

Information on Law, Taxes and Economics
in the Czech Republic

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→ Law

Is the Push-Button Amendment around the corner? Now let's be honest: It's not just about the button, right...

The amendment to the Civil Code and the Consumer Protection Act will undoubtedly have significant practical effects on entrepreneurs who operate e-shops for consumers or sell goods to consumers in brick-and-mortar stores. But did you know that it may also directly affect relations between entrepreneurs themselves? Given that the amendment is currently in the hands of the Senate, we can expect it to come into force as early as the end of this year or maybe early next year. What changes, apart from the button, await entrepreneurs?

Lenka Hanková, Martin Franc
Rödl & Partner Prague

The so-called push-button amendment brings extensive changes, especially in B2C relations (i.e. relations between the entrepreneur and the consumer). For entrepreneurs, this means that they need to adapt their processes, review their terms and conditions, technically adjust their e-shops

and much more. Moreover, the amendment also introduces brand new offences and increases the fines that one can get for both new and old offences. Entrepreneurs can be fined up to CZK 5 million.

In order to help you better navigate the most important changes, we have prepared a brief overview of these changes. We also indicate the possible impact on B2B relationships.

MAIN IMPACTS OF THE PUSH-BUTTON AMENDMENT (B2C)	IMPACT IN PARTICULAR ON
<p>– INFORMATION DUTIES OF THE E-SHOP OPERATOR</p> <ul style="list-style-type: none"> – The obligation to supplement the General Terms and Conditions (GTC) with some additional contact details; – The obligation to send the order summary together with the GTC in .pdf to the customer's e-mail; – The obligation to inform the customer of any price personalisation; – New rules for withdrawal from the purchase contract within 14 days. 	E-SHOPS
<p>– COMPLAINT PROCESS</p> <ul style="list-style-type: none"> – Extension of the period within which the goods are deemed to have been defective on delivery, from 6 months to 12 months; – New regulation of the buyers' rights under liability for defects and for the quality guarantee; – The obligation to issue various certificates as part of the complaint process. 	E-SHOPS BRICK-AND-MORTAR STORES

MAIN IMPACTS OF THE PUSH-BUTTON AMENDMENT (B2C)	IMPACT IN PARTICULAR ON
- SETTING UP AND COMMUNICATING DISCOUNTS - The obligation to base discount promotions on the lowest price in the last 30 days prior to the discount and to inform the customer about it. This may also affect supplier relationships (B2B).	E-SHOPS BRICK-AND-MORTAR STORES
- COMMUNICATION OF VERIFIED REVIEWS - The e-shop will need to be able to prove that the consumer review actually came from the customer who purchased the item.	E-SHOPS
- NEW ORDERING PROCESS - New regulation of the mandatory provision of certain information at different stages of the ordering process; - The obligation to introduce a button right before the order is sent labelled with the words Order with obligation to pay or a corresponding unambiguous formulation indicating that placing the order entails an obligation to pay the seller.	E-SHOPS
- NEW REGULATION OF ABUSIVE ARRANGEMENTS AND MISLEADING COMMERCIAL PRACTICES - New types of abusive arrangements and misleading commercial practices against consumers; - The consumer will be able to withdraw from the contract within 90 days in case of misleading practice.	E-SHOPS BRICK-AND-MORTAR STORES
- SELLER'S LIABILITY FOR ADVERTISING CLAIMS AND DEFECTS - Liability to the buyer also for the fact that the item has characteristics that the buyer can reasonably expect, even in relation to the seller's advertising claims or those of another person in the contractual chain. (B2B) - New rules on the right of recourse against any person in the contractual chain for defects in the goods. (B2B)	E-SHOPS BRICK-AND-MORTAR STORES
- OTHER CHANGES - New rules on the due date for payment of the price for the supply of goods or services, with a view to greater creditor protection. (B2B)	B2B

Contact details for further information



Mgr. Lenka Hanková
advokátka
(Attorney-at-Law CZ)
Senior Associate
P +420 236 163 710
lenka.hankova@roedl.com



Mgr. Martin Franc
advokát
(Attorney-at-Law CZ)
Senior Associate
P +420 263 163 753
martin.franc@roedl.com

→ Taxes

Average wages in 2023

The Financial Administration has published the average monthly wage for 2023. It will stand at CZK 40,324 and will facilitate calculations of the maximum assessment base for 2023 for social security contributions, the threshold for the personal income tax rate of 23% and the monthly income of employees that triggers participation in sickness insurance and thereby also pension insurance.

The maximum assessment base for social security contributions for 2023 and the limit for the 23% tax rate for 2023 is CZK 1,935,552 (it is CZK 1,867,728 for 2022).

The monthly income of employees triggering participation in sickness insurance and thereby also pension insurance for 2023 is increased to CZK 4,000 (currently CZK 3,500). If an employee's monthly wage exceeds this limit, their wage is subject to social insurance.

Contact details for further information

Ing. Martina Šotníková
martina.sotnikova@roedl.com

→ Taxes

Will managing directors be liable for unpaid VAT?

allows Member States to impose liability on the governing body for unpaid VAT when the governing body repeatedly increased its own remuneration notwithstanding the company's frail financial situation and taking into account that the way in which the governing body had its increased remuneration paid did not comply with the statutory requirements.

Jakub Šotník, Michal Gola
Rödl & Partner Prague

The CJEU pointed out that even though EU law generally allows for joint and several liability of the governing body, it does not lay down any specific rules. As a result, this means that the legal regulation of the issue is left to the discretion of the individual Member States. Nevertheless, the CJEU has laid down a concrete framework for the introduction of liability for unpaid VAT, presumably in order to avoid arbitrariness on the part of the Member States.

In its decision, the CJEU outlined a joint and several liability regime which is fully in line with EU law and which, according to the CJEU, does not go beyond what is necessary for the correct collection of tax and the prevention of tax evasion. In other words, the CJEU is now clearly giving the green light to Member States to introduce the scheme described below for the liability of governing bodies for VAT not paid by companies.

One: According to the CJEU, the person designated as a joint and several guarantor must be in the position of a governing body of the company (managing director, member of the board of directors, etc.) which has outstanding VAT debts and can be seen to participate in the decision-making of that company.

Two: The person designated as a joint and several guarantor must make payments in bad faith out of the assets of the legal person which qualify as a disguised distribution of profits or dividends, or must transfer those assets or part of them for no consideration or at a price significantly below the market price.

Three: There must be a causal link between the transactions carried out in bad faith by the person designated as a joint and several guarantor and the legal person's inability to pay the VAT which it is liable to pay.

Four: The scope of the joint and several liability is limited to the amount by which the as-

sets of the legal person have been reduced by reason of the transactions carried out in bad faith by the joint and several guarantor.

Five: The guarantee is only invoked in the alternative in the event that it turns out that the amounts of VAT owed cannot be recovered from the legal entity.

The CJEU also concludes in the decision now under review that, in addition to the liability for unpaid VAT, it is also possible to include in the regime of joint and several liability of the governing body a liability for default interest which (in simplified terms) has been charged to the legal person on account of failure to pay VAT and, at the same time, on account of the transactions carried out in bad faith by the person designated as joint and several guarantor.

Finally, the CJEU notes that the person designated as a joint and several guarantor does not become liable for VAT on a particular taxable supply by virtue of the application of joint and several liability. The said person is only jointly and severally liable for the legal person's VAT debts (or part thereof), irrespective of the taxable supplies in question.

The CJEU decision discussed above means that even if the Czech Republic does not

now explicitly regulate the joint and several liability of governing bodies for the unpaid VAT of a company (in the circumstances described above), the introduction of this institute into the Czech legal system in the future cannot be ruled out.

Contact details for further information



Mgr. Jakub Šotník
advokát
(Attorney-at-Law CZ)
Associate Partner
P +420 236 163 210
jakub.sotnik@roedl.com



Mgr. Michal Gola, LL.M.
právník
(Lawyer CZ)
P +420 236 163 257
michal.gola@roedl.com

→ Economics

Another crucial step on the road to a completely new accounting law

On 26 October 2022, the Czech Ministry of Finance submitted a draft of a completely new Accounting Act to the inter-ministerial (external) comment procedure. The new law, which will bring with it a new structure and content of implementing decrees, is expected to come into force on 1 January 2024.

Ladislav Čížek
Rödl & Partner Prague

The inter-ministerial (external) comment procedure constitutes an opportunity to comment on the bill within the public administration. And so the professional public (e.g. the Chamber of Auditors of the Czech Republic, universities, etc.) and individual citizens and companies can also directly comment on the draft law. This is practically the last chance to somehow influence the birth of a completely new Accounting Act. And although the

Act itself may somewhat change in the course of the subsequent legislative process, the key innovations that it brings are already obvious and their conceptual change is rather unlikely (all members of the National Accounting Council, i.e. the Chamber of Auditors of the Czech Republic, the Chamber of Tax Advisors of the Czech Republic, the Association of Accountants of the Czech Republic and the Faculty of Finance and Accounting of the University of Economics in Prague, among others, have been involved in the preparation of the new Act for a long time).

Our auditors, tax advisors and accountants have been monitoring the preparation of the new Accounting Act over a long period of time. For more than 5 years, they have been following the individual milestones in detail and they have been familiarising themselves with the materials submitted (the draft bill, the draft paragraph wording, etc.). Understanding the new Accounting Act – the changes it brings in all its details, contexts and connections – requires long-term preparation and a sound understanding of the concepts on which it is based. And what are those changes, you may ask? Listed below are but a few:

- New definition of technical appreciation for accounting and tax purposes;
- The possibility of accounting in euros (and other currencies);
- The present value concept;
- New definition of debt (provisions);
- Modification of the categorisation of parent companies;
- A number of other, equally interesting changes.

The Czech Ministry of Finance has published the draft bill and related documents on its website at: <https://www.mfcr.cz/cs/o-ministerstvu/verejne-diskuze/2022/meziresortni-pripominkove-rizeni-k-navrh-49074>

Once the bill has been passed and its wording is final, we'll be happy to offer webinars and on-site training sessions so you can learn about all the new features! Please also feel free to attend our workshop scheduled for 15 November 2022 at 10am at Rödl & Partner. (more at www.roedl.cz).

Contact details for further information



Ing. Ladislav Čížek
auditor
Senior Associate
P +420 236 163 315
ladislav.cizek@roedl.com

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P +420 236 163 111
www.roedl.cz

Editorial board:
Ing. Jana Švédová, Mgr. Václav Vlk,
Ing. Klára Sauerová, Ing. Jaroslav Dubský,
Ing. Ivan Brož

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