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Tax & Legal

Taxes
Legal
Subsidies
World news
Case law
In brief

November 2026

Obsah

Editorial

Taxes

Major amendment to Income Tax Act takes clearer shape

Amendment to Income Tax Act: changes for entrepreneurs and lessors

Disposal of goods and their subsequent use: determining correct VAT treatment

Legal

Disguised employment mediation could become a criminal offence

Subsidies

More flexible GBER rules: what will change for Czech investment incentives?

World news

Slovakia introduces mandatory e-invoicing

Case law

EU General Court: business gifted in two equal shares falls outside VAT transfer rules

CJEU: abuse of law not limited to conduit companies

EU General Court: boat repairs in EU need not incur duty or import VAT

EU General Court: classification of e-bikes imported in parts

In brief

News in Brief, November 2026

Editorial

So far, this autumn has been marked by demonstrations, rising interest rates and inflation, volatile markets, and debate about ‘AI bubbles’. In short, all signs point to a rather hectic period ahead, with little in the way of certainty.

As the familiar saying goes, there are only two certainties in this world. With a touch of humour, one might say that in such unsettled times, we are rather fortunate to work in the more promising of the two: taxes.

The world of tax is now set for an eventful period. The financial administration is rolling out new features that allow businesses to activate electronic sales reporting (EET) and register their sales reporting units, and has also announced plans to focus its inspections on holding structures. The Court of Justice of the European Union is addressing the scope of the abuse of law doctrine in relation to tax-exempt dividend payments; the tax implications of the new Accounting Act are becoming clearer; and market instability is also feeding into discussions about which related parties should bear the consequences of market fluctuations. There certainly seems to be no shortage of topics for discussion in the Tax and Legal Update.

Despite all this, I would like to end this editorial on a positive note. After all, as the saying goes, if it is not a matter of life and death, it is not the end of the world. With that, I wish you happy reading.



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Major amendment to Income Tax Act takes clearer shape

The Ministry of Finance has submitted for comment procedure draft rules on transition (switching) between tax regimes, and draft transitional rules for implementing the planned major amendment to the Income Tax Act; the amendment is intended to align the act with the new Accounting Act.



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We have already reported on the amendment to the Income Tax Act itself here. Its main implications for entrepreneurs and lessors are outlined here.

The amendment distinguishes between two sets of rules clarifying how the transition from the current tax rules to the new ones should work in practice. **Provisions** governing transitions between regimes address situations where a taxpayer changes their tax or accounting regime – for example, when switching from a cash basis to an accrual basis for determining the tax base, or from Czech accounting rules to IFRS; these will therefore only apply to taxpayers in such situations. On the other hand, **transitional provisions** as we know them address how the new rules will apply to assets, leases and other items already in existence before the amendment's effective date.

Fixed assets and tax depreciation

For tangible fixed assets that continue to qualify as tangible fixed assets under the new rules, the existing **entry price / cost and tax residual value** will be preserved, and tax depreciation already claimed will not be recalculated retrospectively. However, any further tax depreciation will follow the new rules: it will be calculated using the old tax residual value and the new minimum depreciation period as prescribed by the amendment, reduced by the full months during which the asset was depreciated under the old rules, with a minimum reduction of one month. The new depreciation method would therefore apply to most assets recorded before the new rules take effect.

Accrual-basis taxpayers will also need to assess their existing fixed assets against the **new definition of tangible fixed assets** that is more closely aligned with their accounting recognition. In exceptional cases where an existing tangible fixed asset does not meet the new definition, the amendment allows the tax base to be reduced by its tax residual value. Conversely, in specific cases where an item newly qualifies as a tangible fixed asset, the tax base will be increased by its entry price / cost, which will then be deducted for tax purposes through depreciation.

The new entry price threshold of **CZK 100,000 is not intended to apply retrospectively to existing assets**. For assets acquired before the amendment's effective date, the current threshold of CZK 80,000 will continue to apply.

In practice, this will not simply mean allowing existing depreciation schedules to run their course. Tax

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depreciation already claimed will be preserved, but the remaining residual value of fixed assets that continue to qualify as tangible fixed assets will be depreciated under the new rules. Correctly determining the tax residual value will therefore be crucial when transitioning to the new system. Companies should pay particular attention to the accuracy of their fixed asset registers maintained for tax purposes, especially for assets whose tax depreciation has been suspended in the past.

Finance leases

Separate transitional rules are proposed for finance leases that commenced before the new legislation's effective date. Under the new approach to finance leases, the lessee's right of use under a finance lease will be treated as a **new tangible fixed asset**. The transitional provisions therefore determine the entry price at which these assets will newly be recorded for tax purposes.

For accrual-basis taxpayers, the entry price will be linked to the accounting value (carrying amount) of the right-of-use asset. The amendment also includes a mechanism for reconciling certain differences between carrying amounts and existing tax values. The period during which the lease was already in place before the new legislation's effective date will also be taken into account.

Transition between Czech accounting rules and IFRS

The amendment also addresses situations where a company starts or ceases to apply IFRS after the new Accounting Act takes effect – that is, a transition from the rules under the new Accounting Act to IFRS or vice versa. Such a transition may constitute a change in accounting policy affecting the tax base. To avoid a potentially significant one-off tax impact, the amendment allows the related adjustment to the accounting profit or loss to be **spread evenly over up to three consecutive taxable periods.**

A specific rule is proposed for companies **already applying IFRS before the amendment's effective date**. Although there is no change in accounting policy from an accounting perspective, the way their accounting profit or loss is determined for the purposes of the Income Tax Act will change. The amendment therefore treats the transition as a change in accounting policy for tax purposes and spreads the related adjustment to the accounting profit or loss **over ten taxable periods**. If the adjustment increases the tax base, the taxpayer may elect to recognise it in full in the first period.

Other matters covered by the amendment

The provisions governing transitions between regimes also address switching from **a cash basis to an accrual basis** when determining the tax base. The aim is to account for existing assets, receivables and liabilities in such a way that the change in how the tax base is determined does not lead to tax-relevant items being counted twice or omitted. An increase in the tax base arising from a transition from a cash basis to an accrual basis may, subject to specified conditions, be spread over up to nine consecutive taxable periods.

The amendment also addresses **technical improvements to assets completed before the amendment takes effect**, which will continue to be treated as additional improvements to assets for tax purposes, as well as historical goodwill and valuation differences, tax losses and existing tax-deductible provisions for repairs of tangible fixed assets. For these items, the transitional provisions are broadly intended to preserve continuity in their existing tax treatment.

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A special mechanism is also proposed for corporate transformations and contributions in kind where there are differences between taxpayers involved as to how their tax bases are determined, how the assets concerned are classified, or which accounting policies they apply.

Next steps

The publication of the provisions governing transitions between regimes and the transitional provisions offers the first clearer indications of **how existing tax values and ongoing transactions will be brought under the new rules**. Particularly for fixed assets and finance leases, it is clear that the amendment does not seek to preserve the old rules but to bring existing items under the new framework while retaining selected historical tax values. The proposed transitional tax rules are also linked to the newly published transitional provisions of the new Accounting Act. Among other matters, these govern the transition of existing assets to new accounting policies, the recognition of rights of use under existing operating and finance lease agreements, and the transition to IFRS 16. Particularly for fixed assets and finance leases, the accounting and tax transitional rules will therefore need to be considered together to determine the correct tax treatment.

Finally, perhaps the most important point: the amendment is still undergoing comment procedure, and its final wording may therefore change, potentially substantially. We will monitor further developments and continue to examine the practical implications of the new legislation.

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Amendment to Income Tax Act: changes for entrepreneurs and lessors

The planned major amendment to the Income Tax Act, being developed in connection with the new Accounting Act, will also significantly affect the taxation of individuals. In addition to aligning the existing rules with the new terminology and adapting them to the new accounting framework, the amendment will introduce a number of substantive changes.



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In a recent article, we outlined the main changes the amendment will bring for legal entities. This time, alongside the draft provisions governing transitions between regimes and the transitional provisions, we focus on its most significant potential implications for individuals, particularly entrepreneurs and lessors.

The bill distinguishes between accrual-basis taxpayers and cash-basis taxpayers. For entities (including individuals) that do not keep accounting records, the cash basis will be preserved, and they will be classified as cash-basis taxpayers.

New tax depreciation system for entrepreneurs and lessors

The proposed changes to tax depreciation will affect not only companies but also individuals who own depreciable assets used, for example, in their business or rental activities. For individuals, the definition of tangible fixed assets will remain largely unchanged and will generally continue to be based on legal ownership.

The existing six depreciation groups and the general option to choose between straight-line and accelerated (declining-balance) depreciation method are to be abolished. The bill provides for a special accelerated depreciation regime (similar to the current extraordinary depreciation regime) for selected tangible fixed assets only. Under the current wording, this regime would apply to zero-emission vehicles, allowing them to be depreciated more quickly for tax purposes.

The bill introduces monthly tax depreciation, changes the system of depreciation groups and raises the threshold for movable tangible fixed assets and sets of such assets from CZK 80,000 to CZK 100,000. Depreciation periods will also change. Taxpayers will be able to suspend depreciation, but only on an annual rather than a monthly basis.

Taxpayers will first select a depreciation method and then assign the tangible fixed asset to one of two depreciation groups. The depreciation period will be determined when depreciation begins and cannot subsequently be changed.

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The bill sets minimum depreciation periods for each group – 60 months for the first depreciation group and 360 months for the second. Unless the taxpayer selects a longer depreciation period for the tangible fixed asset, the applicable minimum period will be used. Taxpayers may, however, choose a longer period, with depreciation claimed in equal monthly amounts throughout the selected period.

The bill also proposes component depreciation for tax purposes, which will be optional for cash-basis individuals. Tangible fixed assets may be split into individual components for tax depreciation purposes, with depreciation calculated as if each component were a separate tangible fixed asset. Different depreciation periods may be set for individual components, subject to the applicable minimum period.

However, depreciation of individual components cannot begin or be suspended independently of the asset of which they form part.

The legislative treatment of co-ownership is also set to change – tax depreciation will apply to the co-ownership interest in an asset rather than to the asset itself.

Finance leases: a new depreciation-based approach

Finance leases are to be treated as a means of acquiring assets rather than merely a specific form of rental arrangement. The key element will be the right of use under a finance lease.

Currently, an entrepreneur using a car, machine or other equipment acquired under a finance lease does not claim tax depreciation on that asset. Under the proposed rules, both the lessor and the lessee would claim tax depreciation as follows:

- **lessor:** the asset subject to the finance lease;
- **lessee:** the right of use under the finance lease.

Both parties to a finance lease will therefore claim depreciation, each on a different tangible fixed asset.

The bill also gives cash-basis taxpayers the option to use purchase-price-based rules to determine whether an arrangement qualifies as a finance lease for tax purposes.

Technical improvements under the new rules

As for legal entities, the existing concept of technical improvements is to be replaced by a new concept of additional improvements to assets for tax purposes. The bill places greater emphasis on the economic substance of transactions
and moves away from some of the existing formal principles.

The basic threshold for additional improvements to assets for tax purposes is to be CZK 100,000. Whether this threshold has been exceeded must be assessed by aggregating all improvements to the same asset that were completed, or brought into a condition suitable for use, in the same taxable period. The bill also proposes a safe harbour allowing taxpayers to elect to treat repairs or maintenance as additional improvements for tax purposes, particularly where they are uncertain whether or not the work qualifies as a repair.

Another significant change is that additional improvements to a leased asset paid for by the lessee will be

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depreciated by the lessee even though they do not own the asset. This would remove the need to obtain the lessor's consent to depreciation, an issue frequently encountered under the current rules.

Next steps

The new proposal is to be presented as a comprehensive amendment to the Income Tax Act during the second reading in the Chamber of Deputies, replacing the wording of the bill currently under debate. Entrepreneurs and lessors should therefore monitor further developments, particularly in connection with planned investments, renovations and finance leases.

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Disposal of goods and their subsequent use: determining correct VAT treatment

In a recent discussion paper, the Coordination Committee of the General Financial Directorate (GFD) and the Chamber of Tax Advisors addressed the VAT treatment of the disposal of goods where disposal involves recovering raw materials, spare parts or other items for subsequent sale, confirming that what matters is the substance of the transaction, rather than just the terms of the contract or the parties' intentions.



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The first question was whether the original owner of the goods being disposed of merely receives a disposal service or whether they also supply goods to the disposal company. The GFD emphasised that the economic substance of the particular transaction must be considered. If the recovered material has value for the disposal company and that value is reflected in the disposal price, there may indeed be two separate supplies involved: a disposal service and, simultaneously, a supply of goods. The value of the consideration need not be expressly agreed in the contract. What matters is whether this value was actually taken into account when setting the price of the disposal service.

Regarding the determination of the taxable amount, the GFD emphasised that, where open market value is used, it must reflect the value of the specific supply at the time it takes place. It is therefore crucial to establish what is being supplied and when. The open market value determined on this basis cannot subsequently be changed merely by agreement between the parties. Any change would have to be justified by objective circumstances affecting the value of the supply.

The discussion also addressed whether goods supplied as part of the disposal could be subject to the reverse charge mechanism. The GFD emphasised that this mechanism must be interpreted narrowly. The determining factors are the goods' objective characteristics and their classification under the Combined Nomenclature and Annex 5 to the VAT Act. The owner's decision to stop using an asset or hand it over for disposal is therefore not sufficient, on its own, for the goods to be treated as waste or scrap. The VAT treatment therefore depends on the nature of the goods supplied, not on how the supplier views them.

Another issue concerned the VAT treatment of sales of items recovered during disposal, such as spare parts from end-of-life vehicles. The GFD accepted that, when applying the special scheme for dealers in second-hand goods, the purchase price of an end-of-life vehicle may be reduced by the average expected proceeds from the sale of scrap. It cautioned, however, that any negative amount resulting from this calculation cannot be carried forward to subsequent taxable periods.

The Coordination Committee thus primarily confirms that the VAT treatment of the disposal of goods cannot be determined solely by the contractual arrangements or the individual parties' intentions. What matters is the economic substance of the transaction, particularly what is actually supplied, its condition and when the supply

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takes place. These factors determine the number of supplies, the taxable amount and the correct VAT treatment.

If you are dealing with similar questions concerning the disposal of goods and their subsequent use or sale, we would be pleased to help you determine the correct VAT treatment.

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Disguised employment mediation could become a criminal offence

Disguised employment mediation has long been among the most common breaches of labour law identified by labour inspectors. A little-noticed amending proposal to the Criminal Code bill currently before the Chamber of Deputies aims to significantly tighten the penalties for this practice: it could become a criminal offence punishable by up to eight years' imprisonment.



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Disguised employment mediation is an illegal practice whereby a supplier formally provides a service or carries out work for a customer, but in reality merely supplies workers who operate under the customer's instructions and supervision, effectively as the customer's employees. However, only a duly licensed employment agency may legally supply workers in this way.

This practice is currently an administrative offence carrying substantial penalties – a fine of up to CZK 10 million for each party or a ban on activities. These penalties are now set to become even stricter.

What the amendment proposes

The amending proposal under consideration introduces criminal liability for circumventing the rules on agency employment: it stipulates a basic sentence of three years' imprisonment, which may rise to eight years in the most serious cases. Both parties to the illegal contractual arrangement could face these penalties: the supplier of workers (the 'pseudo-agency') and the customer.

Making disguised employment mediation a criminal offence is a significant development, particularly because this is neither a marginal nor an isolated problem. On the contrary, it regularly features in decisions by labour inspectors and administrative courts. Many employers are not even aware that they themselves are breaking the law by working with pseudo-agencies.

The boundary between lawful outsourcing and illegal practices is not clearly defined in legislation and is not always straightforward. The Supreme Administrative Court has consistently emphasised that there is no single dividing line – each case must be assessed individually. What matters is not the title of the contract or the formal description of the arrangement, but how it actually operates. This is also reflected in the approach taken by labour inspectors: inspections go beyond the wording of the contract to focus on day-to-day reality in the workplace.

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Practical implications

Although the sudden proposal to make disguised employment mediation a criminal offence is surprising, it clearly follows earlier steps by the state to tighten the penalties for this practice. Companies using outsourcing arrangements should take note and focus not only on reviewing their contractual documentation but also on assessing how the arrangements operate in practice from day to day. Even well-drafted contracts cannot eliminate the risk if the arrangement in fact amounts to supplying workers rather than providing a service or carrying out contracted work.

Auditing supplier arrangements and their timely legal review is generally much simpler and less costly than dealing with the findings of an inspection by the authorities afterwards – particularly as criminal law enforcement authorities could now become involved.

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Subsidies

More flexible GBER rules: what will change for Czech investment incentives?

The European Commission is preparing to relax the rules of regional investment aid from 2027. These rules also set the framework for Czech investment incentives, but Czech companies will not benefit from the changes automatically: Czech legislation and the date on which the Ministry of Industry and Trade issues its decision granting the investment incentive will also be decisive. Projects not approved by the state by the end of 2026 will be subject to the new GBER rules.



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The European Commission plans to adopt the new GBER by the end of 2026, with effect from 1 January 2027.

The General Block Exemption Regulation (GBER) applies directly in EU member states and determines when they may grant aid without prior approval by the European Commission. However, it does not in itself entitle companies to aid. Investors must also meet the Czech requirements: where these are stricter than the GBER rules, they will continue to apply.

The most significant change will be higher thresholds for calculating aid for large investment projects. Under the current rules, eligible costs above EUR 55 million and up to EUR 110 million count at only half their value when calculating the aid. The proposal would raise these thresholds to EUR 70 million and EUR 140 million: the first EUR 70 million of eligible costs would count in full, while the next EUR 70 million would count at half their value. Projects with eligible costs exceeding EUR 140 million would fall outside the GBER and require the more complex notification procedure under the Regional Aid Guidelines (RAG). These new thresholds are already included in the proposed amendment to Government Regulation No. 428/2021 Coll.

The draft GBER also proposes several other changes, including:

- removing the requirement for eligible costs relating to a fundamental change in the production process to exceed the depreciation of the relevant assets over the preceding three fiscal years;
- removing the requirement for diversification costs to exceed the carrying amount of reused assets by 200%;
- relaxing the conditions for purchases of intangible assets and business establishments between related parties.

For Czech companies, the key question will therefore be whether and when the government incorporates the more flexible rules into Czech legislation.

Intensive discussions are currently under way on the future direction of investment incentives, with a view to

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a major legislative amendment that could take effect in mid-2028. Some changes may also take effect earlier, particularly in areas that can be addressed by amending a government regulation, i.e., without the need to amend the Investment Incentives Act.

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Slovakia introduces mandatory e-invoicing

From 1 January 2027, Slovakia will join the European countries that have introduced mandatory e-invoicing. The new rules will change how invoices for certain domestic transactions are issued, sent and received. Which businesses will be affected, and what steps should they take to get ready?



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We have already reported on the European VAT in the Digital Age (ViDA) initiative and the related VAT changes in previous articles (here and here). Some member states are introducing mandatory e-invoicing, before the EU-wide rules take effect, and Slovakia will join them on 1 January 2027. In the first phase, e-invoicing will be mandatory only for Slovak entities.

The obligation to issue e-invoices will apply only to VAT payers established in Slovakia that make certain domestic supplies to other businesses or legal entities. The new rules will therefore primarily cover business-to-business (B2B) and business-to-government (B2G) transactions. Invoices issued to final consumers (B2C) will remain outside their scope. The obligation to receive e-invoices will, however, be broader and will also affect persons that are not VAT payers. Although they will not have to issue e-invoices, they must be able to receive them if their supplier is a VAT payer required to issue them.

An e-invoice will not be an ordinary PDF document sent by email, but a structured XML file that allows invoice data to be processed automatically. In principle, trading partners will exchange invoices through certified delivery service providers, known as ‘digital postmen’, using the EU Peppol network. These providers will also transmit the data to the financial administration. VAT ledger statements and EC Sales Lists will continue alongside the new system until 30 June 2030, after which digital reporting will replace them in full.

Businesses can already use the new system voluntarily this year. A transitional period with reduced penalties is also being discussed in connection with its introduction. Nevertheless, businesses should not postpone their preparations: they should review their invoicing systems and arrange a delivery service provider in good time.

For foreign companies doing business in Slovakia, the key point is that Slovak VAT registration alone, without being established there, does not create an obligation to issue or receive e-invoices. The rules will extend to non-established persons and certain cross-border transactions only from 1 July 2030.

The Czech Republic has not yet set a date for introducing a similar obligation for domestic or cross-border transactions. In any event, the harmonised European rules for certain cross-border transactions will also affect Czech companies in July 2030 at the latest.

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EU General Court: business gifted in two equal shares falls outside VAT transfer rules

The transfer of a business free of charge to two individuals, each receiving a half share, does not constitute a transfer of a totality of assets or part thereof under Article 19 of the VAT Directive if neither share allows its recipient to carry on an economic activity independently. The recipients' intention to contribute both shares to a jointly owned company did not alter the EU General Court's conclusion.



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The case concerned a businesswoman who intended to transfer her entire business to her two daughters as a gift, each receiving a half share. She would retain none of the business assets and would cease her economic activity after the transfer. Her daughters planned to contribute their shares immediately to a general partnership, which would continue the business's original activity largely unchanged.

The EU General Court first considered whether the gift of the shares to the daughters and their subsequent contribution to the partnership could be treated as a single supply. It recalled that supplies must generally be assessed separately for VAT purposes. They may be treated as a single supply only where they are so closely linked that they objectively form a single, indivisible economic supply. In this case, each daughter could dispose of her share independently and decide whether to contribute it to the partnership. Moreover, the subsequent contribution was not a condition of the gift: it was independent of it and would take place later. The gifts of the individual shares and their subsequent contribution to the partnership therefore constituted separate supplies.

The EU General Court further recalled that Article 19 of the VAT Directive applies only where the assets being transferred, taken together, allow an independent economic activity to be carried on. Since the supplies were being assessed separately, this condition had to be met for each daughter individually. However, each received only a half share, which did not, in itself, constitute a self-contained unit capable of operating independently.

The EU General Court therefore concluded that the gift in question could not be treated as a transfer of a totality of assets or part thereof that is not regarded as a supply of goods for VAT purposes. The ultimate intention to keep the business operating is not sufficient on its own: the assets acquired by each recipient must also allow that recipient to continue the economic activity independently.

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CJEU: abuse of law not limited to conduit companies

A parent company's genuine economic activity and beneficial ownership of income do not, in themselves, preclude application of the abuse of law doctrine. The Court of Justice of the European Union (CJEU) confirmed this in a judgment concerning the tax exemption of dividends under the Parent-Subsidiary Directive. It held that the assessment must consider both the overall outcome of the arrangement and the outcome of each individual transaction.



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The CJEU considered the tax exemption of dividends paid by two Lithuanian companies to their Cypriot parent company. The Cypriot company had originally been owned by a Belizean company, which sold its interest to a new Cypriot holding company. The Cypriot holding company and the Belizean company were owned by the same individual. The Belizean company assigned the receivable arising from the sale to that individual. The Cypriot holding company then used dividends received from the Lithuanian companies to lend money to the individual. The debt under the loan was subsequently offset against the receivable.

The Lithuanian tax authorities took the view that there was no economic justification for the arrangement. In their view, its purpose was to pay dividends directly to the individual through a series of artificial transactions. They did not dispute that the Cypriot parent company carried out a genuine economic activity or that it was the beneficial owner of the dividends. Nevertheless, they denied the withholding tax exemption on the grounds of abuse of law.

The CJEU confirmed that the abuse of law doctrine has a broad scope and cannot be confined to conduit companies. A parent company's genuine economic activity does not prevent the doctrine from applying, nor does beneficial ownership of the income concerned. When assessing potential abuse of law, the arrangement must be considered as a whole, including transactions carried out in other countries.
Moreover, neither the subsidiary nor the parent company has to benefit directly from the tax advantage.

An advantage obtained by the group's ultimate owner through the chain of transactions may also be taken into account. The tax authorities do not have to prove that the subsidiary paying the dividends knew or could have known that the dividend payment formed part of a transaction or series of transactions constituting an abuse of law. It is sufficient to establish such knowledge on the part of at least one company involved in the chain or the individual who ultimately obtained the tax advantage.

The judgment thus confirms that a parent company's genuine economic activity and beneficial ownership of the income concerned do not, in themselves, preclude application of the abuse of law doctrine.

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Case law

EU General Court: boat repairs in EU need not incur duty or import VAT

Where goods from a third country are brought into the EU solely for repair and then returned without being used there, import VAT may not arise and any customs debt may be extinguished. The EU General Court confirmed this in a judgment addressing both VAT and the interpretation of the Union Customs Code.



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The case concerned a Swiss resident who transported his Swiss-registered sailing boat to Germany on a trailer but failed to present it to customs at the border. During a customs inspection, he explained that he was taking it to a German company for maintenance and repairs. Once the work was completed, he took the boat back to Switzerland without having sailed it in the EU.

The customs authorities assessed both customs duty and import VAT. They took the view that the repairs had brought the boat into the EU's economic network and that its subsequent export had not extinguished the customs debt. The owner argued that the boat had merely undergone maintenance and had not been used in the EU. Germany's Federal Fiscal Court therefore referred questions to the Court of Justice of the European Union, which transferred them to the General Court. The General Court has had jurisdiction to give preliminary rulings on VAT and customs matters only since October 2024, and this judgment is among its first to interpret the Union Customs Code.

In Case T-383/25, Segelbootwartung, the General Court confirmed that failure to comply with customs obligations gives rise only to a presumption that the goods have entered the EU's economic network and are therefore subject to import VAT. This presumption can be rebutted if the importer proves that the goods were not intended for use in the EU and left it without actually being used there. For means of transport, particular consideration is given to the owner's place of residence, where they are normally used and how long they remained in the EU. According to the General Court, actual use means using an item for its intended purpose – in the case of a sailing boat, sailing it. Neither transporting it to a workshop nor repairing it constitutes use. The repair services may themselves be subject to VAT, but they are a separate supply and have no bearing on import VAT on the boat.

The General Court took a similar approach to customs duty. Although the failure to comply with customs obligations had created a customs debt, that debt may subsequently be extinguished under the conditions laid down in the Union Customs Code if the goods were not used in the EU and were re-exported. Repairs cannot be regarded as use if they could have been authorised under the inward processing procedure, which specifically allows goods from third countries to be repaired or processed without payment of customs duty. According to the General Court, the absence of an authorisation does not automatically rule out extinguishment of the customs debt. The decisive question is whether the work could have been authorised under inward processing, including retrospectively. The German court will now assess this.

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The judgment is particularly welcome for businesses servicing and repairing boats, aircraft, vehicles or machinery and having customers from third countries. It is not, however, a guide to avoiding customs formalities. Anyone who fails to present goods to customs risks being assessed for customs duty and VAT, as well as facing penalties. They must provide objective, verifiable evidence that the goods were neither intended for use in the EU nor actually used there. Above all, the judgment is a reminder that goods brought in for repair should always be properly declared and placed under the inward processing procedure.

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Case law

EU General Court: classification of e-bikes imported in parts

The EU General Court considered whether separately imported e-bike components could be treated as complete e-bikes subject to anti-dumping duties. It concluded that importing individual parts separately does not, in itself, prevent such classification.



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In January 2019, the EU introduced anti-dumping duties on imports of e-bikes from China classified under Combined Nomenclature code 8711 60 10. These measures did not, however, cover certain parts and accessories falling under code 8714.

Between 2019 and 2021, a Belgian company purchased e-bike components from two different Chinese suppliers and imported them in separate containers over several months. During an inspection, the Belgian customs authorities established that the imported components were subsequently assembled into complete e-bikes supplied to customers.

The key to determining the components' tariff classification was a rule in the General Rules for the Interpretation of the Combined Nomenclature. Under this rule, goods may, in certain circumstances, be classified as a complete article even when presented unassembled or disassembled. The General Court therefore focused on whether the rule could also apply where individual components are imported separately, in different consignments and at different times.

The General Court concluded that importing individual parts separately does not prevent their classification as a complete article. The decisive question is whether, at the time of customs clearance, objective facts establish that the individual parts form a single whole and are intended to be assembled into one article. It is not necessary for all the parts to be presented to customs at the same time.

In this context, the General Court also addressed earlier case law of the Court of Justice of the European Union. In the General Court's view, that case law does not establish that individual parts of an article must be presented simultaneously at customs clearance, since the Court of Justice had not considered this specific question in those cases.

The General Court further held that presenting individual parts to customs under several separate customs declarations does not, in itself, prevent the components from being declared under the Combined Nomenclature code for the finished article. The opposite interpretation would allow importers to influence tariff classification merely by splitting imports across several customs declarations, enabling them to choose at will, depending on the circumstances, between classifying goods as a single whole or as individual components.

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The judgment is particularly significant for companies using supply chains in which parts of a single finished article are imported separately. Correct tariff classification may therefore depend on more than the contents of a particular consignment. Objective circumstances linking the individual imports and indicating that the imported parts are intended to be assembled into a specific complete article may also be relevant.

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In brief

News in Brief, November 2026

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



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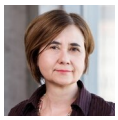

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DOMESTIC NEWS

- The financial administration has made the features needed to prepare for electronic sales reporting (EET) 2.0 available in DIS+ (daňová informační schránka, tax information mailbox). Businesses can activate electronic sales reporting, register their sales reporting units and then obtain cash register certificates. A sales reporting unit may be, for example, a business premises, a functionally separate part of those premises, an e-shop, an application, a means of transport or a mobile business premises. Unless the relevant unit is registered, it will not be possible to obtain a cash register certificate or start reporting sales. The obligation to report sales will take effect for all affected businesses simultaneously on 1 January 2027. We therefore recommend that businesses, particularly those with multiple business locations or sales channels, start identifying their sales reporting units and check whether their cash register systems are ready.

- The Chamber of Deputies has debated an amendment to the Labour Code and a bill on platform work at first reading. In addition to implementing the Pay Transparency Directive and the Platform Work Directive, the bills include proposals to reduce unemployment benefits and amend the definition of dependent work.

- Fuel price regulation and the reduction of excise duty on diesel to the EU minimum will also continue in November. The Ministry of Finance publishes the next day's maximum petrol and diesel prices in its Price Bulletin. On non-working days, the most recently published prices remain in effect. The excise duty reduction is implemented through a measure of a general nature issued by the Czech government granting a blanket waiver of excise duty on selected mineral oils, published in the Ministry of Finance's Financial Bulletin No. 14/2026.

- In its first reading, the Chamber of Deputies has debated a bill amending the Income Tax Act to introduce a temporary extraordinary sector-specific tax on the refining sector.

- Decree No. 206/2026 Coll., amending Decree No. 388/2025 Coll. on real estate tax form submissions, has been published in the Collection of Laws.

- The list of countries on the EU list of non-cooperative jurisdictions for tax purposes, as approved by the Council of the European Union, has been published in the Ministry of Finance's Financial Bulletin No. 13/2026.

- A notice on the application of the double taxation treaty between the Czechoslovak Socialist Republic and Japan concerning taxes on income has been published in the Ministry of Finance's Financial Bulletin No. 15/2026. The government has also approved the conclusion of a new treaty between the Czech Republic and Japan for the avoidance of double taxation concerning taxes on income and the prevention of tax evasion

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and avoidance.

- The Chamber of Deputies has approved new double taxation treaties with Malta, Kenya, and Tanzania.

- The Ministry of Industry and Trade reported that EU member states' representatives responsible for energy sector met on Thursday, 29 October in Luxembourg. The main topics were an initial policy debate on the regulation on network charges, an assessment of energy security ahead of the coming winter and over the longer term, and the launch of discussions on the direction of EU energy and climate policy beyond 2030.

FOREIGN NEWS

- The Czech Republic, Sweden, Denmark, Finland and Italy have published their positions on the proposal to simplify tax administration in the EU (Tax Omnibus), which we reported on here. The Czech Republic and Sweden formally submitted reasoned opinions. All five countries welcome efforts to simplify tax rules and reduce the administrative burden. However, they caution that some proposed changes go beyond simplification and could lead to significant losses of tax revenue (removal of the minimum shareholding requirement in the tax directives and changes to the Anti-Tax Avoidance Directive (ATAD)). The Czech Republic, Sweden and Finland also question the need for a uniform EU regime for research and development tax incentives, arguing that this area can be addressed at member state level.

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