



Forvis Mazars Tax View

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Dear Readers,

In this June edition of our tax newsletter, we focus on the upcoming EET 2.0 project, both from the perspective of the proposed changes in the area of personal income taxation and the planned VAT rules relating to bad debts and unpaid receivables. Although the draft legislation is still at an early stage of the legislative process and its final wording may yet change, its practical implications are already beginning to take shape and will be worth monitoring closely.

In further articles, we explore changes to the calculation of the research and development tax deduction, as well as obligations related to the top-up tax. We also highlight the upcoming statutory deadlines for filing information returns and introduce the relevant forms, the draft versions of which were recently published by the Czech tax authorities.

We also cover a recent decision of the Czech Supreme Administrative Court on the taxation of income from prostitution, reminding us that tax law can, in certain situations, be considerably more pragmatic than the public debate surrounding them.

We believe this edition will once again provide you with a useful overview of current developments in tax and related legislation.

On behalf of the entire Forvis Mazars team, I wish you an enjoyable read.

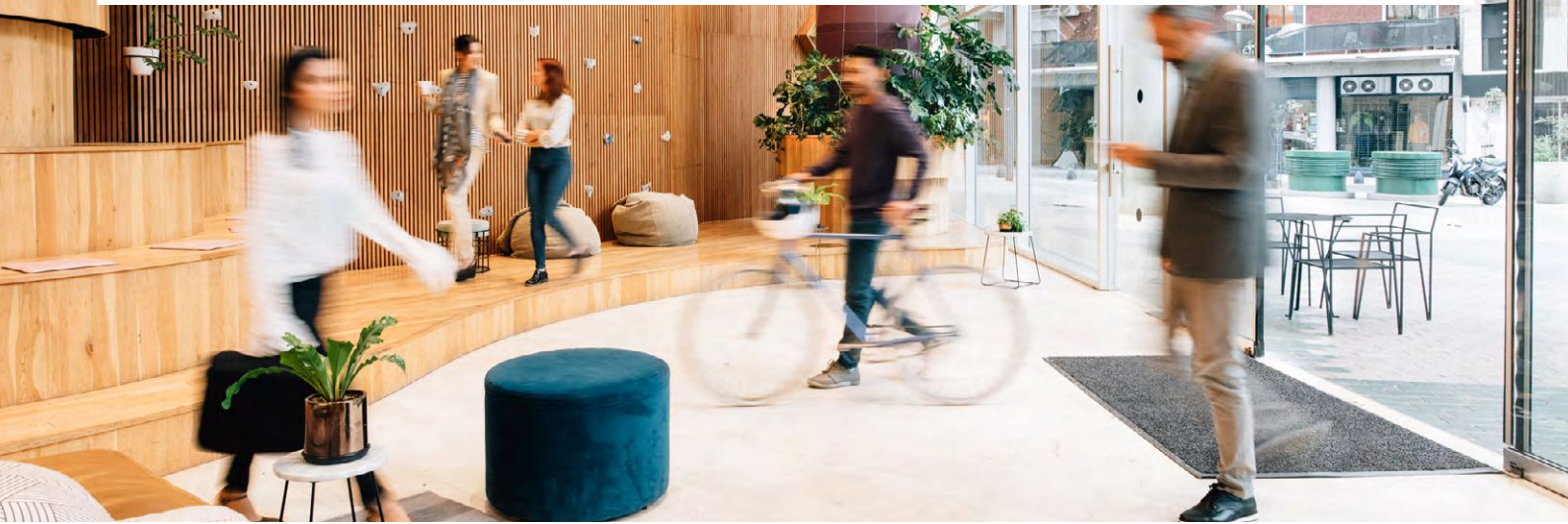


Pavel Klein
Tax Leading Partner,
Forvis Mazars, Czech Republic

Contents

- 4** Proposed Changes to the Taxation of Individuals in Connection with the Introduction of EET 2.0
- 7** The Topic of Bad Debts and Unpaid Receivables in VAT Will Become Even More Important from 2027
- 9** New Developments in the R&D Tax Deduction from 2026
- 11** Publication of Forms for the Top-up Tax
- 13** Taxation of Prostitution: Even the World's Oldest Profession Has Tax Implications

Proposed Changes to the Taxation of Individuals in Connection with the Introduction of EET 2.0



On 4 May 2026, the Czech government approved the draft Act on the Registration of Sales and on amendments to certain related acts, referred to as the EET 2.0 project. In addition to introducing a new legal framework for electronic sales registration, the proposal also contains relatively extensive amendments to the Income Tax Act. These changes affect not only entrepreneurs, but also employee benefits, tax reliefs and the taxation of tips.

Most of the proposed changes are expected to become effective as of 1 January 2027. However, the legislative process is still at an early stage, and the final wording of the proposal may yet undergo significant changes.

EET OFF: Sales Registration or a Higher Flat-Rate Tax

One of the significant changes directly linked to EET 2.0 concerns small entrepreneurs within the first band of the flat-rate tax regime. The proposal introduces the possibility of being exempt from the obligation to register sales in exchange for an increase in the monthly flat-rate tax through a special tax surcharge.

The regime referred to as EET OFF would only be available to individuals in the first band of the flat-rate regime whose self-employment income

does not exceed CZK 1 million annually. Instead of the standard monthly income tax advance payment of CZK 100, these taxpayers would pay CZK 1,500 together with mandatory social security and health insurance contributions. Through this approach, the legislator is responding to long-standing criticism that, for the smallest businesses, the administrative burden associated with EET was often disproportionate to its actual fiscal benefit.

The proposal also regulates in considerable detail the commencement and termination of this regime. For example, if a taxpayer exceeds the income threshold or ceases to meet the conditions of the first band of the flat-rate regime, they would no longer be entitled to apply the EET OFF regime from the following tax period. The proposal also specifically addresses situations involving the interruption and subsequent resumption of business activities.

Proposed Changes to the Taxation of Individuals in Connection with the Introduction of EET 2.0

Return of the Tax Credit for Sales Registration

Alongside the return of EET, the proposal also reintroduces the tax credit for sales registration, which was abolished following the termination of the original EET system.

The newly proposed credit is intended as a one-off measure and may amount to up to CZK 5,000. It may only be claimed in the first tax period in which the taxpayer registers a sale subject to the new sales registration obligation for the first time.

In practice, however, the benefit will not have the same impact for all taxpayers. The proposal limits the maximum amount of the credit according to the taxpayer's actual tax liability. As a result, the full credit will most likely be utilised primarily by taxpayers with a higher tax base.

Employee Benefits Once Again Under Scrutiny

A substantial part of the amendment also focuses on employee benefits. In several respects, the proposal returns to the rules applicable before 2024 while simultaneously addressing practical issues created by the recent introduction of exemption limits.

The proposed abolition of the exemption limit for most leisure benefits has attracted particular attention. Contributions towards cultural, sport and similar activities would therefore no longer be subject to the current limit of one half of the average wage. Recreation and travel benefits would remain an exception, with a separate annual limit of CZK 20,000 to apply once again.

The amendment also expands the range of exempt non-monetary benefits to include contributions towards selected community-based social services, such as personal assistance services, caregiving services or day-care centres. The proposal clearly reflects increasing pressure to support employees caring for close family members.

By contrast, healthcare related benefits would remain subject to the annual exemption limit linked

to the average wage. An exception should apply to selected preventive healthcare programmes, which are expected to have a separate tax regime without this cap.

At the same time, the fundamental philosophy of the tax treatment of employee benefits remains unchanged: where a benefit is tax-advantaged on the employee's side, the related costs are generally treated as tax non-deductible for the employer.

Tips: Finally Clearer Rules?

Another interesting proposal is the planned partial tax exemption for tips in food service establishments. The exemption would apply to voluntary tips provided by customers to employees in direct connection with the provision of catering services at food service premises.

In practice, this would typically apply to waiters, waitresses, bartenders or cooks. The proposal simultaneously excludes mandatory service charges, such as covert fees, as well as stalls or food trucks without on-site dining facilities.

The exemption should be limited by an aggregate cap corresponding to 7% of the employer's monthly revenues from catering services, calculated in aggregate for all employees. However, practical uncertainty may arise here because the proposal does not yet precisely define what should be understood as revenue from catering services.

Nevertheless, the proposal can be viewed as an attempt to address the long-standing uncertainty surrounding the tax treatment of tips, particularly given the growing prevalence of cashless payments.

Return of the Student Tax Credit and Kindergarten Tax Credit

The amendment also restores several tax reliefs abolished in previous years. These include the student tax credit amounting to CZK 4,020 annually and the childcare facility tax credit (commonly referred to as kindergarten tax credit).

With respect to the kindergarten tax credit, the proposal newly addresses in detail situations

Proposed Changes to the Taxation of Individuals in Connection with the Introduction of EET 2.0

involving shared or alternating custody. As a general rule, the maximum tax credit would be divided equally between households unless the taxpayers agree otherwise.

At the same time, pre-school facilities would become subject to a new reporting obligation requiring them to provide the tax authorities electronically with information regarding the amounts paid. The aim is primarily to prevent duplicate claims for the tax credit.

The Proposed Changes May Still Be Modified

The proposal is still at an early stage of the legislative process and, following its approval, has been submitted by the government to the Chamber of Deputies. It can be expected that some of its parameters will still be subject to both professional and political debate. Nevertheless, it is already clear that the potential introduction of EET 2.0 would not merely mean the return of electronic sales registration, but also another significant intervention in the taxation of individuals.

We will continue to monitor the legislative process closely and keep you informed of any significant developments.

Should you have any questions, please do not hesitate to contact our specialists, who will be happy to assist you in assessing the practical implications of the proposed changes.




Gabriela Ivanco
Manager, Tax Department,
Forvis Mazars, Czech Republic



Anna Klímová
Newsletter Editor,
Forvis Mazars, Czech Republic





The Topic of Bad Debts and Unpaid Receivables in VAT Will Become Even More Important from 2027

The planned VAT changes in the area of bad debts and unpaid receivables linked to the Electronic Sales Reporting package (EET 2.0) will be relevant for many VAT payers, whether acting as creditors or debtors. The amended rules present an opportunity to improve cash flow on the creditor side, while at the same time increasing potential risks on the debtor side.

On 11 May 2026, Members of Parliament were circulated with the draft statutory wording of the Electronic Sales Reporting legislation, so-called EET 2.0, which also includes the changes set out below, expected to take effect from 1 January 2027.

Loss of the right to deduct VAT for a debtor already 3 months after the due date

In 2025, a new rule was introduced under which a debtor is required to reduce the VAT deduction originally claimed if the debtor does not settle its liability within 6 months after the month in which the liability became due. The proposed amendment shortens this period to just 3 months, meaning that the measure may become relevant for a much larger number of VAT payers.

In this context, it is worth highlighting one practical detail. The obligation to reduce the original VAT deduction is linked exclusively to the period after

the due date, regardless of the reasons for the non-payment of the liability. The obligation to reduce the VAT deduction therefore arises, for example, even where a dispute is ongoing or a complaint procedure is underway, but the original invoice remains overdue.

It continues to apply that, if payment for the received service or the acquired goods is made at a later stage, the VAT deduction may be increased again.

In view of the shorter period, we recommend paying increased attention to the area of unpaid liabilities and, where appropriate, implementing measures to minimise the associated risks.

Refund of VAT for small unpaid receivables

From 2025, VAT payers have been able to reduce their taxable base in respect of smaller, specifically defined, unpaid receivables, provided that the debtor has been requested in writing at least twice to settle

The Topic of Bad Debts and Unpaid Receivables in VAT Will Become Even More Important from 2027

the debt, on the condition that no other ground for a reduction of the taxable base for bad debts applies. It was expected that the simplified procedure for adjusting the taxable base for smaller unpaid receivables would become very popular and widely used; however, this has not materialised.

In order to increase the attractiveness of the relevant provision, several parameters will be adjusted, under which it will be possible to reduce the taxable base for smaller unpaid receivables:

- The cap for a single receivable will increase from CZK 10,000 to CZK 20,000 (incl. VAT);
- The minimum period after the due date will be reduced from 6 to 3 months;
- The annual aggregate cap per one debtor will increase from CZK 20,000 to CZK 100,000 (incl. VAT).

For completeness, it is important to note that only the small receivables referred to above for which the VAT payer has actually applied this VAT refund are counted towards the annual aggregate cap of receivables that can be adjusted within the calendar year. In other words, for example, the mere existence of larger unpaid receivables does not exclude the possibility to apply a VAT refund for smaller receivables.

Should you require further information on the above changes, or if you would like to assess whether the new opportunities and obligations apply to you, we would be pleased to discuss your specific situation with you.



Marek Šmíd
Senior Consultant, Tax Department,
Forvis Mazars, Czech Republic



Petr Drahoš
Senior Manager, Tax Department,
Forvis Mazars, Czech Republic



New Developments in the R&D Tax Deduction from 2026



As of 2026, significant changes have taken effect in the area of tax incentives for research and development (R&D). The amendment to the Income Taxes Act primarily changes the method for calculating the deduction, newly introduces the concept of a deduction group, and at the same time extends the period for claiming unused deductions.

Under the current legislation, taxpayers have been allowed to claim a deduction equal to 100% of eligible expenses and an additional 110% of the amount by which the expenses exceeded those incurred in the previous period. From 2026, this principle will change. Newly, taxpayers will be able to deduct 150% of eligible expenses up to a limit of CZK 50 million and 100% of expenses exceeding this threshold. The amendment therefore abandons the current principle of increasing the deduction based on year-on-year growth in expenses.

A significant new feature is the introduction of the so-called deduction group. For the purposes of the CZK 50 million threshold, all companies forming a single deduction group will now be assessed collectively, in particular controlling entities and their controlled entities.

The amendment also extends the period for utilizing unused deductions. While until now the deduction could only be carried forward for up to three subsequent taxable periods, it will newly be possible to claim it in the period in which it arose or in the five immediately following periods. The new wording no longer contains the previous restriction under which the deduction could not be carried forward if the taxpayer had failed to claim it despite having a sufficient tax base.

Changes are also being introduced in the area of project documentation, for example through the simplification of certain formal requirements regarding its content.

Although the amendment brings greater flexibility and potentially higher tax support, the basic conditions for claiming the deduction remain unchanged. Properly prepared project documentation, sufficient supporting evidence, and the ability to demonstrate the research or development nature of the activities performed will therefore continue to be essential.



Tereza Hofman
Manager, Tax Department,
Forvis Mazars, Czech Republic

**We Also Provide Digital
and Technology Consulting
for Companies.**



Monika Drábová
Partner, Technology & Digital Consulting,
monika.drabova@forvismazars.com

Publication of Forms for the Top-up Tax



The Financial Administration has published [draft forms and related documents](#) concerning the top-up tax under Act No. 416/2023 Coll., on Top-up Taxes for Large Multinational Groups and Large Domestic Groups. Although these are currently only draft versions and a decree of the Ministry of Finance regarding the forms is still to be issued, they provide the first practical insight into how the obligations related to the reporting and administration of top-up taxes will look in the Czech Republic. The purpose of their publication is to enable groups subject to the top-up tax rules to begin preparing for the new obligations well in advance.

The following drafts have been published in particular:

- tax return for the Czech top-up tax and the allocated top-up tax,
- individual appendices to the tax returns,
- information return,
- instructions for completing the forms.

Filings related to top-up taxes will be made exclusively electronically via prescribed forms with a defined structure and mandatory data requirements. It will therefore not be possible to submit free-form filings, but rather standardized form-based filings in a unified format. The forms will be available through the “MOJE daně portal”.

Who Is Subject to the Top-up Tax

The top-up tax applies to large multinational as well as purely domestic groups of enterprises

with consolidated revenues of at least EUR 750 million in two out of the four preceding reporting periods. Its purpose is to ensure that groups pay a minimum effective tax rate of 15% in each jurisdiction where they operate. If the effective taxation in a particular jurisdiction is lower, an obligation arises to pay the difference in the form of a top-up tax.

First Important Deadlines in 2026

The year 2026 brings the first significant filing deadlines with the Financial Administration for groups subject to the top-up tax rules. These obligations apply to reporting periods beginning after 31 December 2023, and for most groups with a calendar reporting period, the first relevant period will therefore be the year 2024. For this initial reporting period, the filing deadlines fall on the dates set out below.

30 June 2026

The first significant deadline is the filing of the information return, which for the initial reporting period must be submitted within 18 months after the end of the relevant reporting period. In the case of the 2024 calendar reporting period, the deadline therefore falls on **30 June 2026**.

The information return represents a formal filing with the Czech Financial Administration and is also referred to as the so-called “cover sheet”. As part of its annexes, it should also be necessary to attach the GloBE Information Return (GIR), i.e. an XML attachment in the standardized OECD

Publication of Forms for the Top-up Tax

format containing detailed information for the purposes of the top-up tax rules.

In certain cases, however, it will not be necessary to file the full information return in the Czech Republic. This should apply where the GIR is filed abroad by another group entity and, at the same time, the statutory conditions for the exemption are met. In such cases, the Czech taxpayer may instead submit only a notification confirming fulfilment of the exemption from the obligation to file the information return. In this context, it is also appropriate to draw attention to the [still unapproved amendment](#) to Act No. 164/2013 Coll., on International Cooperation in Tax Administration and on Amendments to Certain Related Acts, implementing the DAC9 Directive, which is crucial for establishing the automatic exchange of information on top-up taxes within the EU.

31 October 2026

Another important obligation is the filing of the top-up tax return. This should be submitted within 22 months after the end of the relevant reporting

period, separately for the Czech top-up tax and separately for the allocated top-up tax. For groups with the 2024 calendar reporting period, the filing deadline for the tax return therefore expires on **31 October 2026**.

How We Can Help

If you are unsure whether the top-up tax rules also apply to your group, or if you would welcome assistance with any of the obligations related to top-up taxes, we would be pleased to discuss your company's specific situation with you and help you comply with the obligations associated with the top-up tax.



Tereza Hofman
Manager, Tax Department,
Forvis Mazars, Czech Republic



Taxation of Prostitution: Even the World's Oldest Profession Has Tax Implications



At first glance, the question of whether income derived from prostitution can be taxed may seem like a marginal tax-law curiosity. In reality, however, recent case law of the Czech Supreme Administrative Court (hereinafter “SAC”) has opened up a much broader issue: where the moral assessment of a particular activity ends and the standard application of tax law begins.

In its recent judgment of 6 October 2025, Ref. No. 22 Afs 24/2025-48, the SAC reached a relatively clear conclusion: income from voluntary prostitution is subject to personal income tax. In doing so, the SAC overturned an earlier judgment of the Regional Court in Ostrava – Olomouc branch, which had concluded that such income could not be taxed.

The Story Behind the Dispute

The case itself began rather simply. The tax authorities discovered that an individual had been regularly exchanging significant amounts of euros and depositing the proceeds into a bank account without reporting the corresponding income in her tax returns. The taxpayer later explained that she had worked as a professional companion. During the proceedings, however, the courts treated the income as income from prostitution. The Regional Court initially accepted the argument that by taxing such activity, the state would effectively be granting prostitution the status of a legitimate economic activity.

The SAC rejected this conclusion and reiterated a fundamental principle of Czech income tax law: in general, all income is taxable unless expressly

exempted or excluded by law. Income from prostitution is not listed among such exceptions.

Tax Law Is Not a Moral Tribunal

One of the most interesting aspects of the judgment is the court's strict separation of moral considerations from tax considerations. The SAC expressly stated that its role was not to assess the social acceptability of prostitution, but merely to determine whether taxable income had arisen. In other words, the tax authorities are not tasked with judging morality, but with assessing income and expenses.

A key factor was that voluntary prostitution itself is not a criminal offence under Czech law. The Criminal Code penalises only related conduct, such as pimping, human trafficking or sexual coercion. The SAC therefore rejected the argument that by taxing prostitution the state was somehow profiting from such activity or even acting as a pimp. According to the court, the collection of tax does not constitute support for or approval of the activity in question, but merely the ordinary exercise of public authority.

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The New York Convention Does Not Prevent Taxation

Another important issue in the dispute was the interpretation of the New York Convention on the Suppression of Traffic in Persons and the Exploitation of the Prostitution of Others. The Regional Court initially interpreted the Convention as preventing the state from taxing prostitution without implicitly accepting it.

The SAC, however, rejected this interpretation. According to the court, the Convention primarily targets exploitation and forced prostitution, not the voluntary provision of sexual services as such. Consequently, the Czech Republic's international obligations do not prevent income from prostitution from being taxed.

What Does the Judgment Mean in Practice?

The SAC's decision sends a relatively clear message: if a particular activity is not criminal and generates real income, it cannot be excluded from the tax system merely because it is socially controversial. Income from voluntary prostitution must therefore be included in tax returns, and failure to report it may lead to additional tax assessments and penalties.

More broadly, the judgment confirms that tax law operates in a largely pragmatic and value-neutral manner. Once income arises, a tax obligation will generally arise as well – regardless of whether the underlying activity is socially admired or, on the contrary, highly controversial.



Gabriela Ivanco
Manager, Tax Department,
Forvis Mazars, Czech Republic



Anna Klímová
Newsletter Editor,
Forvis Mazars, Czech Republic





Contacts

Pavel Klein

Tax Leading Partner,
Forvis Mazars, Czech Republic

Forvis Mazars s.r.o.
Pod dráhou 1637/4
170 00 Prague 7

pavel.klein@forvismazars.com

Jaroslav Křivánek

Partner,
Forvis Mazars, Czech Republic

Forvis Mazars s.r.o.
Pod dráhou 1637/4
170 00 Prague 7

jaroslav.krivanek@forvismazars.com

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