of last resort, considered only if all other ways of obtaining the necessary data fail.

Once the system has settled in, the next step should follow. Work is underway – very intensively – to ensure that all health insurance companies are integrated into the JMHZ system, and therefore into the monthly report, as soon as possible. Let's keep our fingers crossed that this really happens because it would significantly ease the burden for many employers and eliminate the current dual monthly reporting – within JMHZ and separately to each health insurance company.

Ultimately, the success of the entire system will not depend only on legislation or the technical solution but above all on us – on whether we give it a chance and accept it as a tool we actively work with. If we approach JMHZ as an investment in future simplification, we can turn today's challenge into tomorrow's standard – one that brings relief to employers and becomes one of the steps towards a more modern and predictable administration of taxes and statutory insurance contributions in the Czech Republic.

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Taxes

Claiming input VAT before receiving invoice: landmark EU General Court judgment does not (yet) change Czech practice

The EU General Court's judgment has attracted much attention, as it opened a key question: can a taxpayer claim the right to deduct VAT already for the period in which the tax liability arose even if the invoice was received only later – yet still before the VAT return for the original period is filed? In response, the Czech financial administration has already warned taxpayers that, while the judgment is important, it does not change Czech practice. At least for now.

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In case T 689/24 (I. S. A.), the EU General Court examined a situation where:

- the tax liability arose in a given taxable period (upon the supply of goods or services)
- the invoice was issued and delivered only after the end of that period, but
- the invoice was available to the taxpayer before filing their VAT return for that period.

According to the General Court, the right to deduct arises at the moment the tax liability arises, i.e., upon the supply of goods or the provision of services. Holding an invoice is a formal requirement, not a substantive condition for the right to arise. National legislation must therefore not prevent deduction in the period in which the right arose, as this would be contrary to the principles of fiscal neutrality and proportionality (we discussed the judgment in more detail in this article).

Under Section 73 of the Czech VAT Act, the exercise of the right to deduct is linked not only to the VAT becoming chargeable on the input but also to holding a tax document (invoice). In its communication, the financial administration reminds taxpayers that:

- The right to deduct may be claimed at the earliest in the period in which the taxpayer received the tax document (invoice).
- If the taxpayer receives the invoice only in the following taxable period, they shall claim the deduction only in that following period (or in one of the subsequent periods, within the statutory time limit).

Czech law therefore links the possibility to claim a VAT deduction to the moment the invoice is received, rather than purely to the moment the VAT liability arises.

In its latest communication on the judgment, the financial administration takes a cautious approach and is waiting for the review proceedings currently pending to be completed: the EU General Court's judgment shall only become effective once those proceedings have ended.

At the same time, the financial administration points to the Court of Justice of the EU judgment in case C 521/24 (Aptiv Services Hungary), which confirmed that the right to deduct shall be exercised in the period in which all conditions are met – conditions which include holding the invoice.

The financial administration therefore notes that the existing domestic rules shall continue to be followed in full, even though they are in direct contradiction with the General Court's conclusions.

Until the review proceedings before the CJEU are completed, or until Czech legislation is amended, the following recommendations apply to taxpayers:

- Mind the moment the invoice is received – this continues to determine the period in which the deduction may be claimed.
- Claiming the VAT deduction retroactively (i.e., for the period in which the supply took place where the invoice arrived only after the end of that period) is currently not practicable.

Taxes

May extension of the diesel “discount” – what changes and what remains

The package of measures aiming to support drivers will continue in May, the Czech government announced. The reason remains the same: instability in the Strait of Hormuz area and the related tension in the oil market, which is pushing fuel prices upward.

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In a previous article, we explained how the reduction in excise duty on diesel works and how the state monitors petrol station margins.

The cabinet has now decided to extend the April measures – the tax relief on diesel as well as margin regulation to ensure the discount is actually reflected in petrol station prices – also into May. The excise duty on diesel will therefore remain reduced by CZK 1.939 per litre, which, once VAT is included, represents a saving of approximately CZK 2.35 per litre.

The state is thus keeping diesel taxation at the lowest level permitted by EU law. According to the Ministry of Finance, the April package has already delivered real savings for households and businesses – for larger tanks, savings could be up to several hundred crowns per refuelling. The government estimates the budgetary cost of this measure at roughly CZK 1 billion per month.

Two new adjustments to the regulation

In May, however, the way the state regulates the maximum permissible fuel prices will partly change. To make the measure work better over a longer period and reduce sensitivity to daily price fluctuations, two technical adjustments are being introduced:

1. instead of a one-day wholesale price, a three-day moving average will now be used; and
2. the maximum permitted margin for petrol stations is being set at CZK 3 per litre for both petrol and diesel.

According to the government, this does not mean an automatic price increase – the aim is to ensure stability, not “mandatory” price rises. April data showed that most stations had margins well below this threshold.

The new parameters for calculating maximum prices will be published in the Price Bulletin on the Ministry of Finance’s website. For ordinary customers, nothing material changes: the tax relief remains effectively ensured through margin regulation intended to prevent excessive mark-ups. In practical terms, May diesel prices should therefore continue to stay below the level they would reach without state intervention – both thanks to the lower tax and thanks to limits on petrol station margins.

Who will Cobra bite? Authorities are preparing coordinated approach against illegal work

Illegal work, the ‘Svarc’ system, and disguised agency employment are not new concepts. Yet many companies perceive the risk of sanctions as marginal – operating beyond the law is often simply more advantageous. A new initiative by three ministries and other administrative authorities now aims to change this: they have joined forces in the fight against illegal work and adopted a joint memorandum called Cobra 26.

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At the same time, courts are applying stricter approach in their decision-making practice, so companies should review how they cooperate with external contractors and foreign workers – before the inspectors come knocking.

Disguised employment mediation, illegal work under the ‘Svarc’ system and employing foreigners without the required permits have long been on the agenda in the Czech Republic. Even so, many companies still believe the issue does not concern them. This is often because they rely on well-drafted contracts governing cooperation with external contractors (unlicensed agencies and the self-employed (OSVČ)) although the reality – which authorities now examine carefully – is often quite different from what is written on paper. The truth is that, until recently, authorities have not systematically inspected some widespread practices, and/or sanctions were not always particularly painful.

A fundamental change in approach is brought by the new Cobra 26 memorandum. Until now, authorities’ inspections were carried out in isolation. For example, if the labour inspectorate found an offence, it would impose a fine but would not inform the financial administration or other supervisory bodies that may impose additional sanctions based on such illegal practice. Information generally did not flow in the opposite direction either.

Under the new approach, authorities should share their findings and coordinate their inspection activities. Companies will therefore feel breaches of rules more strongly – in addition to a fine, there may also be additional assessments of statutory insurance contributions and other sanctions or reputational impacts. Under Cobra, authorities are also expected to focus even more on detecting these offences, which significantly increases the likelihood that they will be uncovered.

Court decision-making practice is also becoming stricter, particularly as regards the ‘Svarc’ system. Courts place increasing emphasis on the actual conditions of cooperation rather than the formal wording in the contract. They also stress that it does not matter whether both parties wanted to collaborate outside an employment relationship or whether the model is common in the industry. What matters is who directs the work, controls it and bears responsibility.

In its recent decision, the Supreme Administrative Court took a firm stance against the long-established practice of the 'Svarc' system in the IT environment. It emphasised the long-term nature of cooperation, economic dependence and the integration of programmers into the client's team. Crucially, the programmers could not realistically refuse assignments, bore no entrepreneurial risk and worked under the client's management. The argument that this was a standard model in the sector did not convince the court.

If you cooperate with external contractors, we recommend not waiting until a Cobra inspection reaches you, but reviewing contracts, processes, and day-to-day practice as soon as possible. If you identify shortcomings, they can be addressed; however, the situation needs to be handled proactively.

EU Inc.: new pan-European company structure on horizon

The European Commission has presented a proposal for a new legal form of a European company referred to as EU Inc. It is part of a "28th regime", which would exist alongside the current 27 national regimes of the EU member states and would allow companies to be incorporated and operated under a single and harmonised set of EU rules.

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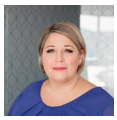

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The main objectives of the proposal are to simplify cross-border business and company formation within the EU single market, reduce administrative burden, and through a single legal framework, eliminate fragmentation of the legal environment across the EU. This should ultimately strengthen the competitiveness of European businesses.

What are the key features of EU Inc.?

Founder: Under the draft regulation, EU Inc. may be founded by one or more persons, including by converting an existing company into this form.

Articles of association: The use of templates for incorporation documents is intended to replace requirements for formal authentication / legalisation under national rules. The EU Inc. regime would also expand the range of documents for which an apostille should not be required within the EU and would, at the same time, reduce translation requirements.

Fast-track registration: Company formation would take place fully online. Where the EU templates for the standard articles of association are used, a fast-track procedure would be available, enabling incorporation within 48 hours, with costs not exceeding EUR 100 and without any minimum registered capital requirement.

Registered office and place of registration: Entrepreneurs would be able to choose the member state whose commercial register will record the EU Inc. The company would then be entitled to operate throughout the EU without the need to establish additional entities.

Digitisation and cross-border connectivity: A key element is the digitisation of the entire corporate lifecycle, including potential liquidation. The proposal envisages a simplified liquidation regime enabling companies with no liabilities to be removed from the commercial register, typically within three months, without the need to

appoint a liquidator. The proposal also anticipates cross-border information exchange. It likewise promises a straightforward procedure for transferring shares between shareholders and to new shareholders.

Protection of founding shareholders: Companies would be able to hold multiple classes of shares with different voting rights and/or different rights to profit distributions. The purpose of this arrangement is to distinguish founders' shares from investor shares.

Safeguards against abuse: The proposal assumes that EU Inc. would be governed by EU corporate law rules, while certain sensitive areas would remain within the competence of member states. These include, in particular, employment law, social security and public health insurance contributions, and taxation. Companies using the EU legal form would therefore have to comply with the local rules of the member state in which they are registered.

Attracting and retaining talent: The proposal also includes harmonisation of a pan-European employee stock option plan (EU-ESO) for employees and members of the corporate bodies of EU Inc., including employees of subsidiaries. The Commission expects that EU Inc. companies (likely suitable for innovative start-ups) would therefore become more attractive to talent.

Employee stock option plans in EU Inc.

The introduction of an option plan would be subject to a decision of the company's general meeting. The regime would not apply to persons who, directly or indirectly, hold shares in the company corresponding to more than 25 per cent of the voting rights or rights in the proceeds of the company. At EU level, the rules would specify, in particular, when taxable income arises: income from such plans should be taxed only at the moment the acquired shares are sold.

For national tax purposes, income would be defined as the difference between the market value of the shares on the date of sale and their acquisition cost. Member states would have to ensure that option plans issued under the EU-ESO regime are subject to a tax treatment that is no less favourable than the treatment applied under national law to other employee stock option plans or similar instruments, provided all statutory requirements are met.

When can we expect the new rules?

The proposal is expected to take the form of an EU regulation, meaning it would be directly applicable in all member states once it enters into force. The Commission aims to reach a political agreement by the end of 2026. The regulation should then take effect 12 months after its publication in the Official Journal of the EU. The practical impacts will depend on the final wording adopted and on the extent to which businesses choose this legal form instead of national alternatives.

Legal

Increase in salary requirements for EU Blue Cards from 1 May 2026

Based on newly published data on the average wage in the Czech Republic, the minimum wage required for the issuance of an EU Blue Card will increase from 1 May 2026. The change will affect not only the Blue Card procedure itself but also the conditions employers must meet for applications to be included in the government's economic migration programmes.

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New minimum wage threshold for EU Blue Cards

The Ministry of Labour and Social Affairs has announced that the average wage for 2025 is CZK 590,580, corresponding to an average gross monthly wage of CZK 49,215. Under the Act on the Residence of Foreign Nationals, an EU Blue Card applicant must earn at least 1.5 times this amount. In practice, this means that from 1 May 2026 to 30 April 2027 the minimum gross monthly wage for an EU Blue Card applicant must be at least CZK 73,823.

Please note that this change applies both to applications filed after 1 May 2026 and to applications filed earlier where no decision has been issued by the end of April 2026. In such cases, if the salary condition is not met, the applicant's salary will need to be increased (otherwise, the Ministry of the Interior will refuse the extension). For existing Blue Card holders, it is not necessarily required to adjust the salary immediately; the change is typically assessed during the renewal process.

Government‘s economic migration programmes

The minimum wage threshold must also be met for an application by a prospective foreign employee to be included in the government's economic migration programmes. This concerns in particular the Key and Scientific Personnel and Highly Qualified Employee programmes, under which it is possible to apply for Employee Cards and EU Blue Cards. The increased salary level will need to be confirmed by the employer by way of an affidavit.

Conclusion

The increase in the wage threshold for EU Blue Cards reflects the development of average wages in the Czech Republic. However, it remains an open question whether the ongoing tightening of this condition does not undermine the stated objective – i.e., attracting highly qualified workers. For recent graduates, whose contribution to the labour market is certainly not negligible, it is possible that salaries will not reach this relatively high

threshold. At the same time, they often have strong potential to exceed it within a relatively short period of time.

The salary conditions for both government programmes are in fact identical. Differentiating and relaxing them for the Highly Qualified Employee programme could help increase its uptake and better meet employers' needs when seeking ways to attract skilled labour to the Czech Republic.

AIFMD II sets rules for loan-originating funds

AIFMD II is the first directive to harmonise European rules for alternative investment funds that originate loans or acquire receivables arising from fund loans. The new requirements will primarily affect special funds, qualifying investor funds and comparable foreign funds.

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Following our articles on the directive's changes to outsourcing and liquidity management, this time we focus on loan-originating funds. Czech practice already knows this area, but AIFMD II sets a more detailed framework for it.

The aim is to strengthen credit risk management, prevent a fund from having an excessively large share of its loans with a single borrower, and curb the model where a fund grants a loan only to immediately transfer it further.

AIFMD II is expected to be reflected in Czech law through an amendment to the Act on Investment Companies and Investment Funds (AICIF). Although it was meant to take effect already in April, the legislative process has been delayed and it is currently awaiting its third reading in the Chamber of Deputies.

Who is subject to the new scheme

The AICIF amendment will explicitly include into the management of special funds, qualifying investor funds and comparable foreign funds the activity of acquiring receivables arising from fund loans. A receivable arising from a fund loan shall mean a claim under a loan agreement entered into on behalf of the fund as the lender (creditor). The same shall apply to a receivable assigned to the fund where the fund manager participated in structuring the loan or in the preliminary negotiation of its parameters. It will also be necessary to assess whether the fund or its manager was economically and factually involved in the origination of the credit exposure.

New policies, processes and review

The new regulation will have the greatest impact on credit policy and risk management. The fund manager will have to establish, maintain and apply effective policies, procedures and processes for acquiring receivables arising from fund loans. At the same time, they must set rules for assessing credit risk and managing and monitoring the loan portfolio. These rules will have to be reviewed regularly, at least once a year.

In practice, this will mean revisiting the investment strategy, fund statute, internal policies and contractual documentation. The fund should clearly describe what types of borrowers it may finance, how it assesses their creditworthiness, how it works with collateral, how it monitors repayments and how it proceeds in the event of a breach of the loan agreement. Proper record-keeping of decisions and conflicts of interest will also be important.

Limits and prohibited models

AIFMD II introduces a concentration limit. A fund will not be permitted to grant loans exceeding 20% of its capital to a single borrower where the borrower is a selected financial entity, another alternative investment fund or a standard fund. The new rules also introduce leverage limits: for an open-end loan-originating fund, leverage must not exceed 175%, and for a closed-end fund, 300%.

The amendment further restricts lending to certain related persons. For example, a fund must not grant a loan to its manager, its employees, the depositary, or certain persons to whom the manager or the depositary has delegated their activities. AIFMD II also restricts the "originate-and-distribute" model: if a fund grants a loan and subsequently transfers it to a third party, it must generally retain at least part of the exposure for a specified period.

Consumer loans

The AICIF amendment explicitly provides for a ban on investment funds granting consumer loans.

How to proceed in practice

Fund managers should first determine whether their fund falls under the loan-originating fund scheme or whether it only holds credit exposure as an ancillary part of its strategy. It then makes sense to carry out a gap analysis of the credit policy, limits, leverage, liquidity, conflicts of interest and contractual documentation.

EU and Mercosur: provisional trade agreement from 1 May 2026

The European Commission has confirmed that the provisional trade agreement between the European Union and the four founding countries of the Mercosur South American common market will take effect from 1 May 2026. Its aim is to create a partnership that will bring economic opportunities while taking into account sustainable development.

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The agreement applies to the Mercosur countries that have completed the ratification process – Argentina, Brazil, Uruguay and Paraguay. The result is one of the world's largest free trade areas, covering a market of more than 700 million consumers. For businesses on both sides of the Atlantic, this means gradual elimination of tariffs and easier access to new markets, stronger supply chains and more predictable conditions for investment. EU exporters, in particular, will gain a better platform for placing their products and services in South America. Likewise, South American exporters will find it easier to enter the EU single market.

However, the agreement is not without controversy. Strong criticism is voiced particularly by European farmers, who fear competitive pressure from cheaper imports from Latin America and a potential deterioration of their economic situation. In addition, in January the European Parliament approved a proposal for the Court of Justice of the EU to review the trade agreement. Until the Court issues its decision, full ratification cannot proceed. If the Court were to conclude that certain parts of the agreement are not compatible with EU law, the text would need to be amended. On 24 April, the European Commission published updated guidance on the agreement on its website.

The agreement is not only about reducing tariffs: it also places emphasis on cooperation in labour rights, environmental and climate commitments, as well as securing strategic raw materials. It also includes safeguard mechanisms for sensitive sectors of the European economy to mitigate potential adverse impacts on selected industries, especially agriculture and the food sector.

For companies in Mercosur and the EU, the agreement also brings new obligations – in particular relating to tax and customs rules, VAT, Intrastat, local social, tax and environmental regulations, and the posting of workers to individual member states. Companies wishing to seize the new opportunities should prepare in good time for increased compliance demands and for the management of cross-border logistics, and should take into account that the legal and political framework of the agreement may evolve further depending on the outcome of judicial review at EU level.

Subsidies

TRANSPORT 2030: 4th call for research and innovation in transport

The Technology Agency of the Czech Republic, in cooperation with the Ministry of Transport, has published the preliminary parameters of the 4th call to participate in TRANSPORT 2030 under the Programme to Support Applied Research and Innovation in Transport.

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The call targets projects that bring benefits to the transport sector and are based on new approaches, technological solutions and services. Its thematic scope covers research in all modes of transport (i.e., land, water and air), including all types of vehicles and transport infrastructure.

In the project proposal, it is necessary to choose one of the programme's specific objectives:

1. Sustainable, accessible and safe transport
2. Automation, digitisation and technologically advanced transport
3. Low-emission and environmentally friendly transport

The call is planned to be announced on 13 May 2026, and the submission of applications for support will run until 8 July 2026. The expected funds for allocation are CZK 400 million, with the maximum aid amount per project set at CZK 30 million. The maximum aid intensity for large enterprises typically ranges from 25% to 65% of eligible costs, with certain project-related operating costs eligible for support.

Project outputs may include, for example, an industrial design or utility model, a functional sample, a prototype, a patent, software, a pilot plant, or a proven technology. The project should be completed no later than December 2030.

Companies of all sizes may participate in the call. Projects may be implemented anywhere in the Czech Republic, including Prague.

We will keep you informed about further details of the call.

Case law

SAC on limits for monitoring employees' electronic communication

Checking business emails and other work-related electronic communications does not have to be automatically impermissible. However, in its recent judgment, the Supreme Administrative Court (SAC) clearly showed that employers are operating in a sensitive territory here. Without a specific reason, prior notice to the employee and a reasonable approach, what could be usable evidence may turn into an impermissible infringement on the employee's privacy.

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In its judgment 6 Ads 21/2026, the SAC considered whether an employer may monitor the content of an employee's electronic communications and use the findings as evidence in disciplinary proceedings. Although the case concerned public service, the SAC's conclusions can also be applied to private-law employers and their employees.

According to the SAC, monitoring an employee's electronic communications is permissible only if several conditions are met. Key factors include the existence of a serious reason stemming from the specific nature of the employer's activities, the proportionality of the monitoring, and compliance with the duty to inform the employee. The SAC compared these requirements with the case law of the European Court of Human Rights, in particular the Grand Chamber judgment in Bărbulescu v Romania (no. 61496/08), which set out key criteria for the permissibility of monitoring workplace communications.

In its assessment, the SAC relied on the so called Bărbulescu test, under which it is necessary to examine whether the employee was informed in advance about the possibility of monitoring, what its scope was, whether there were legitimate reasons for monitoring, whether less intrusive measures could have been used, and how the results of the monitoring were used. In the case at hand, the SAC found that the monitoring was limited in time and subject matter, responded to specific suspicions of a personal data leak, and pursued the legitimate aim of protecting the rights of third parties and maintaining trust in the public authority's activities.

The SAC's judgment thus confirms that monitoring an employee's electronic communications is not impermissible; however, it must remain an exceptional tool subject to a strict test of proportionality and transparency.

Limits to monitoring according to the SAC

1. Existence of a serious reason
Monitoring is permissible only where there is a serious reason arising from the specific nature of the employer's activities. A general interest in supervising employees is not sufficient – the aim must be, for example, to protect

personal data, prevent the leak of sensitive information, or safeguard trust in the activities of a public authority.

2. Specific and well-founded suspicion
Any interference with privacy should be a response to a specific situation, not blanket or preventive surveillance. Ad hoc monitoring may be acceptable provided it is preceded by a genuine suspicion of a breach of duties.

3. Prior notice to the employee
The employee must be informed in advance, clearly and comprehensibly, that monitoring may take place, in what scope, and in what manner.

In the case at issue, the claimant challenged whether the duty to inform had been sufficiently fulfilled through an internal policy; however, the SAC agreed with the respondent. What matters is that the duty to inform is met in substance, and it may be fulfilled through the employer's internal policy. Covert monitoring is, as a rule, impermissible.

4. Proportionate scope of monitoring
The monitoring must be limited in time and subject matter and focused only on relevant communications. The SAC expressly rejects "screening" an employee's entire personal correspondence without a link to the pursued aim.

In the case at issue, the respondent carried out the monitoring within a three day window, which the SAC considered proportionate.

5. Subsidiarity (whether less intrusive measures can be used)
Accessing the content of communications is a measure of last resort. The court must always examine whether the objective could have been achieved in a less intrusive way and whether reviewing the content was truly necessary.

6. Legitimate use of the results
The information obtained may be used only for the purpose for which the monitoring was carried out (e.g., disciplinary proceedings). Misuse or secondary use would be impermissible.

7. Proportionality of the interference
Even where all conditions are met, the SAC assesses whether the infringement was disproportionate in light of its consequences, especially if it led to the most severe sanctions.

What does this mean for employers?

For employers, the SAC's judgment is an important reminder that business emails and other work-related communications cannot be monitored without limits. It is crucial that there must be a specific reason for interfering with the employee's privacy and that the interference must be proportionate in both scope and purpose.

This will determine whether the monitoring results can stand, for example, as evidence, or whether they will very quickly turn into an impermissible infringement on the employee's privacy.

Case law

SAC: When does advance payment trigger obligation to declare VAT?

In a recent judgment, the Supreme Administrative Court (SAC) held that the obligation to declare VAT on a received advance payment arises when, as of the date the advance payment is received, the taxable supply is known with sufficient specificity. Certainty that the supply will actually take place is not required.

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In the case at hand, a company involved in a development project received advance payments on commissions for real estate services relating to the future sale of real estate. The tax authority claimed that the company should have declared VAT on these advances. The matter reached the regional court, which stated that, for VAT to be payable on an advance, the following conditions must be met cumulatively:

1. the taxable supply to which the advance relates must be clearly defined; and

2. the taxpayer must not have a knowledge that it is uncertain whether the supply is to be carried out in the future (a condition derived from the case law of the Court of Justice of the EU).

Given that, at the time the brokerage agreement for the sale of real estate was concluded, the municipality's zoning plan did not allow the intended construction, the regional court concluded that the agreement's effectiveness depended on an uncertain future event (approval of the zoning plan) and that the second condition was therefore not met in this case.

The SAC, however, assessed the case differently, emphasising that a taxable supply is "sufficiently specific" if the following is known:

- the goods to be supplied, or the service to be provided,
- the VAT rate, and
- the place of supply.

In the case at hand, these characteristics were met as of the date the advances were received, which the regional court did not dispute, as it only pointed to the uncertainty as to whether the taxable supply would actually take place.

The SAC held that, for an obligation to declare VAT on a received advance payment to arise, the only material factor is that the advance relates to a precisely determined taxable supply. The requirement that the supply be specifically identified must not be confused with a requirement of certainty of its future performance. CJEU case law does not require that there be sufficient certainty that the taxable supply will definitely occur in the future for the obligation to declare VAT to arise.

According to the SAC, the risk that the zoning plan will not be approved in a form allowing construction is a normal business risk and, in itself, has no impact on the origination of the obligation to declare VAT on an advance payment received. The SAC therefore concluded that the received payments constituted advances for a sufficiently specific taxable supply and that VAT should therefore have been charged on them. It consequently dismissed the regional court's judgment and remitted the case for further proceedings.

Case law

CJEU: input VAT deduction for mandatory hospital equipment depends on its actual use

The Court of Justice of the EU (CJEU) confirmed that input VAT deduction for healthcare providers depends on the asset's actual use, not on the fact that its acquisition is required by law. According to the CJEU, the decisive factor is always a direct link to specific taxable supplies or to the taxpayer's overall economic activity.

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We have been following the disputes between the tax authority and the Regional Hospital in Kolín concerning the right to deduct input VAT on medical equipment for some time – for example, in this article.

In the case now considered, the hospital claimed a proportionate input VAT deduction on technical and tangible equipment that, under a decree, it is required to have for providing healthcare services exempt from VAT without the right to deduct. However, it argued that part of this equipment was also used for taxable activities, such as clinical trials, doctors' internships or certain examinations, and should therefore be treated as overhead costs.

The tax authority recognised the deduction only to a limited extent, arguing that the equipment in question was used predominantly for exempt healthcare services. Most of the claim was thus denied. The case ultimately reached the Supreme Administrative Court, which referred a preliminary question to the CJEU as to whether mandatory hospital equipment can be regarded as overhead costs linked to the taxpayer's overall economic activity, thus allowing a proportionate input VAT deduction.

In its judgment No. C 513/24, the CJEU referred to its settled case law and held that input VAT deduction requires a direct and immediate link between the input and the taxable outputs, or, alternatively, the taxpayer's overall economic activity. Where such a link to overall activity exists (e.g., the equipment is used for the hospital's entire operation, such as a defibrillator), the input may constitute an overhead cost. The key factor is how the equipment is actually used.

A statutory requirement to acquire an asset does not, on its own, give rise to a right to deduct input VAT. However, the CJEU also held that a right to deduct may arise for assets ensuring safety and comfort on the premises, provided they relate to the overall operation and the taxable activity. Such inputs may be regarded as overhead costs giving rise to a proportionate deduction. The judgment therefore suggests that deduction may be claimed for a broader range of equipment than tax authority practice has so far allowed.

In brief

News in Brief, May 2026

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

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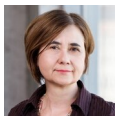

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DOMESTIC NEWS

- On Monday 4 May 2026, the government approved a draft Act on the Electronic Sales Reporting (EET) and on the amendment of certain other tax laws, which will now be discussed by the Chamber of Deputies. The proposed effective date of the EET 2.0 project is 1 January 2027. The changes in income taxes include the introduction of tax relief for taxpayers entering the EET scheme, the introduction of a tax exemption for tips, the reintroduction of the tax credit for placing a child in pre-school facilities, and the student tax credit. The changes in VAT mainly include a reduction of the VAT rate on non-alcoholic beverages served as part of food services, and addressing the issue of small irrecoverable receivables.

- The Ministry of Finance has submitted to comment procedure a bill amending the Accounting Act, the Auditors Act and related financial-market legislation in order to implement EU law requirements on sustainability reporting. The bill mainly transposes selected provisions of Directives (EU) 2022/2464 and (EU) 2026/470. Its aim is to reduce the administrative burden on businesses associated with sustainability reports by narrowing the range of entities required to prepare them and simplifying the requirements for their content. At the same time, it introduces an obligation to publish sustainability reports for certain large third-country entities that have a subsidiary or branch in the Czech Republic. The proposed effective date is 1 January 2027; the obligation for third-country entities to publish sustainability reports would apply to accounting periods beginning on 1 January 2028. Through transitional provisions, the Ministry of Finance is also making use of the opt-out under Directive (EU) 2026/470, which allows accounting (consolidating) entities that have prepared these reports to date to be exempted from the obligation to prepare a sustainability report and a consolidated sustainability report for the 2025 and 2026 accounting periods if, as a result of the narrowed scope of obliged entities, they would no longer fall within the obligation.

- A Measure of a General Nature of the Government of the Czech Republic on the blanket waiver of excise duty on selected mineral oils has been published in the Ministry of Finance's Financial Bulletin No. 9/2026.

- The Ministry of Finance's Financial Bulletin No. 8/2026 contains Instruction No. MF 21 for the authorities of the Czech Financial Administration on carrying out inspections of the administration of court fees.

- The Ministry of Industry and Trade has announced that, on the date the new Building Act takes effect, it will be renamed the Ministry of the Economy. According to the ministry, the new name better reflects its actual remit and role in shaping and coordinating the state's economic policy and is also more easily understood abroad.

- The Ministry of Justice has launched a trial run of the redesigned public registers portal, including the Public Register, the Collection of Deeds, and the Register of Trust Funds. The new portal at verejnerejstriky.msp.gov.cz will replace the existing sites or.justice.cz, esf.justice.cz and esm.justice.cz,

which will remain available for a transitional period and, for the time being, continue to serve as the official source of data. The new portal is currently available in a test (trial) operation. The Ministry of Justice welcomes feedback from users, which will help with its further development and improvement.

- A Notice of the Ministry of Finance on the issuance of the rent price map for the fourth quarter of 2025 was published in the Collection of Laws in April (Print No. 49/2026).

FOREIGN NEWS

- The OECD has published a manual for tax administrations on implementing the global minimum tax (The Global Minimum Tax Implementation Toolkit), in which it recommends approaches to setting up processes for introducing the global minimum tax. It also reflects the experience of jurisdictions that are further ahead in implementation as well as input from the business community and other stakeholders.

- As of 15 April 2026, the OECD list of jurisdictions that have signed the multilateral agreement on the automatic exchange of GloBE information (the GIR MCAA, Pillar 2), which will enable the filing of a single information return and the subsequent exchange of such returns also with respect to jurisdictions outside the EU, includes 31 jurisdictions (Australia, Austria, Belgium, Canada, Croatia, Denmark, Finland, France, Germany, Gibraltar, Greece, Hungary, Ireland, the Isle of Man, Italy, Japan, South Korea, Liechtenstein, Luxembourg, the Netherlands, New Zealand, Norway, Portugal, Singapore, Slovakia, Slovenia, South Africa, Spain, Sweden, Switzerland, and the United Kingdom).

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