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News in Brief, October 2026

Editorial

Autumn is traditionally a time when the tax and legal world returns to full speed. This year is no exception, with more than enough developments requiring attention. Many companies have already begun preparing for the reintroduction of electronic sales reporting, which will bring not only new obligations but also the need to review processes and IT systems. New requirements for pay transparency are also fast approaching. As they will already apply to payroll data for January 2027, the time available for preparation is rapidly running out.

The new Accounting Act and the related amendment to tax legislation are taking increasingly concrete shape, and their impact on some businesses may be more significant than it might initially appear. The global minimum tax is also moving into the implementation phase. The first-time filing of top-up tax returns is fast approaching and, after months of uncertainty, the relevant electronic forms are finally available through the electronic filing portal (Elektronická podání pro Finanční správu, EPO). Other legislative changes that may affect specific sectors or areas of business also warrant attention. One example prompting discussion is the proposed extraordinary tax on refineries.

KPMG's current conference season will therefore certainly offer interesting and important topics. A series of seminars and workshops, together with the traditional Tax and Legal Forums in Prague, Brno and Ostrava in November, will provide an opportunity to hear about initial practical experience with the forthcoming legislation and gain insights from senior representatives of the financial administration.

This issue of Tax and Legal Update naturally also provides an overview of the most significant developments that should not escape your attention. I trust it will help you not only navigate the latest developments but, above all, prepare more effectively for the changes awaiting us in the months ahead.

I wish you an inspiring read and a successful start to the autumn season.



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Taxes

Childcare and student tax credits reinstated; employee benefits revised

The Chamber of Deputies upheld its version of the bill on the electronic sales reporting (EET), thereby rejecting the Senate's amending proposals. The President signed the act on 17 September 2026. In addition to introducing the new electronic sales reporting system, the act also makes several changes in income tax.



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As most of the measures will take effect on 1 January 2027, employers, businesses and preschool facilities should familiarise themselves with the new rules in good time and prepare the related administrative, payroll and system processes.

The most significant changes include the reinstatement of the tax credit for placing a child in a pre-school facility and the tax credit for being a student, the renewal of the tax credit for electronic sales reporting, the exemption of voluntary tips in catering services, changes to employee benefits and higher thresholds for filing tax returns.

We reported on the bill earlier in the legislative process (the original proposal and the version approved by the Chamber of Deputies).

Reinstatement of the tax credit for placing a child in a pre-school facility

The Income Tax Act will once again provide for a tax credit for placing a child in a pre-school facility. Taxpayers will be able to claim a credit equal to the expenses actually incurred for a nursery school, children's group or similar facility, capped at the minimum wage for each dependent child living with the taxpayer in a jointly managed household.

The act will also address cases where a child lives in more than one jointly managed household. In such cases, the maximum credit will be divided equally among the households according to their number, while the parents may also agree in writing on a different allocation. However, the total amount of tax credits claimed in respect of one dependent child may not exceed the minimum wage limit. If more than one taxpayer supports the child in the same household, only one of them may claim the tax credit.

The evidentiary requirements for claiming the credit will also be expanded. In addition to confirmation from the pre-school facility of the amounts paid, taxpayers will have to provide confirmation from the other parent or

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another person supporting the same child of the amount of credit claimed by that person, or an agreement allocating the entitlement among several taxpayers.

Pre-school facilities will themselves be subject to a new administrative obligation: by 31 January following the relevant calendar year, they will have to report electronically to the tax authority individualised data on children placed in the facility, taxpayers paying the pre-school facility fees, and the total amounts paid by each taxpayer.

Reinstatement of the tax credit for being a student

The tax credit for being a student of **CZK 4,020 per year** will be reintroduced into the Income Tax Act. It will be available to taxpayers engaged in continuous preparation for a future profession, generally until they reach the age of 26. Full-time doctoral students will be able to claim the credit until they reach the age of 28.

Employees will be able to claim this credit already during the calendar year through monthly income tax prepayments calculated by their employer, provided they document that the relevant conditions have been met. If the credit is not applied when calculating the monthly income tax prepayments, it may be claimed through the annual settlement of tax or in the taxpayer's tax return.

Tax credit for electronic sales reporting

Following the reintroduction of electronic sales reporting, individuals may claim a one-off tax credit of up to **CZK 5,000**, available only for the first taxable period in which the taxpayer reports a sale under the new Electronic Sales Reporting Act.

The amount of the credit will be determined based on the positive difference between 15% of the partial tax base from independent (gainful) activity and the basic income tax credit per taxpayer. If the difference is less than CZK 5,000, the credit will equal that amount; if it is CZK 5,000 or more, a credit of CZK 5,000 will apply. No entitlement arises if the difference is zero or negative.

The credit will also be available to entrepreneurs who reported sales under the original Electronic Sales Reporting Act, which remained in force until 2022. For these entrepreneurs, the decisive event will be the first sale that they are required to report under the new system.
The credit is intended to offset, at least in part, the costs associated with implementing the reporting system.

Exemption for entrepreneurs under the lump-sum tax scheme

The act introduces a special scheme for the smallest entrepreneurs. Self-employed individuals applying the lump-sum tax will be able to opt for a special surcharge, payment of which will exempt them from the obligation to report sales.

The surcharge regime will be available to taxpayers in the first band of the lump-sum tax scheme whose self-employment income for the immediately preceding taxable period did not exceed CZK 1,000,000. Their monthly lump-sum tax prepayment will increase by a surcharge of **CZK 1,400**.

Taxpayers may opt into the surcharge regime in their notice of entry into the lump-sum tax scheme, in a notice of changing their selected band to the first band, or in a separate notice electing the surcharge. The notice must be

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filed with the tax authority no later than on the tenth day of the taxable period from which the taxpayer wishes to apply the surcharge. A late notice will be ineffective.

The scheme is designed as a voluntary alternative to standard electronic sales reporting and aims to offer a simpler administrative procedure to the smallest entrepreneurs operating in the lump-sum tax scheme.

Exemption of tips in restaurant and catering services

A significant new measure is the exemption of tips in restaurant and catering services. Subject to the statutory conditions, tips received by an employee in an employment relationship while working at a food-service establishment will be exempt from personal income tax, and social security and health insurance contributions. The payment must be voluntary and directly connected with the provision of a service. The rules do not apply to tips received by self-employed individuals.

Typical establishments will include restaurants, cafés and bars. By contrast, takeaway food stands, marketplaces and food trucks—i.e. operations focused exclusively on takeaway sales—will generally fall outside the exemption.

The exemption is subject to a monthly cap. The total amount of exempt tips in a calendar month may not exceed 7% of the employer's monthly revenue from food-service activities. For an individual employee, the exempt amount may be calculated as 7% of the employer's monthly food-service revenue divided by the number of employees who received tips in that month. The employer may also determine the amount using another method of their choice. Any tips exceeding the limit will be subject to standard taxation and insurance contributions on employees' part.

New rules for employee benefits

Contributions towards cultural or sporting events and participation in social events organised by the employer for a limited group of participants will no longer be subject to the current annual aggregate limit. Tax exemption will be available only where the provision of such benefits is customary for the employer in view of their nature and both their form and scope are reasonable.

Separate rules will apply to employee benefits in the form of holidays and travel packages. These will be tax-exempt only up to an aggregate annual limit of CZK 20,000 per employee. Any amount exceeding the annual limit will constitute taxable income and will also be subject to mandatory insurance contributions.

The range of exempt non-financial benefits will also be expanded to include employer contributions for selected social services provided to an employee or a family member as community-based services by an authorised provider under the Social Services Act. These include, for example, contributions towards personal assistance, home care, respite care services, early intervention, emergency care and day-care centre services.

The principle that benefits exempt from personal income tax constitute a non-deductible expense for the employer will remain unchanged.

The approved act also modifies employee benefits relating to employee healthcare. Selected healthcare benefits listed in the new Annex 4 to the Act will not be subject to tax on employees' part. These will include, in particular, enhanced preventive examinations, certain screening tests, cardiovascular risk assessments and selected vaccinations administered by a healthcare provider. However, the exemption will not apply, for example, to

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cosmetic plastic surgery, beauty treatments or medical procedures lacking appropriate clinical justification.

Higher thresholds for filing tax returns

The annual income threshold triggering the obligation to file a personal income tax return will increase from CZK 50,000 to CZK 100,000. For individuals who receive both income from employment and other income under Sections 7 to 10 of the Income Tax Act, the threshold for such other income will increase from CZK 20,000 to CZK 40,000, provided that the other statutory conditions are met.

Tax deductibility of still wine

A promotional item in the form of still wine will newly qualify as a tax-deductible expense if the statutory conditions are met: its value must not exceed CZK 500 excluding VAT and it must bear the provider's name or trademark, or the name of the promoted goods or services.

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Taxes

Reporting units under EET 2.0: what must be reported from 1 November?

A reporting unit is a concept that did not exist under the original EET system. Yet the configuration of the entire reporting system will depend on defining these units correctly. From 1 November 2026, businesses will be able to register units through the tax information portal (daňová informační schránka, DIS+); without doing so, they cannot obtain a cash register certificate or begin reporting sales.



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A reporting unit is a place, means or online environment through which a business carries on its business activities. It may be:

- a business establishment or a functionally separate part thereof;
- a website or application;
- a means of transport;
- a mobile establishment without a fixed address, typically a stall or food truck; or
- a residual category for businesses without permanent premises that accept payments at customers' premises; such units are identified by the business's registered office.

Information to be reported

For each unit, businesses must report, in particular, its type and identification details (such as its address, website address or registration number), its predominant business activity under the CZ-NACE classification, and whether reportable sales are made through it. A name may also be added, for internal purposes. Businesses must separately indicate whether the unit is used to report sales made under indirect representation—that is, in their own name but for the account of another person, typically in the capacity of a commission agent.

Once the information has been saved, the system will automatically assign an identification number to the unit. This number will form part of the data message for a reported sale and must be configured in the relevant cash register device. Any changes to the reported information must be notified within 15 days of the date on which they occur. For establishments that a business had already registered under the original EET system and had not recorded as closed, it is expected that the previously reported information may be carried over.

Points to watch

If a business receives reportable sales through at least one reporting unit, it must report all reporting units through

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which it receives sales, including those through which the sales received are not subject to reporting. A typical example is an online shop accepting payments through a payment gateway and operated alongside a brick-and-mortar store: remote payments made through the payment gateway are not reported, but the online shop itself must nevertheless be reported as a reporting unit. Moreover, the predominant business activity must be specified separately for each unit rather than for the business as a whole.

A functionally separate part of an establishment

The greatest practical uncertainty is likely to arise when determining whether a functionally separate part of an establishment must be reported as a separate reporting unit. The Ministry of Finance acknowledges that there is no universally applicable answer. A veterinary surgery and an adjacent pet food shop will constitute two units, whereas the treatment of two neighbouring surgeries operated by the same company will depend on the extent to which they are physically and operationally separate.

The assessment will primarily depend on the specific facts and circumstances. An incorrect definition may affect the configuration of cash register devices and the data submitted. We therefore recommend assessing the definition of the units in advance and documenting the approach adopted.

Units may be created progressively, but all units must be reported before the business begins reporting sales through them. As EET 2.0 is due to become operational on 1 January 2027, we recommend that businesses with multiple establishments, business activities or sales channels begin mapping them as soon as possible.

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Taxes

EET 2.0 launch: January to be a trial month, not a postponement

The launch of electronic sales reporting is less than three months away, while some of the functions needed to configure the system are due to become available in November. How will the provisions of the Act on Electronic Sales Reporting come into force, and what will the Ministry of Finance and the financial administration tolerate in January 2027?



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The Electronic Sales Reporting Act has two effective dates. The obligation to report sales will arise for all affected businesses at the same time, with no phased roll-out as was the case for the previous EET system. Selected provisions needed to prepare the system will take effect as early as November. The timetable will therefore be as follows:

- from **1 November 2026**, the tax information portal (DIS+) will allow businesses to take the steps to prepare for reporting and generate cash register certificates;
- from **1 December 2026**, the free MOJE EET web application is due to become available; and
- from **1 January 2027**, the obligation to report sales will apply.

January as a trial month

The Ministry of Finance and the financial administration have indicated that in January 2027 they intend to focus primarily on providing methodological support. Technical difficulties or incorrect configuration of cash register solutions once the reporting begins should therefore not be penalised.
However, this approach is not codified and represents only the tax authority's declared administrative practice. The statutory obligation to report sales arises on 1 January 2027, and certain leniency during January is intended to apply only to technical issues—not to cases where a business fails to begin reporting altogether.

The exact end of the leniency period has not been conclusively determined. January may therefore be viewed as a period for fine-tuning the technical solution. It is not a postponement of the statutory obligation.

Free MOJE EET application for the smallest businesses

The Financial Administration is preparing the free MOJE EET web application, which will be available for use on mobile phones, tablets and computers. The application is intended to enable businesses to report sales, maintain a simple catalogue of goods and services, and issue receipts in PDF format.

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MOJE EET is intended for businesses with no more than two reporting units and a low number of transactions. It will not support receipt printers, barcode readers or payment terminals. Access to DIS+ and a cash register certificate will be required to use it.

The smallest businesses will thus be able to use the free MOJE EET application instead of an in-house or commercial cash register solution. Alternatively, selected taxpayers in the first band of the lump-sum tax scheme whose business activity / self-employment income does not exceed CZK 1 million may, subject to the statutory conditions, opt for the EET OFF regime: this will exempt them from the obligation to report sales, in return for a monthly surcharge of CZK 1,400 on their lump-sum tax prepayment.

Do not delay preparations

Sales from business activities made by means of an in-person payment will be subject to reporting. Cash payments will be reported irrespective of where they are accepted. For cashless payments, such as payments by card, mobile phone or QR code, the decisive factor will be whether they are made during in-person contact with the customer or in connection with ordering or collecting goods or services at an establishment or in a means of transport. Cashless payments made remotely, for example through a payment gateway in an online shop, will generally not be subject to reporting.
Three months remain until EET is launched, while some of the functions needed to configure the system are only to become available on 1 November 2026. Practical preparations will therefore largely coincide with the pre-Christmas season.

Businesses should therefore verify or arrange for their access to DIS+ now and check with their supplier whether their cash register solution is ready. The financial administration is gradually publishing frequently asked questions on EET 2.0 on its website, which we continue to monitor.

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Major Income Tax Act amendment to reshape the rules on assets, depreciation, leasing and more

A comprehensive amendment to the Income Tax Act is being prepared alongside the new Accounting Act. The changes go well beyond terminology. In response to changes in accounting legislation, the proposal introduces a number of conceptual changes, particularly relating to tangible fixed assets and tax depreciation, finance leases and other leases, and tax provisions and impairment allowances.



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The draft amendment is currently undergoing the comment procedure and still contains no transitional provisions whatsoever. These will be essential, among other things, for determining the treatment of assets already being depreciated and of existing provisions and impairment allowances. According to realistic estimates, the new legislation, which may still change significantly during the remainder of the legislative process, is therefore unlikely to take effect before 2030.

In this article, we focus on the main proposed changes concerning corporate income tax. Changes relating to personal income tax will be covered separately.

Accrual-basis and cash-basis taxpayers

A conceptual innovation is the systematic distinction between **accrual-basis taxpayers** and **cash-basis taxpayers**. In general, taxpayers that keep accounts will be regarded as accrual-basis taxpayers. Their tax base should be more closely aligned with the accounting recognition of assets, revenues and expenses based on their economic substance. By contrast, the cash principle will remain paramount for cash-basis taxpayers who are not required to keep accounts: their tax base will be determined as the difference between income received and expenses paid, with the link to assets and legal ownership expected to be key.

New tax depreciation system

One of the most significant changes is the new concept of **tax depreciation**. Tax depreciation of tangible fixed assets would be calculated monthly rather than annually, as is currently the case. The proposal also envisages a **substantial simplification of depreciation categories**, the abolition of the existing formulas for straight-line and accelerated depreciation, and the introduction of an option to apply component depreciation for tax purposes.

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The value threshold for movable tangible assets is to increase from the current **CZK 80,000 to CZK 100,000**. For accrual-basis taxpayers, the definition of tangible assets will also be more closely linked to the accounting definition of tangible fixed assets and tangible investment assets.

The new rules will therefore require changes to asset records and the configuration of tax depreciation schedules. However, their impact on existing assets will only become clear once the transitional provisions are available.

Finance leases and other leases

Finance leases are also set to undergo a major transformation, being newly conceived as a method of acquiring tangible assets. The user will recognise a **right-of-use asset arising from a finance lease**, which will be treated as a tangible asset for tax purposes. Instead of claiming lease payments for tax purposes, the user will therefore claim tax depreciation on the right-of-use asset.

The changes are also expected to affect other leases, particularly for accrual-basis taxpayers, where the new tax treatment will in some cases follow the accounting recognition of a right-of-use asset.

Additional improvement to an asset for tax purposes

The existing concept of technical improvements is to be replaced by a**dditional improvements to an asset for tax purposes**. A significant change is the principle that such improvement should generally be depreciated for tax purposes by the taxpayer that bears its economic cost. It will therefore no longer be necessary to obtain the lessor's consent for a lessee to depreciate improvements for tax purposes.

Subject to certain conditions, the new rules will also allow **repairs and maintenance** to be included in the additional improvement regime if the taxpayer elects to do so.

Provisions and impairment allowances

The **distinction between accounting provisions and impairment allowances and provisions and adjustments under the Act on Reserves** may have a significant practical impact. Accounting provisions and impairment allowances are generally intended to be neutral for tax-base purposes, while tax provisions and tax adjustments are to be calculated and reflected in the tax base separately, irrespective of their accounting treatment.

In practice, this may place greater demands on the separate tracking of these items for tax purposes.

Other proposed changes

The rules governing the **taxable periods of corporate income tax payers** are also changing. A taxpayer's taxable period is to be derived directly from their individual accounting period. The current concept of a "period for which a tax return is filed" is to be abolished, and certain rules relating to corporate transformations and changes in accounting periods are also to be amended.

The new rules also address **fair value remeasurement**. In general, they are intended to determine when an accounting remeasurement is reflected in the tax base while preserving continuity in tax values, for example in

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corporate transformations and contributions.

What happens next?

The proposed changes may have significant practical implications for companies, whether concerning asset records and tax depreciation, the classification of leases and finance leases, or the separate tracking of provisions and adjustments for tax purposes.

Given the early stage of the legislative process, however, the further development of the proposal – and particularly the still-missing transitional provisions – will be crucial. We will therefore continue to monitor developments and examine selected areas and their practical implications in greater detail in future issues of Tax and Legal Update.

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Pillar Two: draft amendment to Top-Up Tax Act

The Ministry of Finance has published a draft amendment to the Top-Up Tax Act. The amendment's main objective is to transpose the latest OECD Administrative Guidance, including the Side-by-Side package, into Czech legislation while refining certain technical aspects of the existing legislation. The draft is currently undergoing the interministerial comment procedure.



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The adoption of the amendment is particularly important for preserving the qualified status of the Czech top-up tax. Otherwise, there could be a risk that the income of Czech constituent entities would be subject to top-up tax not only in the Czech Republic but also in other jurisdictions in which the group operates, through the allocated top-up tax mechanism.

In addition to the changes arising from the Side-by-Side package (see our earlier article here), which, among other things, extends the availability of the transitional CbCR safe harbour to 2027, the amendment contains a number of other changes. We summarise the most significant of these below.

Changes to tax return filing deadlines

The amendment shortens the deadline for filing tax returns for both top-up taxes from the current 22 months after the end of the taxable period to three months after the deadline for filing the GloBE information return. As a result, the deadline for filing the top-up tax return will generally fall on the same day as the deadline for filing the corporate income tax return, although in relation to the preceding taxable period.

Under the transitional provisions, the current 22-month tax return filing deadline will continue to apply to taxable periods beginning before the amendment takes effect. It is therefore certain that the existing deadline will remain in place for taxable periods beginning in 2024 and 2025; depending on the amendment's effective date, the same can also be expected for taxable periods beginning in 2026.

Changes concerning notifications

The amendment also introduces a welcome change regarding notifications that the obligation to file a GloBE information return has been fulfilled. It will now be sufficient to submit the notification only once. A further notification will be required only if previously reported information changes, similarly to notifications relating to country-by-country reporting.

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At the same time, the notification will become a prescribed-form filing: it will have to be submitted in the format and structure specified by the Financial Administration. We expect notifications submitted in free form (i.e. without using a prescribed form) before the amendment takes effect to remain acceptable.

Transfer of tax liability by operation of law

In addition to the general provisions of the Tax Procedure Code, the amendment introduces special rules for the transfer (by operation of law) of top-up tax liability where a taxpayer ceases to exist without a legal successor or becomes insolvent. This reflects the specific features of the top-up tax rules, under which the amount of tax may not be reliably determinable when the taxpayer enters liquidation or insolvency, as the Pillar Two rules do not allow a tax return to be filed for part of a taxable period.

If a taxpayer ceases to exist without a legal successor, any top-up tax liability will be transferred by operation of law to another constituent entity of the same group, primarily the entity holding the largest direct interest in the taxpayer, or alternatively to another entity designated by the tax authority. Similarly, if a taxpayer becomes insolvent, its top-up tax liability is to be transferred by operation of law to another constituent entity of the same group; the top-up tax will therefore not become a claim asserted against the original taxpayer in insolvency proceedings.

Under the transitional provisions, these rules will apply only after the new act takes effect, i.e. on the day following its promulgation in the Collection of Laws.

Effective date

With the two exceptions described above (the changes to tax return filing deadlines and the transfer of tax liability), the new wording of the law will also apply to taxable periods beginning on or after 31 December 2023.

Given the current stage of the legislative process, we do not expect the amendment to take effect before sometime next year.

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Exemption of income from sale of real estate: Coordination Committee clarifies the rules

Property abroad, multiple properties and repeated tax exemptions: the Coordination Committee has provided important clarification of the rules governing the use of proceeds from the sale of real estate to finance the taxpayer's own housing need and, consequently, the exemption of income from such sale.



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The meeting of the Coordination Committee between the Chamber of Tax Advisors and representatives of the General Financial Directorate (GFD), held on 17 June 2026, discussed the interpretation of the term 'housing need' for the purposes of the exemption of income from the sale of real estate under Section 4b of the Income Tax Act.

The GFD confirmed several conclusions with significant practical implications. Most importantly, it agreed that the "housing need" does not have to be solely within the Czech Republic. The exemption may also be claimed where housing is acquired abroad provided that the taxpayer meets all statutory conditions and demonstrates that the property is actually used as their own home.

Another important conclusion is that the law does not restrict a taxpayer to acquire a single housing property. In certain circumstances, several housing properties may be acquired simultaneously, for example: housing at the taxpayer's place of work and a home to be shared with their family in another country or region. The key factors are the existence of a genuine connection between the taxpayer and each property and the properties' actual use for housing.

The GFD also confirmed that the law does not prescribe a minimum period for which a property must be used to meet the taxpayer's own housing need. A shorter period of use therefore does not automatically preclude the exemption. Instead, the decisive factors are the genuine purpose for which the property was acquired and the absence of artificial or investment arrangements.

The GFD further agreed that the Income Tax Act does not limit the number of occasions on which the exemption may be claimed. Consequently, 'chaining' exemptions is permissible where the statutory conditions are met provided that this does not constitute an abuse of law or trading in real estate.

By contrast, the GFD did not agree that, in the case of renovation, a housing need is met merely by paying an advance or entering into a contract for work. It considers the decisive point to be the actual commencement of the renovation, for example the start of construction work or the purchase of materials.

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The paper thus provides methodological clarification of a number of practical situations that taxpayers have encountered with increasing frequency in recent years, particularly in connection with international mobility.

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Government approves an extraordinary tax on refineries

Taxpayers operating in the refinery sector and meeting the statutory conditions will be subject to an extraordinary tax of 50% in 2026 and 2027, levied on the increase in gross refining margins compared to 2025. However, according to information from the Ministry of Finance, only one entity is likely to meet the statutory conditions.



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The extraordinary tax for the refinery sector will be governed by the Income Tax Act and will be a tax-deductible expense.

The tax is to apply in 2026 and 2027, with the tax base being the increase in the gross refining margin compared to 2025. The gross refining margin is the difference between the value of products manufactured from crude oil and sold, and the cost of the crude oil consumed.

The tax rate is to be 50% of the difference in the gross refining margin between:

- 2026 and 2025; and
- 2027 and 2025.

The taxpayer will be a legal entity engaged in crude oil processing and the manufacture of refined petroleum products that meets the following conditions:

- its total annual income is at least CZK 2 billion; and
- its annual income from refinery activities is at least CZK 50 million.

According to publicly available information, the tax is expected to affect one taxpayer in practice. However, the legislation is drafted in general terms and will apply to all entities meeting the above conditions.

Following approval by the government, the bill will proceed through the standard legislative process, including debate in the Chamber of Deputies. According to the Ministry of Finance, this does not constitute a genuine retroactivity, which is impermissible. The legislation does not retrospectively alter legal consequences that have already arisen. Events occurring during 2026 will serve as the basis for the tax liability arising after the legislation takes effect. The retrospective effect of the proposal is justified by the extraordinary and unforeseeable geopolitical situation and the legitimate public interest in mitigating its impact on consumers and public budgets, estimated at CZK 5.5 billion for 2026.

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Pay transparency: legislation awaits approval, but preparations should not

The bill implementing the EU pay transparency rules has reached the Chamber of Deputies. It imposes a number of obligations on employers, which they are expected to comply with from 1 January 2027. Employers should therefore not wait for the amendment to be passed but should begin preparations now.



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The principle of equal pay for equal work or work of equal value already applies under Czech law, as does the prohibition of discrimination against employees on grounds of sex. However, the new legislation will significantly strengthen their enforceability in practice. Employers will have to make their remuneration rules more transparent, among other things by adopting a mandatory internal policy setting out in detail the rules for determining pay and awarding bonuses and benefits.

Employers will also be required to provide remuneration information to employees and job applicants. In addition, employers with 100 or more employees will have to report pay differences between women and men to the state on a regular basis. This will involve more than simply disclosing amounts: the bill requires remuneration systems to be based on clear, objective and gender-neutral criteria. Employers will therefore need to be able to explain which jobs are of equal value, why individual employees are paid differently and whether those differences are genuinely justified.

A significant portion of the obligations will apply to all employers regardless of size. Delaying preparations may therefore result not only in time pressure but also in a risk that a company will be unable to substantiate and defend its remuneration arrangements.

What should employers do now?

- Conduct a readiness audit and map whether and how the job hierarchy is structured, as well as all remuneration arrangements and related decision-making processes.
- Develop or review the job hierarchy and create clear categories of work of equal value based on objective criteria.
- Analyse pay differences, identify their objective causes and, where there is no justification, prepare a remedial action strategy.
- Establish a clear remuneration structure, including rules for basic pay, variable remuneration, benefits, and career or pay progression.

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- Prepare or update internal documentation so that the rules are transparent, consistent and compliant with the new regulatory requirements.
- Design processes for providing information to employees and job applicants.
- Get ready for reporting to the state and verify whether HR and payroll systems can produce the data in the required format.

The first data will be submitted for January 2027

Although the obligation to provide information to employees and the reporting obligation towards the state will not be 'activated' until 2028, they will concern payroll data for 2027. The state will obtain much of this data through the single monthly employer report, starting with the data for January 2027. The legislation therefore leaves no scope for retrospectively 'tidying up' the data.

This is precisely why preparations should begin as soon as possible. The sooner employers identify weaknesses in their data, processes or documentation, the more time they will have to address them before they begin complying with the new obligations in practice. We would be pleased to assist you in preparing for the new legislation.

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Legal

Instant euro payments and payee verification: new obligations for Czech banks and payment institutions

From 2027, Czech banks and payment institutions will face new obligations concerning euro payments. In particular, the EU regulation introduces mandatory verification of the payee, expands the availability of instant payments and changes the rules governing liability for payments sent to the wrong payee.



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Verification of the payee

One of the most significant changes introduced by Regulation (EU) 2024/886, known as the Instant Payments Regulation (IPR), is mandatory verification of the payee not only for instant but also for standard euro credit transfers. The payer's payment service provider (typically a bank or payment institution – for simplicity, referred to below as the "payer's bank") must carry out the verification **immediately once the payer enters the payee's details and before allowing the payer to authorise the payment.**

If the payer enters the payee's IBAN and name, the payer's bank will ask the payee's bank to verify whether the two details match. In the event of a mismatch, the payer must be warned that proceeding with the payment may result in the funds being transferred to an account that does not belong to the stated payee.

The rules also cover cases where the details differ only slightly. In such a case, the bank will inform the payer of the name associated with the IBAN so that the payer can decide, before authorising the payment, whether to proceed.

For legal entities, another identifier that uniquely identifies the payee, such as a tax identification number, European unique identifier or LEI code, may be used instead of the name.

The IPR also addresses payment channels where the payer does not enter the payee's IBAN and name at the same time. In these cases too, the bank must ensure that the payee is correctly identified and must have reliable internal procedures in place for this purpose.

Instant euro credit transfers available 24/7

Payment service providers that offer their clients the sending and receipt of standard euro credit transfers will also have to offer an instant option. Instant credit transfers must be available 24 hours a day, seven days a week, on

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every calendar day.

The payee's bank must, within ten seconds of receipt of the payment order, make the amount available in the payee's account and confirm completion of the transaction. If the payer's bank does not receive such confirmation within ten seconds, it must, free of charge and without delay, restore the payer's account to the state it would have been in had the transaction not taken place.

It must also be possible to initiate an instant credit transfer through the same channels that clients can use for other credit transfers. Therefore, if a bank allows standard credit transfers to be initiated via online or mobile banking, at a branch or by other means, it must also make the relevant channel available for instant credit transfers.

Importantly, the fee charged to the payer or payee for an instant credit transfer must not exceed the fee charged for another credit transfer of the corresponding type.

A narrowly defined exemption applies to payment service providers in Member States outside the euro area in respect of instant euro credit transfers from accounts denominated in the national currency. Subject to prior authorisation by the competent authority – in the Czech Republic, the Czech National Bank – a per-transaction limit may be set in view of the provider's access to euro liquidity. However, this limit must not be lower than EUR 25,000.

Who will bear the risk of a payment sent to the wrong payee?

Verification of the payee also changes the allocation of liability between payment service providers and their clients.

A typical example will be a situation where a client enters the correct name of the intended payee but an incorrect IBAN. Before the payment is authorised, the bank must verify whether the details entered match. If it identifies a mismatch, it must alert the client and inform them that authorising the payment may result in the funds being transferred to an account that does not belong to the stated payee. If the client nevertheless decides to authorise the payment, the bank will not be liable for the payment being made to the wrong account.

Likewise, the bank will not be liable if it has carried out the verification correctly. If the client enters matching details that nevertheless identify a different payee, the bank cannot determine that the client intended to send the funds to someone else.

The position will be different if the bank fails to meet its obligation to verify the payee and this failure results in the payment being executed incorrectly. In that case, it must refund the transferred amount to the client without delay and, where applicable, restore the client's account to the state it would have been in had the payment not taken place.

When will the new rules take effect in the Czech Republic?

For payment service providers in Member States whose currency is not the euro, the IPR provides for a phased introduction of the individual obligations.

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From 9 January 2027, banks must be able to receive instant euro credit transfers. For payment institutions and electronic money institutions, this obligation will apply three months later, **from 9 April 2027**.

From 9 July 2027, providers must also enable the sending of instant euro credit transfers. The obligation to verify the payee will apply to Czech providers from the same date.

For the sending of instant euro credit transfers from accounts denominated in Czech korunas, the IPR provides, subject to the relevant conditions, for a further transitional period **until 9 June 2028**.

The euro is only the beginning

For the time being, the IPR focuses on euro credit transfers. However, the forthcoming EU PSD3/PSR package goes further.

Under the final compromise text of the Payment Services Regulation (PSR) endorsed in April 2026, the mechanism of checking whether the payee's name matches their account identifier is also to be extended to credit transfers that do not fall within the current IPR rules. At the same time, the new framework is intended to significantly strengthen client protection against payment fraud, including so-called spoofing, where a fraudster impersonates a payment service provider.

For Czech banks and payment institutions, the IPR therefore represents the first step towards a broader transformation of the EU framework for preventing payment fraud and allocating liability between clients and payment service providers.

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Subsidies

New funding opportunities to develop charging infrastructure

The Czech Republic continues to support the modernisation of transport infrastructure through the Transport Programme 2021–2027. The aim is to strengthen the competitiveness of the economy by improving transport accessibility, promoting sustainable mobility and developing alternative-fuels infrastructure.



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The updated schedule of calls under the programme offers several attractive funding opportunities for the development of electric-vehicle charging infrastructure. These calls, some of which have already been launched, may provide significant support for financing investment in publicly accessible charging stations.

Call No. 44 – Fast-charging stations for passenger vehicles in priority areas

This call focuses on the construction of fast-charging stations for passenger vehicles in selected priority areas along the TEN-T network and in locations with less developed coverage. The funds for allocation amount to **CZK 100 million**. Applicants may receive funding of up to 70% of the project's eligible expenses. Projects must include at least six fast or ultra-fast charging stations, or a combination of the two. Applications may be submitted until 7 December 2026.

Call No. 45 – Standard charging stations in cities and municipalities

A call supporting the construction of standard charging stations in cities and municipalities has also already been launched. **CZK 150 million** has been allocated to this activity for projects implemented throughout the Czech Republic. Funding may cover up to 80% of the project's eligible expenses. Projects must include at least 20 standard charging points. The application deadline is also 7 December 2026.

Call No. 46 – Fast-charging infrastructure for passenger vehicles (cars) across the Czech Republic

At the end of September, a call was also launched for the construction of ultra-fast charging stations for passenger

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vehicles with a minimum output of 150 kW throughout the Czech Republic. The funds for allocation amount to **CZK 315 million**. Applicants may receive funding of up to 55% of the project's eligible expenses. Projects must include at least 10 ultra-fast charging stations, each with a minimum output of 150 kW. Applications may be submitted from 14 October 2026 to 6 January 2027.

For all calls launched, each applicant (company identification number) may submit no more than two funding applications.

Call No. 47 – Support for fast-charging infrastructure for heavy-duty vehicles (trucks)

With zero-emission freight transport growing in importance, a call is also being prepared to support the construction of fast-charging stations for heavy-duty vehicles. **CZK 500 million** has been allocated to this activity, representing the largest planned budget among the calls currently announced. Projects may be implemented in selected areas of the TEN-T core and comprehensive networks, at TEN-T urban nodes or at safe and secure parking areas. The call is scheduled to be launched in October 2026 and to close in January 2027.

Second round of support for cities and municipalities

A further call for the construction of standard charging stations in cities and municipalities (Call No. 48), with funds for allocation of **CZK 70 million**, will follow at the end of 2026. Applications are expected to be accepted from December 2026 to March 2027.

Should you be interested, we would be pleased to assist you in preparing your funding application.

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EU adopts a new Customs Code: what will it mean for businesses?

The new EU Customs Code aims to harmonise customs procedures across the Member States. What will the most extensive reform of the European customs system since 1968 bring?



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The new Customs Code is intended to digitise customs procedures, improve the use of data and enable a faster response to changing conditions in international trade—such as growing geopolitical tensions, the rapid expansion of e-commerce and increasing consumer protection requirements.

The most significant change is the creation of a single customs point of contact for all customs procedures in the EU. The new rules also define importers' obligations more clearly and streamline the submission of information through a single system. Businesses granted Trust and Check Trader status will benefit from significant procedural simplifications.

The reform also includes the establishment of the European Union Customs Authority (EUCA), based in Lille, France. One of its first key tasks will be to build a single European platform for sharing customs data—the EU Customs Data Hub—which will help strengthen cooperation among the customs authorities of the Member States.

The platform will centralise import and export customs procedures across the EU and enable more efficient information exchange between Member States. It will gradually replace the existing fragmented IT systems used by individual customs authorities. Its use will be mandatory for e-commerce from July 2028 and for other traders no later than 2031.

Changes affecting e-commerce

The customs reform will have a significant impact on e-commerce. The temporary flat-rate customs duty of EUR 3 on low-value consignments from non-EU countries (up to EUR 150), newly introduced from 1 July 2026, will apply for only two years.

From July 2028, the special regime for low-value consignments is expected to be abolished and standard customs duty rates will apply. The new Customs Code also introduces a handling fee for small consignments to cover the increasing costs incurred by customs authorities in clearing low-value consignments. The EUR 2 fee will increase the cost of consignments from November 2026.

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New definition of an importer for distance sales

The new Customs Code also introduces the concept of an 'importer for distance sales' and sets out the relevant obligations. Such an importer is a person supplying goods through distance sales or a person facilitating such sales, typically an online marketplace or electronic platform.

These importers will be subject, among other things, to the following obligations:

- provide customs authorities with all information required for the relevant customs procedure immediately upon obtaining it and in any event before the goods are released for that procedure;
- ensure payment of customs duty and all other relevant charges associated with importing the goods;
- ensure that imported goods comply with relevant EU legislation and maintain documentation demonstrating compliance with the applicable obligations;
- inform customs authorities of any suspicious movements of goods or unauthorised handling of goods of which they become aware; and
- be established in the customs territory of the EU. However, this condition will not apply where the importer is represented by an indirect customs representative established in the EU.

Importers for distance sales will also have to demonstrate that they have been registered under the Import One Stop Shop (IOSS) scheme for at least two years and properly use the scheme to meet their VAT obligations.

Trust and Check Trader status

The reform introduces a new Trust and Check Trader status, building on the existing AEO status. To obtain it, an applicant will have to meet the following conditions:

- a high level of compliance with customs and tax legislation;
- a satisfactory record of compliance with obligations under the relevant legislation;
- demonstrable control over the applicant's operations and supply chain;
- sufficient financial solvency;
- appropriate professional competence;
- operation of an electronic system giving customs authorities real-time or near-real-time access to data on the movement of goods and the status of compliance with obligations; and
- future connection of that system to the EU Customs Data Hub.

The new status will bring greater transparency, simplified customs procedures and a lower administrative burden.

The main benefits include:

- **Release of goods without active intervention by customs authorities**

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Trust and Check Traders will be able to release goods for free circulation themselves without waiting for active intervention by customs authorities, provided that they have submitted the required data in advance and the goods have not been selected for inspection.

- **Periodic reporting and payment of customs debt**
  Instead of calculating and paying customs duty for each individual consignment, Trust and Check Traders will be able to calculate and report their customs debt on an aggregate basis for periods of up to 31 calendar days. This measure should reduce both the administrative burden and the impact on cash flow. The competent authority for reporting and paying customs debt will be the customs authority of the member state in which the importer, exporter or customs representative is established, irrespective of the member state to which the goods are actually delivered.

- **Access to a special customs warehouse for distance sales**
  Goods intended for distance sales may be stored under customs supervision using simplified formalities. This procedure will be available only to importers using the IOSS scheme who also hold Trust and Check Trader status, or whose indirect customs representative holds that status.

What happens next?

The legislative process for adopting the customs reform has been completed, and Member States now have 12 months to implement the new EU Customs Code. The European Union Customs Authority (EUCA) is expected to begin operating in 2027, while use of the EU Customs Data Hub will become mandatory for e-commerce from 1 July 2028. A handling fee for small consignments will be introduced as early as November 2026. Full EU-wide roll-out of the single system managed by EUCA is expected no later than 2031.

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Case law

Constitutional Court upholds constitutional protection of legal professional privilege in tax proceedings

The Constitutional Court recently confirmed that lawyer–client confidentiality shall be protected in tax proceedings as it represents a constitutional limit for the tax administrator when taking evidence.



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The case concerned a company that had claimed fees for legal services provided by an external lawyer as a tax-deductible expense. The tax authority questioned whether the services had in fact been provided and, if so, to what extent, and requested more detailed information on the specific legal services performed, their content and their link to the fees charged. The taxpayer argued that providing further details would disclose information protected by legal professional privilege and therefore refused to provide the requested information. The law firm from which the tax authority requested the information took the same approach.

The tax authority concluded that the company had failed to bear its burden of proof and treated the expense as non-deductible. This conclusion was subsequently upheld by the appellate authority. It was only from the appellate decision that the company learned that it could have discharged its burden of proof by other means, without providing the tax authority with documents protected by legal professional privilege.

The administrative courts subsequently agreed with the tax authorities' conclusions. They rejected the legal professional privilege argument on the grounds that this protection did not relieve the taxpayer of the obligation to demonstrate the tax deductibility of the expenses and that the tax authority had requested only the information necessary to verify the existence and scope of the services provided.

The case reached the Constitutional Court, which, in its judgment No. IV. ÚS 925/26, emphasised that the specific nature of legal professional privilege must be taken into account when assessing the burden of proof. Its protection is guaranteed by the Charter of Fundamental Rights and Freedoms and also applies in tax proceedings. Although the tax authority may raise serious and well-founded doubts about the taxpayer's assertions and require them to be dispelled, it may not insist on a means of evidence that would effectively result in the disclosure of communications between a lawyer and client.

A taxpayer must therefore not be forced to choose between preserving legal professional privilege and discharging its burden of proof. The tax authority must allow the taxpayer to demonstrate that the services were provided, for example, by submitting documents not covered by legal professional privilege, providing redacted versions of the relevant documents or giving a neutral description of the services provided.

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The judgment thus confirms that, in tax proceedings, legal professional privilege constitutes a constitutional limit on the taking of evidence which the tax authority must respect when exercising its powers. At the same time, however, legal professional privilege does not in itself establish the tax deductibility of expenses. The taxpayer must be able to prove the relevant facts by other means without having to waive that protection.

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General Court of the EU: contribution in kind to a company from a VAT perspective

In a recent judgment, the General Court of the EU considered the VAT treatment of a contribution in kind of real estate to a company whose sole shareholder is the contributor. If the contributor receives no actual consideration, the transaction does not constitute an ordinary supply of goods for consideration. Nevertheless, for VAT purposes, the transaction may still be treated as a supply of goods for consideration or fall within the regime for the transfer of a totality of assets or part thereof.



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The case concerned an Austrian VAT payer who contributed developed land to a company of which he was the sole shareholder and corporate agent. He had previously leased the properties as part of taxable transactions and had claimed input VAT deduction upon their acquisition. He received no consideration for the contribution—the company neither issued new shares to him nor increased his ownership interest. The contributor reported the transaction as outside the scope of VAT, whereas the Austrian tax authorities treated it as a taxable supply of goods and assessed additional VAT.

In Case T-413/25 (Peckeger), the General Court first considered whether the transaction could fall within the regime for the transfer of a totality of assets or part thereof, which is comparable to the Czech regime for the transfer of a business establishment or part thereof and is not regarded as a supply of goods for VAT purposes. It confirmed that a Member State which has introduced this regime may not restrict its application beyond the conditions laid down in the VAT Directive. According to the General Court, the relevant provision of the Directive has direct effect and may therefore be relied on by a taxable person against the tax authorities.

The General Court further stated that a supply of goods for consideration presupposes a legal relationship involving reciprocal performance between the parties, with the consideration received being directly linked to the goods supplied. If the contributor receives no actual consideration, the transfer cannot be regarded as an ordinary supply of goods for consideration. However, the transfer need not remain outside the scope of VAT. If input VAT was deducted in full or in part upon acquisition of the assets, their transfer free of charge will be regarded as a supply of goods for consideration on the grounds that business assets are being used for purposes unrelated to the economic activity.

The judgment should not have a significant impact on Czech practice. The Czech VAT Act provides that a contribution in kind in the form of assets is, where the relevant conditions are met—in particular, where input VAT deduction has been claimed in respect of those assets—treated as a supply of goods or, as applicable, a supply of services for consideration. The situation considered by the General Court is therefore expressly regulated under Czech law.

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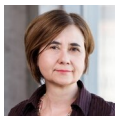
In brief

News in Brief, October 2026

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



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DOMESTIC NEWS

- The government has decided to reintroduce fuel price regulation and reduce excise duty on diesel from 1 October to 31 October. Petrol station margins may not exceed CZK 2.50 per litre for either diesel or petrol; however, the cap does not apply to premium fuels. The excise duty reduction applies only to diesel and amounts to CZK 1.939 per litre, resulting in a total price reduction of CZK 2.35 per litre including VAT.

- A measure of a general nature issued by the Government of the Czech Republic providing for a blanket waiver of excise duty on selected mineral oils has been published in Financial Bulletin No. 12/2026.

- The financial administration has announced that a new website on electronic sales reporting, launched by the Ministry of Finance in cooperation with the financial administration, has been available at eet.gov.cz since Wednesday, 2 September 2026. It is the only official source dedicated to EET 2.0, providing businesses, sole traders, developers of point-of-sale systems and the general public with verified and up-to-date information about the project. A dedicated financial administration helpline has also been launched at 953 109 109.

- The financial administration has published the electronic top-up tax return form.

- The Ministry of Industry and Trade has prepared a draft amendment to Act No. 406/2000 Coll., on Energy Management. The proposal transposes the EU Energy Performance of Buildings Directive (EPBD) into Czech law. It aims to gradually reduce the energy intensity of buildings, improve their quality, including indoor environmental quality, and at the same time help reduce operating costs and strengthen the Czech Republic’s energy security.

- Following the finalisation of the government regulation, the Ministry of Labour and Social Affairs has completed the changes to the Single Monthly Employer Reporting (JMHZ), which will take effect on 1 January 2027. The changes respond not only to the new legislation but also to user feedback.

FOREIGN NEWS

- The OECD has published a consolidated version of the Model Tax Convention on Income and on Capital as at 18 November 2025. The publication also includes the Commentaries, positions of non-member economies, OECD Council recommendations, as well as historical notes and background reports.

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- On 11 September 2026, the OECD/G20 Inclusive Framework published three new documents on the global minimum tax (GMT): an updated GloBE Information Return (GIR), incorporating changes related to the "Side-by-Side" package; updated administrative guidance; and a framework for comprehensive legislative peer review. More information is available here.

- The European Commission has published the price of CBAM certificates for the third quarter of 2026. At EUR 82.32 per tonne of CO2, it is higher than in the first two quarters, when it stood at EUR 75.36 and EUR 75.28 per tonne of CO2, respectively. The price for the fourth quarter will be published on 4 January 2027.

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