Rödl & Partner

NEWSLETTER CZECH REPUBLIC

Issue: July–August 2025

Information on Law, Taxes and Economics in the Czech Republic

www.roedl.cz/en

Czech Law Firm of The Year 2024

Czech Law Firm of the Year 2012–2024

Rödl & Partner

NEWSLETTER CZECH REPUBLIC

Issue: July–August 2025

Content:

→ Law

New UNCITRAL Convention on Connaissements: Efficient Import and Export Financing

The digitalization of international trade has emerged as one of the defining trends of the past decade. Yet numerous legal and technical barriers continue to prevent full electronic adoption, particularly in international goods transport.

Alice Kubová Bártková
Rödl & Partner Prague

Critical shipping documents, especially negotiable transport documents like connaissements and bills of lading, frequently remain trapped in paper format. Additional obstacles complicate their use even in paper form during cross-border and multimodal goods transport.

These documents serve essential functions in trade finance for goods in transit, Without them, financing becomes either impossible or severely compromised.

The forthcoming UNCITRAL Convention on Negotiable Transport Documents addresses this persistent challenge, with final approval scheduled for the UNCITRAL plenary session running from 7 to 23 July 2025.

A cornerstone of the draft Convention involves establishing straightforward standards for a new legal instrument: the Negotiable Cargo Document (NCD). This document functions in both paper and electronic formats as the bearer of rights to transported goods. Unlike traditional bills of lading limited to maritime transport, this document will apply across all transport modes, whether by road, rail, air, or multimodal (involving goods transshipment between different transport methods, such as ship-to-truck transfers).

Streamlining Trade Finance for Goods in Transit

The Convention should substantially simplify and enhance international transport operations and trade finance for goods in transit.

Applications of this new framework within Czech legal practice will be explored at a specialized transport documents conference hosted by our firm alongside the Czech Transport Law Society and additional partners on 22 September 2025 in Prague. This international conference will feature comprehensive discussion of the new draft Convention by Professor Beata Czerwenka, Chair of UNCITRAL Working Group VI overseeing Convention development. Additional conference information is available here Events | Rödl & Partner.

Organizations encountering practical challenges with transport documents, including electronic formats, or trade finance issues for goods in transit can access our advisory services.

Contact details for further information

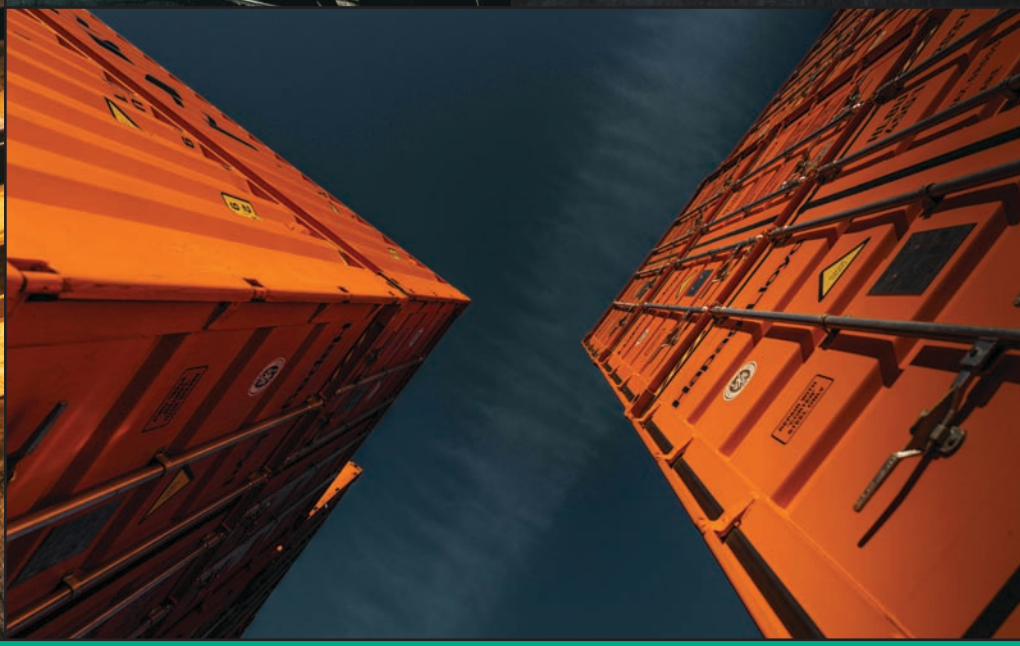
JUDr. Alice Kubová Bártková, M.E.S.
advokátka
(Attorney-at-Law CZ)
Associate Partner
P +420 236 163 720
alice.bartkova@roedl.com

Rödl & Partner

CZECH SOCIETY
FOR TRANSPORT LAW

CONFERENCE

TRANSPORT DOCUMENTS IN PRACTICE



ON THE RIGHT TRACK: NAVIGATING SECURE TRANSPORT & TRADE

MONDAY, 22 SEPTEMBER 2025 | GRAND MAJESTIC HOTEL PRAGUE

REGISTRATION UNTIL 15 JULY 2025 | CAPACITY LIMITED

Register here: https://www.roedl.cz/cs/cz/EventRegister.aspx?ID=201

→ Taxes

Request a Tax Return Filing Extension Only Once – and Get It Right

You can ask the tax authority to extend your tax return deadline, but you get just one shot, with no chance for do-overs. Submit a vague request without proper evidence, and the tax authority will reject it outright. File late after that rejection, and penalties become unavoidable. The Supreme Administrative Court has now sent a clear message: treat your extension request as mere paperwork at your own peril.

Jakub Šotník
Rödl & Partner Prague

Tax returns must be filed by the statutory deadline. If you know you won't make it, you can request an extension. But here's the catch – you get exactly one attempt, and if you waste it, you're setting yourself up for penalties.

Why? Because when your extension request lacks solid justification and proper documentation, the tax authority will simply turn it down. File late after that rejection, and penalty proceedings kick in automatically. By that point, you can't fix what you should have done right the first time.

Two separate procedures – but the second depends on the first

A recent Supreme Administrative Court case perfectly demonstrates why getting the sequence right matters. First, you file your extension request before the original deadline expires. If the tax authority says no and you then file late, penalty proceedings for late tax assessment begin.

During these penalty proceedings, the court reviews whether the tax authority's refusal to extend was lawful. But here's the critical part – the court can only look at the reasons and evidence you included in your original request. You can't add new material later.

One shot. No second chances

In this particular case, ITALBASTONI.CZ requested an extension because COVID-19 and staff changes had created problems for their tax representative. But their request was vague and backed up by nothing. Even when the tax authority asked for specifics, the company just repeated the same empty assertions without providing concrete proof.

After the rejection and late filing came penalty proceedings – and by then it was game over. The company finally produced evidence, but neither the court nor the tax authority could consider it. The Supreme Administrative Court backed the tax authorities completely.

The door closes after one try

The Supreme Administrative Court made it crystal clear: extension requests are one-time-only affairs. Once the tax authority decides, you can't pile on additional reasons or evidence, not through appeals, not during penalty proceedings.

Banking on the idea that "we can always provide proof later" is a costly mistake. You carry the burden of proof from day one, and the tax authority isn't required to hunt down information or verify anything for you.

What you should do

If you need a filing extension, request it early, prepare it thoroughly, and include every piece of relevant evidence. Vague language won't cut it. You must back up every claim with documentation. Skip this step, and the tax authority will likely refuse your request. Miss the standard deadline after that, and penalties are guaranteed. You can't make up for sloppy preparation later – this is your one and only chance to get it right.

Contact details for further information

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

→ Taxes

Key Changes in Tax Proceedings from 1 July 2025

The President has signed the Tax Code amendment, now published in the Collection of Laws. The first changes took effect on 1 July 2025, with further changes coming on 1 January 2026.

Tax authorities can now waive administrative penalties completely, up to 100 percent, rather than the previous ceiling of 75 percent.

The law now makes clear that when natural persons inherit, tax obligations pass to them, though administrative penalties and fines do not. The amendment also addresses tax obligations when trusts are dissolved.

Perhaps most significantly, the calculation of default interest has changed. Tax authorities will no longer consider overpayments held by other tax authorities that lack proper jurisdiction when calculating default interest. This could mean higher interest charges for taxpayers.

If you're currently navigating a tax audit or other tax authority proceedings, these changes could have a real impact on your case. We're keeping close watch on developments and stand ready to help.

Contact details for further information

Mgr. Jakub Šotník
jakub.sotnik@roedl.com

→ Taxes

Energy Act Changes Shake Up Tax Rules for Solar Panels. What's the Tax Authority Saying?

This legislative saga dragged on for what felt like forever. The government first pitched this bill to parliament back on 26 March 2024, with the Ministry of Industry and Trade leading the charge. MPs received the Energy Act amendment as Document No. 656/0 the following day.

Petr Koubovský
Rödl & Partner Prague

The approval process stretched on painfully, but the law finally cleared parliament on 14 March 2025 and landed in the Collection of Laws on 31 March 2025.

Here's what changed: the amendment scraps Section 30b of the Income Tax Act entirely, including the special tax depreciation rules that applied specifically to photovoltaic power plants. With the law now silent on how to handle PV depreciation, the General Financial Directorate stepped in. Acting partly on recommendations from the

Czech Chamber of Tax Advisors, they issued new guidance on 13 June 2025 covering tax depreciation for solar electricity generation equipment (ref. no.: 44604/25/7100-20110).

The guidance tackles various scenarios, including depreciation rules for temporary structures and other specific situations.

But here's the problem: this guidance doesn't clear up all the confusion. In fact, it creates some new headaches, especially when dealing with PV systems that serve as a building's only power source under building regulations, or when systems supply electricity to a facility while selling excess power back to the grid, which happens constantly in real life.

Like any major legal change, the transitional provisions deserve careful attention since they offer multiple options and combinations for different situations.

So while PV systems promise potential savings through solar energy, they now also bring risks and uncertainties about how to properly define system components and handle the tax depreciation that follows.

Feel free to reach out if you have questions about navigating these changes.

Contact details for further information

Ing. Petr Koubovský
daňový poradce (Tax Advisor CZ)
Associate Partner
Head of Property Tax Section
of the Chamber of Tax Advisors
of the Czech Republic
P +420 236 163 246
petr.koubovsky@roedl.com

→ Taxes

Supreme Administrative Court Rules Again on Material Cost Markups

We have grown accustomed to the Supreme Administrative Court regularly adjudicating transfer pricing disputes. However, the court's recent ruling on material costs and profit markup application, issued so shortly after the previous one, merits particular attention.

Petr Tomeš, Michaela Moťovská
Rödl & Partner Prague

The Supreme Administrative Court's judgment of 21 May 2025 (case no. 1 Afs 2/2025-54) provides significant guidance in transfer pricing matters. The case involved a Czech company that challenged the use of the ROTC (Return on Total Costs) indicator, arguing instead for its classification as an entity whose functional and risk profile resembles a toll manufacturer. The company advocated for ROVAC (Return on Value Added Costs), applying profit markups only to costs where genuine value addition occurs, excluding material costs.

Entities with routine functional profiles, encompassing both contract manufacturers and toll manufacturers, typically employ the cost-plus method. Proper application requires determining the relevant cost base, the markup percentage, and whether uniform rates apply across all cost categories. When differentiated markups are warranted, particularly for material costs, such variations must be substantiated through comprehensive functional and risk analysis covering material-related activities including procurement, storage, logistics, and financing.

The taxpayer's primary contention challenged applying ROTC to all costs, including materials, maintaining that its role represented minimal value addition regarding materials. The courts determined, however, that formal material ownership, coupled with purchase and subsequent sale of finished products, establishes at least partial business risk exposure.

The tax authority acknowledged that the Czech company performed specific material-related functions: inspection, disposal, storage, handling, and functionality testing. While the parent company arranged material insurance and absorbed damage costs, the tax authority rejected automatic risk transfer to the parent entity. The court emphasized that material ownership, storage, processing, and limited liability necessitate including these costs in the base calculation.

Subsequently, both the tax authority and courts recognized that the taxpayer's material-related risk exposure was indeed limited, resulting in a profit markup adjustment for material costs to approximately one-third of the original rate.

Czech tax administration traditionally applies consistent markup rates to material costs matching other cost categories. In this instance, however, the authority adjusted the markup downward during audit, reflecting actual functions performed and risks assumed regarding materials.

This methodology appears fundamentally sound, acknowledging parties' actual conduct through functional analysis. Nevertheless, questions persist regarding proper interpretation of individual functions and risks, particularly their material nexus, and critically, quantifying their relative significance within comprehensive functional analysis, including adequate substantiation. The taxpayer rejected the authority's conclusions, advocating for zero material cost markup. Both the Regional Court and Supreme Administrative Court ultimately upheld the tax authority's position.

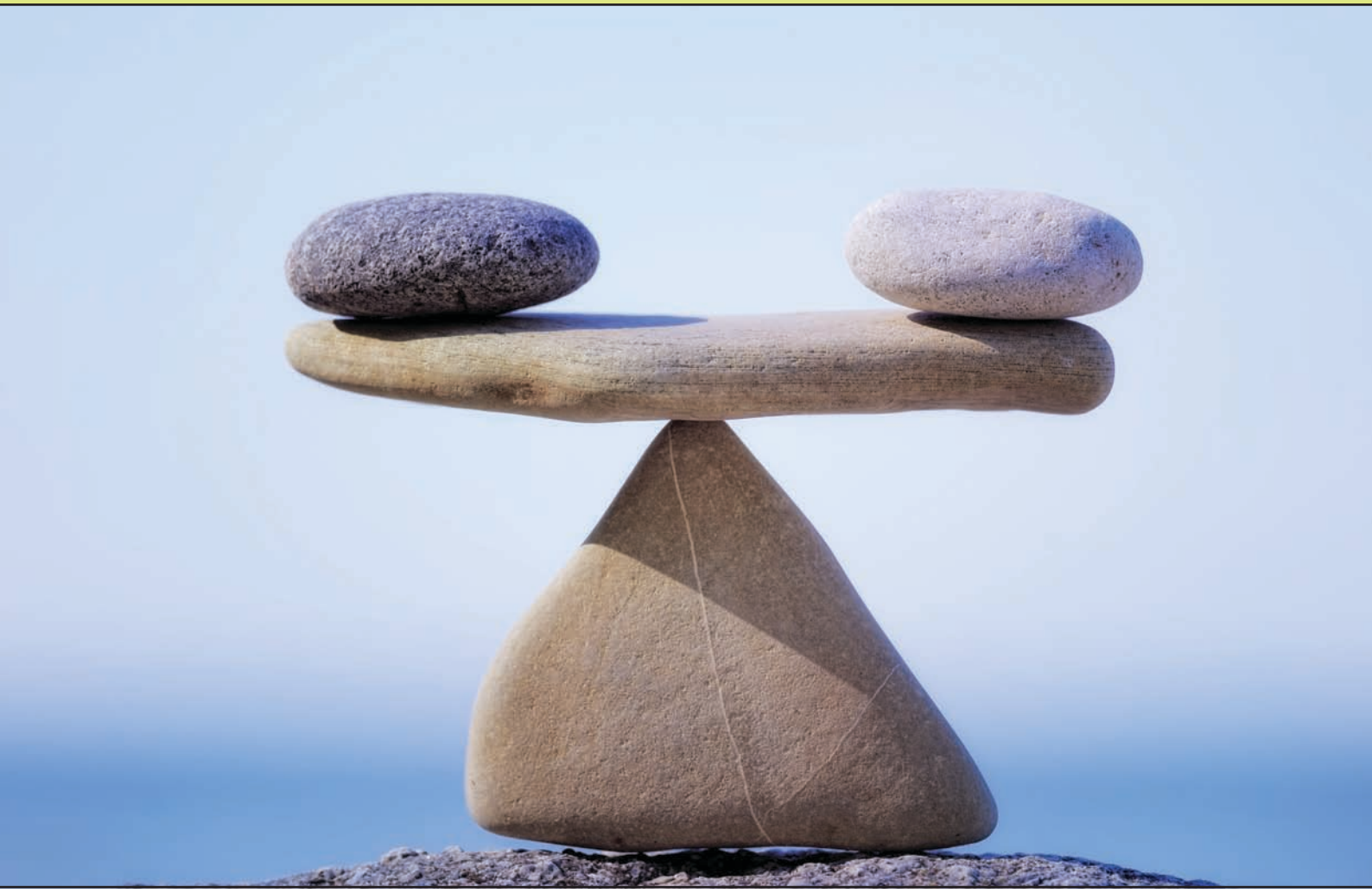
The ruling demonstrates that arguments relying exclusively on formal ownership or presumed low value-added manufacturer status prove insufficient without transparent, conclusive supporting evidence. Taxpayers must therefore prioritize continuous preparation and clear interpretation within transfer pricing documentation. This case exemplifies Czech tax administration's established practice of routinely applying profit markups to material costs.

Accordingly, we recommend examining current profitability methodologies, particularly for entities maintaining material ownership, to ensure alignment with actual functional and risk profiles and verify adequate documentation supports such profiles.

Our transfer pricing and tax litigation specialists stand ready to assist with such reviews and evidence preparation.

Contact details for further information

Ing. Petr Tomeš
daňový poradce
(Tax Advisor CZ)
Partner
P +420 236 163 750
petr.tomes@roedl.com



→ Economy

New NAC Interpretation: How to Properly Account for Demonstration Goods

In June, the National Accounting Council released new guidance addressing the proper accounting treatment for demonstration goods. This long-awaited standardizing directive carries practical implications for numerous organizations.

Ladislav Čížek
Rödl & Partner Prague

Demonstration goods encompass a broad spectrum from automobiles, electronics to sample CNC machinery, and beyond. Previously, such items received inconsistent accounting treatment across organizations, classified sometimes as inventory, other times as non-current assets. The new interpretation establishes uniform accounting protocols. The critical determinants are usage duration and intended purpose.

When goods serve demonstration purposes for brief periods, typically within one year or throughout their normal selling cycle, they remain classified as inventory. Conversely, when reporting entities anticipate extended demonstration usage, these items require reclassification as non-current assets with systematic depreciation. Formal registration requirements (such as vehicle registration) or meeting operational readiness criteria alone do not dictate non-current asset classification. The fundamental considerations are utilization purpose and anticipated usage timeframe.

International standards perspective

While international accounting standards do not explicitly address demonstration goods, their treatment follows fundamentally similar principles. IAS 2 characterizes inventory as goods held for sale within normal operating cycles. IAS 16 establishes non-current assets as items utilized in company operations providing benefits exceeding one accounting period. Demonstration products accordingly fall within one of these frameworks, thus precisely mirroring the new Czech interpretation.

Interpretation I51 provides both practical guidance for demonstration goods accounting and naturally advances Czech accounting alignment with international IFRS standards. This development represents a modest yet significant step toward the anticipated new Accounting Act, which aims to enhance IFRS convergence.

Questions regarding customer modification accounting for demonstration goods? Uncertain about establishing useful lives and residual values for depreciable demonstration items? We welcome your inquiries and stand ready to assist with appropriate solutions.

Contact details for further information

Ing. Ladislav Čížek
auditor
(Auditor CZ)
soudní znalec
(Certified Expert CZ)
Manager
P +420 236 163 315
ladislav.cizek@roedl.com

Impressum

NEWSLETTER CZECH REPUBLIC
JULY–AUGUST 2025

Rödl & Partner

Published by:
Rödl & Partner Consulting & Valuation, s.r.o.
Platnéřská 191/2, 110 00 Prague 1
Reg. No. 25724231
Reg. Metropolitan Court in Prague, C 64494

P +420 236 163 111
www.roedl.cz/en

Editorial board:
Jana Švédová | Václav Vlk
Martina Šotníková | Jaroslav Dubský
Ivan Brož

Layout/Typeset by:
Rödl & Partner

This newsletter is an information booklet intended for general informative purposes. The information is not advice, should not be treated as such, and you should not rely on the information in the newsletter as an alternative to legal, taxation, financial, accountancy or corporate advice. Although we prepare the information for the newsletter with utmost care, we do not represent, warrant, undertake or guarantee that the information in the newsletter is correct, accurate, complete, non-misleading or up-to-date. Since the information presented here do not discuss specific cases of particular individuals or corporations, you should always verify the information applicable to your circumstances by consulting an appropriately qualified professional. We disclaim liability for any decisions made by readers based on information in our newsletters. Our advisors will gladly assist you with any questions on topics presented here or with any other matters.

The entire contents of our newsletters as published on the internet, including the information presented here, represent the intellectual property of Rödl & Partner and are protected by copyright laws. Users may download, print or copy the contents of the newsletters for their own needs only. Any modification, reproduction, distribution or publication of the contents of he newsletter, in whole or in part, whether online or offline, is subject to a prior written consent of Rödl & Partner.

To unsubscribe from our Newsletter, please click UNSUBSCRIBE.