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EDITORIAL

Half a year after my colleagues and I prepared the April issue of the newsletter aimed at helping companies affected by the spring wave of the pandemic, I am preparing a newsletter in a similar (or even worse) situation.

At least until 20 November, many organisations will not operate at all and some only in a restricted way. Therefore, the government has also brought back some compensatory programmes - Antivirus, Covid III and others. However, businesses cannot expect deferral of payments - both the CNB and the banks are resisting a general moratorium.

One of the key areas that affects many companies is the correct setting of the contractual terms of transactions in relation to possible profitable settlements in transfer pricing. Friendships must be built on a solid foundation. Given that as a result of local government measures routine producers may not be able to cover all fixed costs, let alone generate profit, it will be very important to analyse the reasons that led to such a result. Only those companies that have properly contracted responsibilities for intra-group default risks and meticulously documented the effects of government policies on the reduction of their operations will be able to argue that they have faced risks that were not transferable to the group. The need to modify contractual documents is great for many companies…

I would also like to draw your attention to the special Covid-19 section that we have revived on our website. There you will find regularly updated information and links. I firmly believe that it will be a valuable guide for you in a confusing system of changes and regulations. I wish you all good health and plenty of optimism.

Roman Kytlica
Partner

CONTENT

BDO CZECH REPUBLIC

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HOW TO SET THE TERMS OF GROUP TRANSACTIONS IN RESPONSE TO A STATE OF EMERGENCY

In the October issue of our newsletter, we presented a set of steps that should prevent the adjustment of profits between routine entities and their parent company during the global coronavirus pandemic.

In this article, we will explain why it is necessary to have transactions in a group of related parties supported by written contractual documents and what risks their absence brings. Using the example of a manufacturing company, we will demonstrate how it is possible to set the level of risk of uncovered costs to which a routine entity may be exposed in times of crisis by appropriate adjustment of contractual relationships.

According to the methodology published by the General Financial Directorate in 2019, a company can be defined as contractual or routine. The decisive criterion for classifying a company as a routine entity is the extent to which it is contractually obliged to follow the instructions of another entity in the group when ensuring the production, distribution or provision of services. The more detailed the group's instructions which the company is obliged to respect, the smaller the company's profit potential and the lower the risk of loss to which the company should be exposed.

A routine entity can recognise a loss only if it is able to demonstrate a link between the decision it made and the occurrence of the loss.

In practice, we often encounter situations where companies belonging to a group referred to as a „family business" engage in cross-border trade for a long time, without having terms of business agreed in writing. This can be due to a simple, initially clear strategy, trust in the business partner, a long-term good situation on the European market and stable financial results of the entire group. During the boom period, the group did not have a problem guaranteeing the Czech routine entity a price adjustment so that it would consistently show low but stable profits.

However, the situation in the EU's internal market has been changed significantly by the pandemic. Differences in state aid provided by individual governments may, for example, lead the group to decide to discontinue the production of products provided by a routine entity in the Czech market and to transfer this task to another tax jurisdiction. In guideline D-34 devoted to start-up and shut-down costs, the Directorate-General for Finance states: **„Undertakings in a group with a limited functional profile (e.g. contract manufacturers) should receive a stable remuneration, regardless of the position of the undertaking or group in the market."** This idea is based on the assumption that Czech companies were in most cases established with the strategic intention of a foreign group to use the potential of the Czech market as much as possible and to develop, produce or distribute products for the benefit of the group at the lowest possible cost. However, the opinion that even contract manufacturers should achieve permanent remuneration on the Czech market blurs the difference between the contract manufacturer and the routine entity in terms of possible market fluctuations to which the contract manufacturer may be exposed during a pandemic. At the same time, the return on investment strategy of the group, which was invested in the establishment of the company, is completely neglected.

A prerequisite for the routine entity/contract manufacturer achieving stable profits is compliance with long-term planned production volumes.

If you are a routine entity/contract manufacturer, distributor or service provider (paid work), assess to what extent your production or distribution plans for 2020 could be considered long-term at the time they were drawn up and to what extent these plans had to be revised due to the pandemic.

We recommend, in cooperation with legal specialists, examining how the contractual relationship based on which your company manufactures or distributes the group's products regulates the responsibility for drawing up a financial plan. We consider it important to set the conditions of subsequent adjustments to price arrangements for cases where deviations from the financial plan will be caused by force majeure. **Deviations from the long-term financial plan should not be underestimated, especially if you are the recipient of investment incentives.**

As a result of quarantine measures, your company may be forced to cooperate with external entities to meet its commitment to produce the production volume planned for 2020. If such cooperation results in the planned costs being exceeded, it is important that the contract for production determines who was entitled to decide on the conditions of cooperation.

A crisis requires crisis management. If, as a result of limited cross-border movement of persons in your company, the management sent by the parent company has been replaced by local management, which possesses the necessary decision-making powers in some areas, such as purchasing materials for production and selling products, or responsibility for compiling price lists for end customers, the pandemic does not have to have only negative effects. Let us imagine that the new management will be able to replace missing orders or deliveries from the group with advantageous cooperation with external domestic business partners. In such a case, we recommend compiling a new functional and risk analysis based on which your company will be granted a higher profit potential as a reward for the risk you have taken. The new age requires new procedures. For 2020, your documentation should reflect the adjustments to the contractual arrangements.

Right now, functional and risk analysis can be considered the most important part of the documentation. Fluctuations in management caused by an emergency can only be defended against if it is assembled correctly. It is possible that some companies will be expected to use a different method to verify the correct setting of prices in transactions with related parties than they did in the past. The solidarity of long-term business partners is a common market phenomenon in a state of emergency.

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DO YOU COMPLY WITH THE NEW VAT RULES?

The amendment to the VAT Act effective from 1 September 2020 implemented the amended EU tax regulations effective from 1 January 2020. Foreign entities applied these rules regardless of the Czech national legislation, and therefore many of you may have encountered the new VAT rules as early as 1 January 2020. You may be wondering why we are dealing with this topic only now? The answer is simple. On 16 October 2020, the General Financial Directorate issued information on the VAT amendment and specified some procedures. Yes, one and a half months after the amendment came into force and more than nine months after the change in European legislation.

What new rules need to be followed?

The first fundamental change is the fulfilment of the conditions for the application of the tax exemption on the supply of goods to another Member State and the means of evidence associated with it. Furthermore, the information from the General Financial Directorate specifies the rules for the assignment of transport for the delivery of goods in the so-called chain within the EU.

The specification of the transport allocation concerns the supply of goods between Member States in a chain of at least three persons who supply the same goods to each other, the transport takes place directly from the first supplier to the last customer without interruption and this transport of goods is provided by an intermediary (or a person authorised by it). The novelty is the definition of the intermediary person as a person who is not the first supplier or final recipient and at the same time provides transportation. In the chain, the transport can be assigned to only one supply, which can be exempt from tax if other conditions are met, namely the supply of goods between the supplier and the intermediary. An exception may be where the intermediary provides the VAT number of the Member State where the transport is started, i.e. between the first supplier and the intermediary. In such a situation, the transport is attributed to the delivery between the intermediary and its customer. In other situations, where the delivery of goods is not assigned transport, it is a taxable supply.

In practice, this means that in the case of chain trades, it is necessary to emphasise the verification of your company's position in the chain, so that there is no subsequent additional assessment of tax liability on delivery to the intermediary.

For the sake of completeness as regards the rules of assignment of transport, it is appropriate to mention the situation when the transport is performed by a person other than the intermediary. If the transport is performed by the first supplier, the transport is assigned to the first delivery. Otherwise, when the transport is secured by the last link in the chain, the transport is assigned to this last delivery in the chain.

By assigning the transport, the martyrium for the exemption of the delivery of goods to another Member State from the tax does not end. **The existing conditions are extended, and the payer is obliged to know the VAT number of the acquirer of the goods and to state the delivery of the goods in the summary report.** The payer must know the customer's VAT number as of the date of the taxable supply. If the supplier does not know it, the tax exemption cannot be applied. For cases where the VAT number is communicated additionally after the delivery, this deficiency can be corrected by means of a corrective tax document and be exempted from tax if the other conditions of performance are met. The correction will be made by an additional tax return for the tax period in which the tax was incorrectly determined.

A simple rule also applies here: if I apply a tax exemption when delivering goods to another Member State, I must report this delivery in a summary report. Reporting goods in the recapitulative statement has already become a routine matter, but now the tax exemption is directly linked to it.

A big novelty is the documentation of evidence in the application of the VAT exemption for deliveries to another Member State. The information from the General Financial Directorate also deals with the issue of means of proof for proving the transport of goods and their exemption from tax upon delivery to the other Member State. Article 45a has been implemented in the Act, which imposes the obligation to have two documents issued by persons independent of the seller and the buyer in order to apply the tax exemption on delivery to the other Member State. According to the information issued, this obligation does not apply to cases where the transport is provided by the seller's or buyer's own means of transport, which is completely new information.

In our opinion, this possibility does not clearly follow from the law or the directive, and therefore we recommend securing documents that prove transportation. Our colleagues have already covered this topic in the February issue of our newsletter. It is still true that in order to exempt the supply of goods, there must be an actual movement of goods from the Czech Republic to another Member State. The list of means of proving a shipment is not exhaustive in Article 45a of the EU Implementing Regulation and can be proved in other ways. In any case, if you follow the methods set out in Article 45a, you increase the degree of certainty that the tax administrator will not question the exemption. We recommend that you always have CMR transport documents and at least a confirmed receipt of the goods from the customer, on which the specific person who physically receives the goods and his signature confirming receipt of the goods will be indicated in block letters.

In conclusion, there is nothing left but to state that while the conditions for tax exemption for the supply of goods to another Member State have been tightened, their fulfilment nonetheless brings greater certainty. We hope that the tax administrator will stick to the information issued by the General Financial Directorate and will only require independent documents if the transport is provided by a third party. Nevertheless, we recommend having the documents secured and, in case of uncertainty, contacting an experienced professional.

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DELIVERY IN LABOUR RELATIONS AFTER 30 JULY 2020

On 30 July 2020, the first part of an extensive amendment to the Labour Code came into force, which newly regulates the service of documents in labour relations. According to the old legislation, the employer could proceed with the delivery of documents by post only after it was not possible to deliver the document in person at the workplace, to the employee's residence, or anywhere else where the employee could be found.

The new legislation removes this hierarchy and sets simpler rules. The employer delivers all important documents to the employee, preferably to his own hands, at the workplace.
The range of important documents remains the same even after the amendment: establishment, change or termination of employment, dismissal from the post of manager, salary and salary assessment, and a record of a breach of the regime of temporary work incapacity.
If personal delivery is not possible, the employer can now choose from the following delivery options:

- wherever the employee is found;
- by post;
- by electronic communication; or
- via the data box.

When delivered by post, the amendment emphasises the activity of the employee. The employer will now deliver the documents to **the employee's last stated address.** It is therefore in the employee's interest, and at the same time their responsibility, to inform the employer in writing about the change of address.
The amendment further eliminates the discrepancy between the conditions of the Czech Post and the Labour Code concerning the deposit period for documents. The storage period in the amendment to the Labour Code was 10 working days, while the conditions of the Czech Post stipulated 15 calendar days. Newly, an employee who was not found when the document was delivered by post will have **the opportunity to pick up the document within 15 calendar days.**
The employee will be invited, by written notice of unsuccessful delivery of the document, to collect the document within 15 days. At the same time, they will be told where, from what day and at what time they can pick up the document. The notice must also inform the employee of the consequences of refusing to accept a document or failing to cooperate. **If the employee does not collect it within this period, the document will be considered delivered on the last day of this period.**
There is also a certain innovation in the electronic delivery of documents to employees. It is now possible to **deliver a document to the data box** if the employee has given their written consent (the employee must, of course, already have a data box set up). If the employee does not register within 10 days from the date of delivery of the document to the data box, the document is considered delivered. **Employees can also deliver documents to the employer's data box, if it agrees.** However, unlike the delivery of documents to employees, the document is considered delivered on the day of delivery to the employer's data box.
The last change, leading to greater protection of the employee, is the introduction of the fiction of delivery of a document to the employer, which responds to cases where the employee cannot deliver the document to their employer because the employer is no longer in the place of residence or branch. Therefore, if the employer refuses to accept the document, does not provide cooperation or otherwise prevents the delivery of the document at the place of its registered office, the document is considered delivered on the day this occurred.
These changes are undoubtedly a step forward in terms of efforts to eliminate problems associated with delivery of documents in labour relations, whether it is the removal of the hierarchy or the harmonisation of deadlines for the Labour Code and the Czech Post. On the contrary, the biggest shortcoming of the amendment is the failure to consider a very current and real need, namely the simplification or „access" of delivery by e-mail for employers and employees.

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TAX RELIEF AND OTHER STATE SUPPORT TO COMPANIES AFFECTED BY THE CORONAVIRUS

People and companies in the Czech Republic have been affected by the second (autumn) wave of COVID-19, which among other things brings economic risks for all businesses. The aim of this article is to briefly present the options that can help companies in at-risk sectors overcome the difficult lockdown period. I will primarily discuss tax reliefs, both those introduced in connection with the second wave of the pandemic and those that have been in place for some time and which can also be used to reduce the economic burden.

Tax reliefs received in connection with the second wave of COVID-19
As closed or significantly reduced branches of business increased over time (first by banning certain branches from 14 October, followed by a stricter ban on almost all branches of business operating in establishments from 22 October), the number of businesses with the option of drawing tax relief increased proportionally.
At present, businesses that are unable to carry out their activities in their premises as a result of government measures, if they meet the following conditions, can automatically benefit from tax relief in the form of: **(i) deferral of VAT, (ii) waiver of income tax advance and remission of the advance on road tax, (iii) remission of VAT on gratuitous supplies related to the use or production of protective equipment against COVID-19.** The individual reliefs will be described in more detail below.
A necessary condition for the possibility of drawing relief is that the predominant part of the income from the period from 1 June 2020 to 30 September 2020 stems from activities that were banned or severely restricted by government regulation from 14 October 2020 or further,

from 22 October 2020. The purpose of this measure is primarily to help those affected entities that have lost a significant source of their income as a result of the government measures. If a business has lost its predominant income due to the closure of its establishment and intends to use the tax benefits in question, **it must notify** the tax office that it is one of the affected entities and that it meets the condition of losing most of it income due to the government measures. It is, in principle, a form of solemn declaration. Notification can be done either via the data box or for many businesses in a simpler way: by e-mail.

1) Deferment of VAT payments

The collective deferral of VAT payments applies to the tax periods **from September to November 2020**, i.e the **third quarter of 2020.** If a tax entity pays VAT for the tax periods in question by **31 December 2020** at the latest, it will not accrue interest on arrears, which is always associated with late payment of tax. This is not a complete exemption from the obligation to pay VAT or a postponement of the tax due for individual tax periods. There is only a period created during which businesses will not be sanctioned by the late interest in question for late payment (I repeat again, no later than 31 December 2020). Related to this is the fact that if VAT has already been paid for September 2020 or for the third quarter of 2020, it is not possible to demand payment of this tax back from the tax administrator.

I would like to draw your attention to one essential aspect associated with the default interest waiver regime applied. If the taxpayer pays VAT for the tax periods in question after the due date (e.g. VAT for October 2020 will not be paid until 15 December), it will not be forced to pay interest on arrears. However, by law it has not fulfilled its obligation to pay the tax due. Although this de jure infringement does not have the effect of creating tax accessories, it may constitute a breach of the conditions in the case of a standstill regime, or it may have a negative effect on the application for debt-free status. Therefore, as a precaution, I recommend that businesses, to which the automatic waiver of default interest would apply and which report high amounts of VAT in their tax return, formally request that this tax be deferred, for example by 31 December 2020. In the deferral regime, they will not be regarded as tax debtors.

For the sake of completeness, I would add that n**othing changes with respect to the obligation to file VAT returns for the given tax periods in due time.** The same applies to control reports.

2) Waiver of advances on income tax and road tax

The second tax measure follows from the first (VAT deferral). It primarily aims to strengthen business cash flow. Again, **there is no complete waiver of the tax liability** as such, only a waiver of the advance payment in 2020.

The exemption from income tax advances applies to both natural and legal persons, namely advances due in the period from 15 October 2020 to 15 December 2020. The exemption from road tax advances applies to advances for the entire tax period of 2020 (advances due by 15 April, 15 July, 15 October and 15 December).

Unlike the deferral of VAT, if the business has already paid an advance on income tax due in a specified period, or an advance on road tax, the **tax administrator can request a refund.** In the case of advances on road tax, all advances for the whole year 2020 are waived, i.e. businesses can apply for a refund of advances that they may have paid in April, July or October this year. They are thus able to strengthen their cash flow by 31 January 2021, i.e. by the due date for filing a tax return for road tax.

3) Exemption from VAT on gratuitous transactions related to the production of protective equipment against COVID-19

Businesses can continue (this measure was already in force in spring 2020) to donate material for the production of protective equipment against COVID-19 to persons who are authorised for this production, without being obliged to pay output VAT on this free supply.

Benevolence also applies to the donation of protective equipment itself to components of the integrated rescue system. The decision of the Minister of Finance precisely defines the goods for which this regime can be used. Therefore, I recommend businesses that intend to help in this way to always check that the donated material is included in the exhaustive list. If it is not, the payer will be obliged to pay output VAT on the gift in question (free delivery of goods).

Other tax reliefs already in force

In addition to the reliefs mentioned above, which are now in force with the second wave of the pandemic, there are others that are able to deal with the crisis situation just as effectively. Unlike the aforementioned measures, which can be used primarily by directly affected businesses, the ones I will discuss below **apply to all business entities** that have lost their customers as a result of government measures, or are otherwise economically affected by the situation.

Delay mode, distribution of tax payment into instalments

Any taxpayer who has been indirectly economically affected (e.g. by a failure of demand, a failure of supplies of materials or goods) is entitled to ask the tax administrator **to delay the tax liability** or to **spread it in instalments.** If the application is accepted, the tax administrator will provide the tax subject with a longer time interval for the payment of the tax due. Even in this case, it is not a definitive tax exemption (a tax exemption based on an individual application is not even permitted by law). The delay mode has several advantages. The tax subject is not listed as a debtor (the tax administrator is not entitled to recover the arrears, the tax subject can apply to be debt-free), at the same time interest on arrears of 14% plus the repo rate does not run for the delay, but only interest on arrears, which reaches half the amount of interest on arrears. **Until 31 December 2020**, interest on arrears even arises due to the decision of the Minister of Finance. The taxpayer thus de facto borrows free of charge until the end of the year. In the case of payment in instalments, it is necessary to ensure the punctuality of repayment. Late payment of even one instalment means the automatic end of the set regime and the „payment" of the rest of the tax arrears.

As there is no legal claim to the application, the tax administrator will assess each application individually. It must necessary be duly substantiated and supported by evidence upholding that reasoning. I believe that in light of the current difficult economic and social situation, the tax authorities will take a friendly approach to applications. An application for delay is normally subject to an administrative fee; however, it is waived for all applications submitted by the end of 2020.

Forgiveness of advances

You can also use the individual waivers of advances (e.g. on income taxes or road tax). Unlike the automatic waiver for directly affected businesses (see above), the tax administrator will again, as in the case of a request for delay, assess specific circumstances and make individual decisions. As in the case of a request for delay, it will depend on how well the request for a waiver of advances is justified, including substantiating the relevant evidence. The advance can be perceived as an early repayment of tax liability incurred in the future, while its calculation does not reflect the economic result of the current tax period. Therefore, if the business expects that 2020 will not be as successful as 2019, or will be a loss-making year, the tax administrator should comply with the application for a waiver of the advance. I recommend that the application document the current economic results in the form of the most up-to-date statements possible.

Retroactive application of tax loss

Another way to „fight" against the unfavourable economic situation is to ask the tax administrator for a refund of already paid income tax liability for the previous two tax periods, provided that the tax period of 2020 will be loss-making (until now in the years following the loss).

This is the institute of the so-called retroactive application of tax loss. If the business already expects a loss for 2020, it will be able to offset this loss with the tax liability for the two previous tax periods and ask the tax administrator to refund the tax already paid. The whole process should be fast, from the application to the disbursement of funds. At first glance, this is an interesting assistance tool (mainly cash-flow), but I would point out two pitfalls that are associated with it. First, it is necessary to take into account that the so-called preclusive period for the previous tax period, for which the tax administrator will return the paid tax, can be significantly extended, and therefore the period for which the administrator is authorised to carry out a retroactive inspection. Second, there is a risk that the amount of the tax loss incurred will be incorrectly estimated compared to the reality (reported in due time in the tax return for 2020). If the business overshoots its estimate (the tax loss will in fact be lower than it estimated), it will be forced to return the difference, including interest on arrears.

Conclusion

We are all aware that today's economic reality is not very favourable. Tax and other measures seek to maintain the level of employment and cash flow of companies. Some of them apply to businesses automatically; for others the entities must be active. Therefore, if you are an affected group and are running out of liquidity, contact your advisor, who will find a solution.

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CYBERSECURITY SERIES: MEASURES TO PREVENT ATTACKS

We continue our series of articles on cybersecurity, this time on key measures to secure your business:

Given that more than 40% of cyberattacks directly exploit the human factor, it is a necessary measure to train employees in cybersecurity, including simulations of attacks on specific people in your company. A cyberattack could have a devastating effect on a society already hit by the coronavirus.

Key measures in the field of cybersecurity

To minimise risks and reduce the likelihood of cyberattacks and data leaks, and to minimise financial impacts in particular, we recommend the following measures:

1. It is true that paper can withstand everything, but cybersecurity should also be underpinned by your formal internal guidelines. At the same time, you should be able to assess the risks and implement measures to mitigate them. In addition, this method will provide you with a suitable tool for ensuring cost-effectiveness.
Formal documentation in the form of internal regulations is the foundation and defines the responsibilities of your users and suppliers. Thanks to it, the framework of their responsibilities and requirements for the company is set.

2. The human factor is one of the most vulnerable elements, so it is necessary to emphasise the regular training of all your users, preferably not only in the form of traditional e-learning, but also ongoing information about new threats. A simulated campaign containing various fake e-mails is also suitable.
Most companies use third-party services, such as various cloud solutions, social media, payment gateways, and more. These places usually store your sensitive data or the data of your company. Using the same tools and methods used by today's cybercriminals, our „ethical hackers" can simulate cyberattacks to uncover vulnerabilities in your company.
To prevent leaks of sensitive information, regular and thorough training of personnel in cybersecurity is required. Running phishing campaigns on your own employees will provide you with information and statistics that can be used to properly train them and help their further self-development.

3. Regularly test for vulnerabilities in your computer network and perform penetration testing at least once a year.
The security test consists of several effective methods of assessing an organisation's resilience to cyberattacks. It will allow you to identify technical, organisational and human vulnerabilities that can pose a risk to your company's reputation and financial and operational capabilities. In addition, security testing helps increase awareness of IT and information security in your organisation.
At BDO, we approach testing as follows:

4. Do not use products with discontinued support from the manufacturer, as they pose a great risk.
Products without manufacturer support pose a significant risk to the company. If a new vulnerability is identified, corrective updates are no longer issued for them and they subsequently pose a great risk to the company's computer network.

5. Use only multifactor login for services available from outside the network (internet).
If login is contingent on a second factor (e.g. SMS), protection is provided in case the user's password is leaked. This leakage is risky mainly due to the user's frequent use of the same password in various services, including public ones. Another authentication factor ensures that additional information is required for a successful login.

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MARK IN YOUR CALENDARS: EVENTS AND WEBINARS

Join our traditional trainings in a non-traditional way. Even in this difficult situation, we will introduce you to news and planned changes in the field of taxes, HR, accounting and legislation.
You can complete the training from your office or from home on your computer or mobile device. Before the event, you will receive a link to easily connect to the webinar.

WEBINAR: EXPERIENCE WITH 2020 TAXES AND NEWS FOR 2021

▶ 2 DECEMBER 2020

Like every year, we have again prepared a seminar for you which aims to explain all the main amended provisions for 2021 concerning income tax and value added tax. We will also touch upon the most important changes in connection with the filing of tax returns for 2020. You will also learn about news in the area of financial statements and we will talk about changes planned in 2021.

WEBINAR: EXCHANGE OF INFORMATION ACCORDING TO DAC6

▶ 3 DECEMBER 2020

We have prepared a webinar in which we will introduce you to the changes associated with the notification obligation valid in the Czech Republic since 2021. We will discuss news and deadlines, the form of reporting and other obligations of intermediaries associated with notification. You will also learn what the potential sanctions are for not reporting correctly.

EVENT: FINANCIAL STATEMENTS FOR 2020 AND NEWS FOR 2021

▶ 14 DECEMBER 2020

This year, we have prepared another in our traditional series of seminars for you. It aims to explain all the changes that 2020 brought in accounting and to point out the steps you need to take when closing out the business year. We will also talk about the changes planned for accounting and related tax regulations in 2021.

WEBINAR: CURRENT CHANGES IN TRANSFER PRICING

▶ 26 JANUARY 2021

In cooperation with the General Financial Directorate, we have prepared a webinar in which we will discuss the main factors and recommended changes in the contractual documentation you need to consider in the area of transfer pricing. In the context of the economic changes related to the COVID-19 pandemic, with companies in all tax jurisdictions facing its effects, large multinational groups can be expected to report consolidated losses. This is an exceptional situation, but even so, it can be expected that the financial administration will check whether Czech routine producers covered all costs and generated the usual market profit. Given that because of local government measures routine producers may not be able to cover all fixed costs, let alone generate profit, it will be especially important to analyse the reasons that led to such an outcome.