

Rödl & Partner

NEWSLETTER CZECH REPUBLIC

Issue:
November
2025

Information on Law, Taxes and Economics
in the Czech Republic

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→ Law

New Cybersecurity Act Now in Effect

In early November 2025, the long-awaited new Cybersecurity Act took effect, along with its implementing regulations. The Act transposes the European NIS2 Directive into Czech law. What does this mean for businesses, and how should they prepare?

Jaroslav Kuba, Lucie Šímová
Rödl & Partner Prague

The most significant change under the new cybersecurity framework is a dramatic expansion in the number of regulated entities. Until now, cybersecurity obligations applied primarily to selected critical infrastructure entities and public organizations. Under the new Act, approximately 6,000 entities across diverse economic sectors, designated as providers of regulated services, must now comply.

Your first step is to assess whether your organization qualifies as a regulated entity based on criteria established by law. The law applies a three-part test: whether you operate in a regulated sector (these are selected critical sectors such as energy, healthcare, transport, or digital services), whether you actually provide a service that is regulated, and if so, whether your organization meets the significance thresholds for providers of regulated services (primarily based on the size of your undertaking). The implementing regulations specify these criteria in detail. Depending on which criteria you meet, your organization may fall into either a higher or lower compliance regime. Either way, providers in both regimes must now register their regulated services with the National Cyber and Information Security Agency (NÚKIB).

You also need to prepare for full compliance with regulatory requirements, which must be achieved within 12 months. Start by setting priorities. Remember: cybersecurity isn't just about checking regulatory boxes – it's primarily about preventing risks that could have devastating impacts if your organization suffers a cyberattack or other security incident.

A New Era of Cybersecurity
Regulation:
The NIS2 Directive
Transposition Is Here

Management Liability and Risk Management

One of the Act's most fundamental innovations is that it places direct responsibility for cybersecurity on an organization's senior management.

Management must approve security policies and demonstrate both its qualifications and awareness of cybersecurity risks. The Act requires that a specific member of senior management be designated responsible for cybersecurity.

Organizations must implement a range of technical and organizational measures, including:

- risk assessments and regular reviews of security measures,
- supply chain security,
- measures to prevent and respond to incidents,
- policies covering information systems security, access control, and data encryption, and
- mechanisms for reporting and resolving cybersecurity incidents.

This is emphatically not just a “technical” matter for your IT department – it's a comprehensive strategic and legal responsibility that requires ongoing attention. Organizations must establish an internal cybersecurity management system, audit it regularly, and document every step they take. Breach of these obligations can trigger substantial penalties, up to CZK 250 million or 2 percent of net worldwide annual turnover.

We're ready to provide comprehensive advisory services not only on cybersecurity compliance, but across all areas of the digital world.

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→ Taxes

EMCS-VDO: A New Era of Excise Duty Reporting. Electronic Communication Mandatory from 1 December 2025

The Directorate General of Customs launched a new module of the EMCS-VDO system on 13 October 2025, fundamentally changing how movements of excise goods are reported. Typically, these changes will affect mineral oils and other lubricants classified as excise goods in duty-paid circulation between EU member states.

Petr Koubovský, Denisa Štefanová
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What is EMCS-VDO?

EMCS (Excise Movement and Control System) is the European electronic system for monitoring and controlling movements of excise goods. The newly introduced VDO module (duty-paid circulation) allows businesses to report movements of excise goods outside the duty suspension arrangement, i.e. in normal commercial transactions between member states.

Who does this affect?

The obligation applies to all consignors and consignees of excise goods (such as mineral oils, tobacco products, alcohol, and beer) who dispatch these products from the Czech Republic to another EU member state or receive them from the EU into the Czech Republic. Affected businesses must now report all such movements through the EMCS-VDO system rather than using the previous fallback procedures.

What do you need to do?

Every business trading in excise goods under Section 58b of Act No. 353/2003 Sb., on Excise Duties, must:

- configure electronic communication parameters with customs authorities **by 30 November 2025**,
- submit all movement data exclusively through

the EMCS-VDO system **from 1 December 2025** onwards,

- complete and electronically submit an e-AD (electronic administrative document) for each movement,
- file a report of receipt or dispatch **within 5 working days** after dispatching or receiving the consignment.

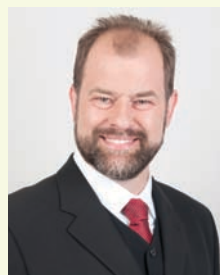
When does it all start?

The new module went live on 13 October 2025. From 1 December 2025, using EMCS-VDO will be mandatory for all entities.

Where to find more information?

Detailed information and technical guidance are available on the [Czech Customs Administration](#) website.

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→ Taxes

Real Estate Tax: Second Installment Due Soon

The deadline to pay your real estate tax is fast approaching. Do you know where to find your payment details?

The second installment of the real estate tax is due by 1 December.

You've probably already received the official notification about your real estate tax. But if you've accidentally deleted, misfiled, or thrown it away, don't worry – there's an easy solution.

How to find your payment information quickly?

You can find the exact amount of your real estate tax in the [My Taxes](#) portal under the Online Tax Office section.

Logging in is straightforward – simply use your bank ID or data box.

Step-by-step navigation

1. My Account (Můj účet)
2. Personal Tax Calendar (Osobní daňový kalendář)
3. Select the 1 December 2025 due date
4. Click Due Date (Termín splatnosti)
5. Open Payment Details (Platební údaje)
6. View your final tax amount for 2025

Need help? If you're unsure about any step, our experts are here to assist you.

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→ Taxes

VAT and Transfer Pricing Through the Lens of the EU Court of Justice (Part Two)

A month ago, we explored how European case law is bridging two seemingly different worlds, VAT and transfer pricing. Now we're back with part two of our series...

Petr Tomeš, Michael Pleva, Sabina Levá
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TP Adjustment and VAT

In its second judgment, C-726/23 *Acromet*, the Court of Justice of the European Union (CJEU) examined a case involving a Romanian company that bought and sold cranes. Meanwhile, all the

key functions, such as supplier sourcing, strategy, planning, financing, and support services, were handled by its parent company. The contractual setup ensured that the Romanian subsidiary would hit a predetermined profit margin, with the parent bearing any profit or loss beyond that target.

The central question was whether this arrangement amounted to a simple profit correction at market level (not subject to VAT) or an ac-

tual supply of services that the recipient must account for in its VAT return.

The CJEU ruled that it constitutes a supply of services for consideration, not just a “profit adjustment” under transfer pricing rules. However, the Court also made clear that, as in any case, the recipient can only deduct input VAT if it can prove the services were actually supplied and relate to its economic activity. Tax authorities therefore have the right to demand evidence beyond just an invoice.

In practical terms, this means that even if no VAT appears on the invoice, the recipient must still account for the tax through self-assessment and can simultaneously claim a deduction. But if the recipient can’t prove the services were genuinely provided and tied to its taxable activities, the tax authority can deny the deduction.

The judgment is equally significant from a transfer pricing perspective because it scrutinizes the nature of what’s known as a transfer pricing adjustment. In practice, companies use these adjustments to keep a subsidiary’s profitability within a predefined range that complies with the arm’s length principle. The standard approach works like this: if profitability strays outside the target range, the parent company or another group entity steps in to make a correction either by reducing excess profit or covering a loss. These payments are typically viewed as purely economic mechanisms for equalizing profit or loss for income tax purposes, not as standalone services.

But the CJEU emphasized an important nuance. If a TP adjustment is tied to specific activities that the parent company actually performs, such as strategic management, contract negotiation, centralized purchasing, or financing, it can represent real consideration for services rendered. This perspective marks a departure from the conventional transfer pricing approach, where such compensatory invoices are simply seen as tools for adjusting profit margins, with no requirement that an actual service be supplied.

That said, we’re increasingly seeing cases where transfer pricing adjustments are ex-

plicitly linked to services provided by the adjusting company. This can fundamentally change the tax treatment of the transaction and not just for VAT. The situation becomes far more complex from an income tax and transfer pricing standpoint as well, particularly when it comes to proving that services were genuinely performed and delivered real value to the recipient.

What are the practical takeaways?

Structuring transactions between related parties is always highly specific and requires careful attention. When applying TP adjustments, you need to thoroughly analyze their nature, how they’re defined in contracts, and all the related tax implications upfront.

If you’re linking TP adjustments to actual service provision, be mindful of the risks around income tax deductibility and VAT recovery. And crucially, your methodology needs to stay consistent throughout.

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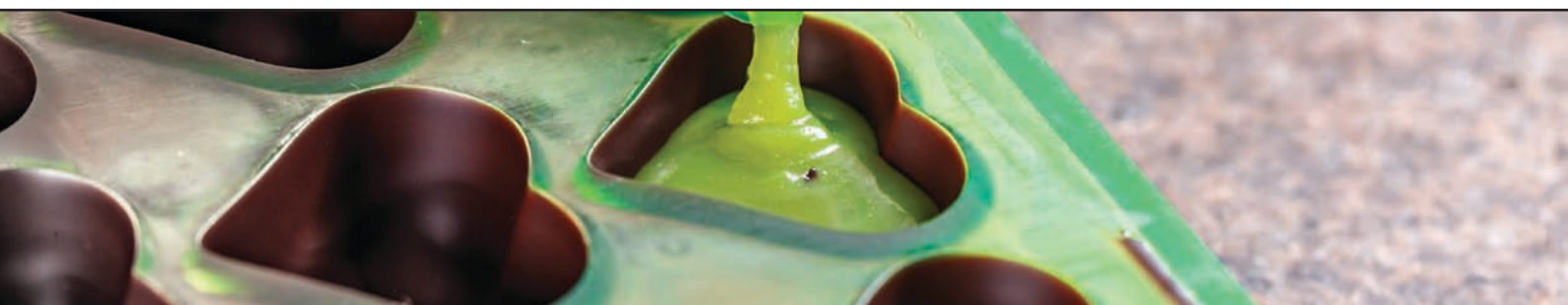
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→ Taxes

Tax Echo III: Yes, It's Back for the Third Time...

In 2024, the General Financial Directorate launched **Tax Echo**, new tool to improve tax administration and communication with taxpayers. This innovative concept, inspired by modern behavioral approaches from other countries, aims to boost voluntary tax compliance and make tax collection more efficient.

In practice, Tax Echo gives taxpayers a chance to correct potential errors before penalties kick in. During the first two campaigns, the Tax Administration reached out to more than 4,000 people, who filed 2,937 amended tax returns. The reported success rate hit 74%.

Tax Echo I focused on early termination of pension savings, while **Tax Echo II** addressed the spouse tax credit. Together, they brought in CZK 52.3 million in voluntarily declared taxes.

And now Tax Echo III is here

Taxpayers can once again correct mistakes without facing penalties or triggering a tax audit. This time around, the Tax Administration is targeting issues with pension savings for 2023 and 2024.

On Monday, 13 October 2025, the Tax Administration began sending out personal letters and electronic messages through the data box system. Up to 1,338 people are expected to receive contact.

If you're among them and unsure what to do next, don't hesitate to reach out to us.

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→ Taxes

Average Wage for 2026: New Thresholds That Will Impact Your Payroll

The Czech Government has published the official average wage for 2026: CZK 48,967 – a 5 percent increase from 2025. This isn't just an economic statistic. This single number cascades through Czech tax and social insurance legislation, adjusting thresholds, ceilings, and exemption limits that directly affect your payroll calculations and labor costs. Let's break down exactly what changes.

Martina Šotníková, Nicole Jansová
Rödl & Partner Prague

When it comes to income tax, the average wage is particularly important for determining the progressive personal income tax (PIT) rate. Since 2024 it

has also been essential for determining the exemption limit for certain non-cash benefits provided to employees, which is set at up to half of the average wage. For 2026, the exemption limit for health benefits will be CZK 48,967 and for other benefits CZK 24,483.50. Once these thresholds are exceeded,

benefits are subject to income tax and insurance contributions.

The threshold for the application of the progressive 23 percent PIT rate is 36 times the average wage. For 2026, the 23 percent PIT rate will therefore apply to the portion of the tax base exceeding CZK 1,762,812. This threshold is naturally also reflected in the calculation of tax advances on employment income – in 2026, it will apply to monthly income above CZK 146,901.

Regarding insurance contributions, the average wage affects several key indicators. One of these is the maximum assessment base for social insurance, which is 48 times the average wage and for 2026 will be CZK 2,350,416. Social insurance contributions are not paid on income exceeding this amount.

The amount determining participation in sickness insurance for agreements to perform work will remain unchanged in 2026 at CZK 4,500.

Since 2025, the participation in sickness insurance for agreements to complete a work assignment has also been linked to the average wage. Participation arises upon reaching monthly income corresponding to 25 percent of the average wage; in 2026 this threshold will be CZK 12,000.

The average wage is also the basis for calculating the minimum advance payment of insurance contributions for self-employed persons and also influences the calculation for determining the base for percentage calculation of pensions.

As is apparent, increased attention must be paid to the average wage, both in payroll calculations and in cost accounting.

Should you have any questions, our office will be pleased to assist you with the above or any other matters.

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→ Taxes

Changes to the Definition of Low-Emission Vehicles from 1 January 2026

When an employee uses a company vehicle for private purposes, Section 6(6) of the Income Tax Act values this benefit in kind at different rates depending on the vehicle's emissions: 0.25% of the purchase price (including VAT) for zero-emission vehicles, 0.5% for low-emission vehicles, and 1% for all other vehicles.

Low-emission vehicles are defined in Section 3 of the Act on the Promotion of Low-Emission Vehicles. A significant change to this definition takes effect on 1 January 2026. From that date, only vehicles in categories M1, M2, or N1 whose operation produces no CO₂ emissions whatsoever will qualify as low-emission vehicles. In practice, this means only battery electric vehicles and fuel cell vehicles will meet the criteria.

Responding to this change, the legislature has amended the Income Tax Act to include its own definition of low-emission vehicles in the newly added Section 21b(6), effective from 1 January 2026. Crucially, this definition retains the original CO₂ emission

threshold of up to 50 g/km for low-emission vehicles. As a result, plug-in hybrid electric vehicles (PHEVs) and extended-range electric vehicles (E-REVs) remain eligible for the favourable 0.5% tax treatment under the Income Tax Act, even though they no longer qualify as low-emission vehicles under the Act on the Promotion of Low-Emission Vehicles.

Practical recommendation: We recommend checking the CO₂ emission value stated in your vehicle registration certificate to confirm which tax rate applies to your company cars.

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→ Taxes

Unified Monthly Employer Report (JMHZ): Major Changes Ahead for Czech Employers

The Czech Republic is taking a significant leap forward in digitalization. With the approval of implementing legislation for the Unified Monthly Employer Report (JMHZ) project, the country is fundamentally transforming how employers communicate with public administration. This isn't just another administrative tweak. The new system, administered by the Ministry of Labour and Social Affairs, will consolidate up to twenty-five different forms into a single electronic filing – a sweeping change that will reshape tax administration as we know it.

i Timeline: The first phase launches on 1 April 2026, with the second phase following in 2027.

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To ensure legal certainty, a new special JMHZ Act has been created, governing employers' and employees' obligations, the structure and format of filings, deadlines, sanctions, and other important aspects of implementing the JMHZ report in practice. The format and structure of filings under the JMHZ Act are set out in Government Regulation No. 417/2025. This regulation specifies the data to be communicated through monthly reports for the purposes of maintaining employer and employee records.

The pilot phase of the JMHZ project began in July of this year, testing system functionality with the help of selected organizations and voluntarily participating employers. Beyond the pilot phase, the project is divided into three further stages. Two of these have already been published in the Collection of Laws. The launch of the third phase – the abolition of annual reconciliation of

tax advances and tax credits – is expected in the medium term. This newsletter edition focuses on the first two phases that have already been approved.

Phase 1: Data Collection and Initial Changes (from 1 April 2026)

The goal of the first phase is to collect individualized employee data, which will be used in the next phase of the project to pre-fill taxpayers' tax returns. This concept, which centralizes data, will be implemented through a mandatory JMHZ Report form via the CZSSA e-Portal starting from 1 April 2026. In practice, this should replace up to twenty-five different forms, reports, and statistics.

The first phase of the project introduces significant changes to income tax:

- The registration requirement for payers of employment income is abolished and will be newly anchored within the JMHZ Act,

- The withholding tax regime for employment income of non-resident individuals is abolished, as discussed in our previous newsletter,
- Deadlines for remittance of tax advances on employment income to the tax administrator are unified to the 20th day of the month following the month to which they relate.

of the Income Tax Act amendments and practical JMHZ implementation guidance.

Stay tuned for detailed coverage as we approach the April 2026 launch.

Phase 2: Self-Assessment and Pre-Filled Returns (from 2027)

The second phase of the project, effective from 2027, introduces:

- Abolition of the withholding tax on employment income,
- Self-assessment and self-calculation of tax advances and income tax on employment income, and related changes to sanctions (fines, penalties, late payment interest),
- Reporting obligations for selected entities (e.g., banks, building societies, insurance companies, etc.),
- Pre-filled tax return service.

What Comes Next?

This is a complex, far-reaching reform. In upcoming newsletters, we'll dive deeper into specific aspects

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Impressum

NEWSLETTER CZECH REPUBLIC
NOVEMBER 2025

Rödl & Partner

Published by:
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