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CE Tax&Legal Highlights

May 2019

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Czech Republic

Digital tax in the Czech Republic

At the end of April 2019, the Ministry of Finance of the Czech Republic announced its intention to introduce a draft bill on taxation of income from digital services by the end of May 2019. The Ministry seeks to start collecting tax on digital services in the Czech Republic in mid-2020.

Following other European states, such as France, Spain or Italy, the Czech Republic decided to tax digital services on a national level after certain states had refused the European Commission's proposals of a coherent EU approach to digital services taxation at the ECOFIN meeting held on 12 March 2019 (note: adoption of a coherent approach requires an unanimous approval of all Member States). Let us remind you that the European Commission proposed two separate directives on digital services taxation a year ago (specifically on 21 March 2018), namely a proposal for a Council directive on the common system of a digital services tax on revenues resulting from the provision of certain digital services and a proposal for a Council directive introducing the institutes of a digital permanent establishment.

Czech solution

Although the Czech concept of digital tax should be partly based on the first of the above-mentioned directives of the European Commission, by adopting a national solution the Czech Republic entirely changes its position declared in the past. In October 2018, the Czech Republic preferred a full scope solution at the OECD level and only accepted the European Commission's proposal to introduce digital turnover tax as an interim solution.

In the Czech Republic, digital tax should be imposed on income from selected Internet services (namely income from Internet advertising or income from the sale of data collected on digital interface users) that are provided by companies with their global turnover exceeding EUR 750 million in the Czech Republic.

Discussions are underway to determine the minimum amount of turnover of a company providing the selected types of digital services in the Czech Republic in order to impose the tax on as many entities operating on the Czech market as possible.

Based on its preliminary calculations, the Ministry assumes that digital services tax of 7% should increase the state budget by an additional CZK 5 billion.

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When do Businesses become Entitled to Interest Paid by the Tax Administrator

Businesses often find themselves in a situation where they become entitled to interest as a result of the tax administrator's actions or negligence. However, in practice, we often come across cases where the tax administrator does not pay the interest to the taxpayer at all or pays an amount that is lower than the one to which it is entitled by law or based on the administrative courts' judicature. When should the entitlement to interest be claimed then?

Interest on an Audited Excessive Deduction

In auditing an excessive VAT deduction claim made, the tax administrator must be aware of the "cost" of the time devoted to the audit if it transpires that the payer's assertions are true. The "cost" consists of interest on the VAT deduction, which, in some cases, may amount to 14% of the excessive deduction per year.

The issue of compensation, which is supposed to balance out the taxpayer's financial disadvantage resulting from an unreasonably long audit of the excessive deduction, which would not have occurred if the excessive deduction had been immediately paid out, has undergone significant development in the past five years. However, interventions by administrative courts, namely regarding the amount of the interest, may continue to be expected, for which reason we recommend that you actively enforce your interest claim against the tax administrator.

Interest on the Tax Administrator's Unjustified Actions

Another situation when a business may become entitled to interest as a result of the tax administrator's actions or negligence is the issuing of an unlawful ruling. If the tax administrator had issued a payment assessment that was subsequently cancelled for unlawfulness or an incorrect administrative procedure, the taxpayer becomes entitled to interest on the incorrect determination of tax from the amount that it paid based on or in relation to the unlawful payment assessment during the period from its payment to its refund. The entitlement to interest on the tax administrator's unlawful actions may also originate if the tax administrator applies an incorrect administrative procedure.

At the annual rate of 14% or more depending on the Czech National Bank's repo rate, the amount of interest on the tax administrator's unlawful actions is not immaterial.

Businesses most frequently become entitled to the interest if the court issues a ruling that revokes the financial administration's ruling for unlawfulness, for example when the period for determining tax has expired, a legal regulation has been incorrectly applied or a payment security order

has been cancelled. However, the business may also become entitled to interest on the tax administrator's unlawful activities if the payment assessment is cancelled or amended as early as during the appellate proceedings, for example owing to an income tax overpayment arising from tax prepayments made.

Interest on a Refundable Overpayment

The tax administrator is obliged to refund a tax overpayment within 30 days from receiving a request for the refund. In respect of a VAT overpayment (excessive deduction), the period is 30 days from its assessment, i.e. the delivery of the payment assessment. In some situations, the deadline for refunding the overpayment is only 15 days, for example in respect of overpayment refunds resulting from the expiry of the payment security order or the tax administrator's unlawful actions.

If the tax administrator does not observe the deadline, the business becomes entitled to interest on the refundable overpayment also at 14% per year. To receive it, an application must be filed to the tax administrator.

Therefore, in practice, situations may occur when the business makes an overpayment as a result of the tax administrator's unlawful ruling (e.g., owing to the expiry of the period for determining tax) which the tax administrator fails to automatically refund to the business within 15 days, and the business must actively defend itself against the tax administrator's incorrect procedure. Besides interest on the tax administrator's unlawful actions, the business will also become entitled to interest on a refundable overpayment. The tax administrator may further exacerbate the situation if it does not automatically refund the interest on its unlawful actions, whereby the interest also becomes a refundable overpayment following its allocation to the personal tax account and the tax administrator is obliged to refund it within 15 days.

Knowing the regulations and judicature is worth the effort

Therefore, it may be concluded that legislation compensates taxable entities for the tax administrator's default and sanctions the tax administrator's incorrect administrative procedures or unlawful rulings through interest that is applied to multiple situations. However, given the diversity of the situations, businesses that wish to enforce their rights must have a greater knowledge of legal regulations and the administrative courts' judicature.

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The Supreme Administrative Court on (in)dependence and (non)creation of permanent establishment

The Supreme Administrative Court cancelled a rather disputable decision of the Regional Court in České Budějovice issued at the beginning of last year on the grounds of its unreviewability. It also stated several significant facts in its ruling (ruling 2 Afs 103/2018 – 46) regarding the approach to assessing the criterion of an agent's dependence, ie, the role of commentary in interpreting the Double Tax Treaty.

The case dealt with quite a complicated situation. The tax administrator deduced that the Czech company ES (which considered itself to be a German tax resident based on its place of actual management in Germany and taxed the income achieved from the business activity in Germany in compliance with the provisions of the Double Tax Treaty concluded between Germany and the Czech Republic) generated the income from sources in the Czech Republic through a permanent establishment as a dependent agent. The permanent establishment in the Czech Republic was to be established by means of a contractual relationship with an unrelated Czech company MSV that provided various administrative and client services to ES as this company did not have any employees in the Czech Republic.

The primary business activity of ES is the sale of work clothes and work aids and the tax administrator deduced that the activities performed by MSV for ES under a contract represented an independent and indispensable part of the business activities of ES, not just the activities of preparatory or auxiliary nature. Since MSV performed these services on a long-term basis and systematically (the contract was concluded for an indefinite period of time) and taking into account other circumstances (webpages in the Czech language, phone number and contact place in České Budějovice), the tax administrator concluded that in this situation it was possible to see the intent to approach an unlimited number of clients with the aim of realising business deals there, ie, also profits. The Regional Court in its ruling 50 Af 33/2017 – 32 confirmed the conclusion of the tax administrator.

What about the Supreme Administrative Court

First, the Supreme Administrative Court stated that the decision of the Regional Court is unreviewable as it had stated inaccurate or misleading data in the substantiation thereof that did not correspond to the contents of the tax administrator's file and findings. Subsequently, it gave a statement on the merit of the case – ie, on the construction of the Double Tax Treaty (DTT), and especially the relevant article dealing with the creation of permanent establishment through a dependent agent.

Primarily, it gave a statement that a model treaty (and the commentary thereon) can be used as additional means to interpret the DTT, whereby it is necessary that the interpretation corresponds to the text of the concluded treaty (through which it de-facto confirms the so-called historical approach to the interpretation of the commentary and model treaty): "The additional means of interpretation can undoubtedly also include the so-called OECD model treaty as a sample document based on which the relevant international convention was concluded between two particular countries (contracting parties). In this sense the model treaty can be, with a certain amount of simplification, compared to the explanatory memorandum of a

bill of act. It is not a source of law but interpretation guidance on a retrospective deduction of the intent of contracting parties. As a matter of logic, such a purpose can be performed by the model treaty (and the commentary thereon) only provided the text of the model treaty in its decisive sections fundamentally corresponds to the text of a concluded and ratified international treaty."

Subsequently, the Supreme Administrative Court engaged in assessing the creation of the permanent establishment. It stated that the provisions of Article 5(4) of the DTT expressly determined as one of the conditions of the qualification of a person as a dependent agent that such a person was not simultaneously an "independent agent" in which the court refers to the determination of independent agent pursuant to related Article 5 of the DTT. According to the Supreme Administrative Court, the tax administrator did not deal at all with the commentary on this article in its decision, it only stated that the "activity of MSV represented an independent and indispensable part of the business activities of the tax person that could not be considered the activities of preparatory or auxiliary nature or the activities of an independent service provider."

Referring to the interpretation of the commentary, the Supreme Administrative Court states that a certain person can be considered an independent agent, if it is independent of a company both legally and economically and, simultaneously, in acting on behalf the company, it acts in the normal course of its business.

Specifically, the SAC states the most relevant criteria to assess the dependence:

Legal and economic independence of the agent depends on the scope of the obligations the agent has in relation to the company. If its activity is subject to detailed instructions and broad supervision by the company, such a person cannot be considered independent of the relevant company.

Another criterion is whether a business risk is borne by the agent or the company itself. The independent agent will not generally be subject to substantial control as regards the manner in which it performed work for the company. Also, it will not be subject to detailed instructions by its superior regarding the manner in which it is to perform the work.

The fact that a principal relies on special skills and knowledge of the agent is a sign of independence.

Another factor that must be taken into account in assessing the question of independence is the number of principals to be represented by the agent. The independence is less probable, if the activities of the agent are, in the course of their performance or on a long-time basis, performed exclusively or almost exclusively for one company. To assess the question of whether the activities of the agent represent an autonomous business of this agent as part of which it bears risks and is rewarded for applying his business skills, it is necessary to take into account all facts and circumstances. If the

agent acts as part of its normal business activity for multiple principals and none of them are a main principal from the perspective of the activities performed by the agent, the legal dependence can exist, if the principals act in agreement in controlling the activity of the agent performed on their behalf. Persons cannot be considered the persons acting as part of their common activity, if, instead of the relevant company, they perform the activities that, from an economic point of view, fall within the sphere of the company's activity rather than in the area of their own business activity.

Based on the above-mentioned the SAC concluded that the permanent establishment of ES had not been created in the Czech Republic through a dependent agent and thus the Czech Republic is not entitled to the taxation of (a part of) profits of this company in compliance with Article 7 of the relevant DTT.

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Kosovo

The Republic of Kosovo and the Republic of Malta have signed a Double Tax Treaty.

The tax treaty has been ratified by Kosovo's parliament and has been duly promulgated by Kosovo's President, and awaits ratification from the Maltese authorities. Once ratified, it will be applicable as from 1 January of the following year.

The tax treaty is of considerable importance, intended at further developing the economic relationship and enhancing the co-operation in tax matters between Kosovo and Malta.

Significant provisions of the tax treaty and deviations from the OECD model include amongst others:

- With respect to dividends, the treaty foresees different provisions for Malta and Kosovo as follows:
  - For Malta tax resident deriving income in Kosovo, the tax levied on dividends paid out by a company to a resident of the other contracting state (Malta) shall not exceed 10%. Additionally, if the beneficial owner of the dividends is a company, which holds directly at least 10% of the capital of the company paying the dividends throughout a 365-day period, such dividends shall be taxable only in the contracting state of which the beneficial owner of the dividends is a resident (Malta).
  - For Kosovo tax resident deriving income in Malta, the tax levied on dividends paid out by a company to a resident of the other contracting state (Kosovo) shall not exceed the chargeable tax on profits.

- The tax levied on interest paid out by a company to a resident of the other contracting state shall not exceed 5%. In cases such as; loans from banks, collective investment schemes and intercompany loans, interest shall be taxable only in the country of the beneficiary.

In terms of elimination of double taxation, the Treaty foresees the credit method to be applicable in both Kosovo and Malta.

Poland

Statement on non-payment of withholding tax or application of preferential WHT rate. Are you ready to sign it?

The most important WHT regulations are just around the corner - they take effect as from 01 July 2019. The Ministry of Finance has recently published interactive electronic WHT returns. The statement to confirm meeting the conditions for non-payment, exemption or preferential rate of WHT (WH-OSC) calls for particular attention.

If, after 30 June 2019, a domestic entity makes a cross-border payment of dividends, interest, royalties or pays for a number of intangible services (over the limit of PLN 2 million per one contracting party), it has two options to choose from:

1. to collect and pay withholding tax (WHT) at the standard domestic rate of 19% or 20% and leave it to the foreign contracting party to apply for a tax refund under the relevant procedure, or
2. to ensure that the management board of the withholding agent, in practice the management board of the company making the payment, submits and signs the statements contained in the WH-OSC form, as this will allow the domestic entity not to charge WHT or to apply a preferential WHT rate.

The statement and withholding tax

The WH-OSC statement reads as follows:
"I hereby declare that the withholding agent holds the documents required under the tax law to apply a tax rate, to apply a tax exemption or not to levy the tax on the basis of specific provisions or double tax treaties.
I further declare that having conducted the check referred to in Article 26(1) of the Act of 15 February 1992 on Corporate Income Tax, I have no knowledge justifying the assumption that there are circumstances excluding the possibility to apply a tax rate, to apply a tax exemption or not to levy the tax on the basis of specific provisions or double tax treaties, and specifically I have no knowledge of any circumstances preventing the fulfilment of the conditions referred to in Article 28b(4)(4) to (6) of the said Act. In the situation referred to in Article 26(7d)(2) of the Corporate Income Tax Act of 15 February 1992, I also declare that the statement referred to in Article 26(7a) of the said Act has been submitted by all required persons."

As per the above, the management board of the withholding agent declares that WHT has not been collected or has been collected based on preferential rules, if the two conditions below are jointly met, i.e.:

- the withholding agent, in compliance with the "due diligence" standard, has verified, collected and holds the required formal documents, in particular legal documentation concerning the regulated obligation (agreements, resolutions), tax documentation (the recipient's tax residency certificates, transfer pricing documentation) and bank evidence (copies of transfers or other forms of settlement), potentially also other documents, and
- having checked all the circumstances of the payment made (also in accordance with the "due diligence" standard), the withholding agent's

management board has no knowledge allowing it to assume that the recipient of the payment is not its beneficial owner.

Who should submit the statement on non-payment of withholding tax or application of a preferential WHT rate?

The statement should be submitted by all management board members of the entity that makes the payment and, in the absence of the relevant internal regulations, all of management board members bear the same responsibility. In particular, in the light of the newly introduced Article 56c of the Penal Fiscal Code, the fiscal penal liability is borne by the person who "*provides untruth or conceals the truth in the statement concerning the exercise of due diligence when checking the grounds for applying a reduced rate or exemption or the statement concerning checking and holding documents to confirm the legitimacy of applying a reduced rate or exemption.*"

Clearly, if an entity intends to submit the WH-OSC statement, it first needs to develop and implement all the required procedures of verification and documentation of the legitimacy of applying the relevant WHT rate, as well as introduce internal regulations to govern the liability of individual board members and key financial department personnel for tax matters. Please keep in mind that there is little time left before the new requirements become binding.

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A new regulation on cash registers - changes also to apply cash registers now in use

A new regulation of the Minister of Finance of 29 April 2019 on cash registers was announced on 30 April 2019. It concerns both the cash registers that are currently used and online cash registers. As per the regulation, the majority of the new rules came into force on 01 May 2019.

Online cash registers

The VAT Act has introduced a new type of cash registers admitted to use as from 01 May 2019. At the same time, the VAT Act also allows VAT payers to continue using the old cash registers: dual-roll cash registers (a copy printed on paper) and cash registers with electronic copy functions. As a consequence of these changes, there was a need to issue a new regulation to lay down the methods of registering transactions and the terms of using online cash registers as well as the cash registers of the 'old' type.

What's new? Selected changes concerning traditional cash registers

The new regulation amends the principles of using cash registers and methods of keeping records regardless of which type of cash register the taxpayer uses. Below we discuss selected changes in this regard.

Statement to confirm that the taxpayer has read and understands the rules of keeping records

The regulation imposes a requirement for the person responsible for keeping records of sales with the use of a cash register at the taxpayer's to confirm having read the instructions and rules concerning proper record-keeping and issuing fiscal receipts, as well as the consequences of non-compliance with these obligations. In line with the Regulation, the person designated by the taxpayer to keep the records of sales will make a statement - in two identical copies - confirming that they have read and understood these rules and the consequences of non-compliance. The statement should be submitted to the taxpayer before the designated person starts the record-keeping activities - one copy will be passed on to the taxpayer, and the other will be kept by the person making the statement. There is no requirement to submit the statement to the tax office. With respect to the persons who started keeping the records before the effective date of the Regulation, **the relevant statement will need to be made by 31 May 2019.** A template thereof is attached as an Annex to the Regulation.

Letter codes

Under the Regulation, the fiscal cash register should attribute letter designations from 'A' to 'G' to the relevant tax rates as follows:

- letter "A" - the tax rate of 22% or 23%,
- letter "B" - the tax rate of 7% or 8%,
- letter "C" - the tax rate of 5%,
- letter "D" - the tax rate of 0%,
- letter "E" - tax exemption,
- letters "F" and "G" - other tax rates, including 0% (technical zero) in the case of sales of tourism services or supply of second-hand goods, works of art, collectors' items and antiques.

The final deadline for allocating the above designations lapses on 31 July 2019.

Other selected changes

- lack of obligation to issue a fiscal receipt to the buyer if records are kept using cash registers placed in automatic vending machines - on condition that the taxpayer provides the buyer with the possibility to view the data of a given transaction by displaying them on the automatic vending machine;

- obligation to place the cash register display in a place where the buyer can read the displayed data;

- introducing the possibility to change the entity providing cash register maintenance services without the need to obtain the consent of the entity running the main register maintenance services:

- establishing a national list of authorised maintenance technicians. The list of service technicians will be maintained by the Head of the National Fiscal Administration;

- separate rules concerning the obligation to issue and provide a receipt for the advance payment, depending on the advance payment type. In case of advance payments:

    1. received in cash (also by means of a payment card) - upon receipt of the cash,

    2. non-cash receivables received by mail, through a bank or a savings and loan cooperative (to the taxpayer's account) - immediately after the receivables are credited to the taxpayer's account, but not later than at the end of the month in which the receivables were credited to the account, and if the sale was made before the end of the month, not later than at the time of its making.

What next?

First of all, the taxpayers selling goods and services registered with the use of cash registers should appropriately plan the process of carrying out their duty to ensure that the persons designated to keep the records of sales are familiar with the regulations concerning correct issuing of receipts and the consequences of non-compliance. In this respect it is also crucial to collect - **by 31 May 2019** - the statements confirming that the persons responsible for keeping the records have read and understood the above-mentioned rules and consequences. Then the taxpayers need to make sure that all required procedures are in place to guide new employees responsible for keeping the records of sales through their obligations.

Another pressing issue from the perspective of the provisions of the Regulation is to attribute correctly the VAT rates to the letter designations from 'A' to 'G' in the cash register - this should be done **by 31 July 2019.**

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Planned changes to the list of excise goods. Reintroduction of excise duty and transportation package (SENT) obligations for products falling within CN code 3824

The governmental legislative work on the so-called "fuel package 2.0", i.e. the Act amending the VAT Act and some other acts (hereinafter: "Draft" or "Draft Act"), is now in progress. According to the current wording of the proposed regulations, as of 1 July this year certain products falling within CN code 3824 once again will be classified as excise goods. Apart from the obvious consequences arising from the excise duty regulations, this change will also impact the obligations linked with monitoring the transportation of goods under the SENT system (Transportation package).

What is it all about?

Fuel package 2.0 constitutes the next stage of implementing the regulations aimed to seal the Polish excise tax regime. In addition to the revolution linked with subjecting lubricating preparations to excise tax, which was discussed in the previous issue of our Excise Express, the Draft also proposes to impose the obligations resulting from the Excise Duty Act on certain new - though in a sense old - types of products.

Among others, the Draft proposes to change the Excise Duty Act by adding the goods classified under the following CN codes: 3824 99 86, 3824 99 92, 3824 99 93 and 3824 99 96 - other chemical products and preparations of the chemical or allied industries (including those consisting of mixtures of natural products) not elsewhere specified or included - to the catalogue of energy products, if they are intended for heating or propulsion purposes. At the same time, the above products (apart from antirust preparations containing amines as active ingredients, composed of inorganic solvents, thinners for varnishes and similar products) are also to be included in Annex No. 2 to the Excise Duty Act containing the list of excise goods to which the excise duty suspension procedure applies and whose production should, as a rule, take place in a tax warehouse.

What does this mean?

In line with the explanatory statement accompanying the Draft, the rationale behind this change is to help resolve interpretative doubts concerning the excise goods (Chapter 38 of the Combined Nomenclature) intended for heating or propulsion purposes which may occur after the exclusion of the goods classified inter alia to code CN 3824 90 97 from Annexes Nos. 1 and 2 to the Act on Excise Duty (binding as of 1 January 2019). As it turns out, the replacement (in a sense) of the above CN code with CN 3826 00 taking effect as of the end of 2018 has left only a small portion of products classified in 2009 as CN 3824 (until the end of 2018 this products constituted excise goods).

The list of excise goods is now to be extended to include the goods that were removed from that catalogue at the end of 2018. It should be noted here that the Combined Nomenclature changes practically from year to year and the CN codes assigned to particular products in 2009 do not necessarily correspond to those in force, e.g. in 2018 - as is the case at issue.

Regardless of the excise tax consequences, in accordance with the currently binding regulations on the transportation package (SENT), the goods

classified under CN 3824 are subject to transport monitoring obligations only if they are excise goods listed in Annex 1 to the Excise Act. Given the fact that as of 1 January 2019 the products classified under CN 3824 were removed from the excise goods' list, the entities trading in such goods could limit the scope of their activities related to monitoring the transport of such products by means of SENT. The changes in excise regulations contained in the Draft Act, which consist in reinstating the products under CN 3824 in Appendix No 1 - if they come into force - will result in subjecting the relevant CN goods to the SENT monitoring obligation once again.

In addition - and it may prove to be equally important, subjecting the above products to the requirements of the transportation package (SENT) may result in imposing additional obligations on the entities trading in these goods, such as the duties linked, e.g. with the establishment of a user account and registration of the company with PUESC (Electronic Services Portal of the Customs Service) platform to enable submission of goods transportation declarations and confirmations of their receipt.

What next?

According to the planned amendments, selected goods under CN code 3824 will be reclassified as excise goods, which may trigger additional excise duty obligations for a large number of trading companies. What is more, these goods - regardless of their purpose - may become subject to additional requirements arising from the provisions of the transportation package (SENT). In accordance with the proposed regulations, the above changes are scheduled to enter into force already as of 1 July 2019.

In anticipation of the Amendment, we recommend that all entrepreneurs that handle the products classified under CN 3824 in their business operations should start preparing for the changes in advance, e.g. by (i) carrying out the necessary analysis of the potential impact of the new regulations on their businesses, and (ii) taking the appropriate steps to get ready in case the legislative work accelerates. It may prove beneficial to launch certain processes even today to allow the company to continue its operations in the current scope and without detriment under the new legislative regime.

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Excessive loss exempt from excise duty also before 19 September 2018. Supreme Administrative Court's ruling

The grounds for the judgement of the Supreme Administrative Court (NSA) of 20 February 2019 were published a few days ago. In the judgement the Court holds that imposing taxation on natural losses that exceed the acceptable standards established for a given entity is in breach of Article 7(4) of Directive 2008/118/EC.

What is it all about?

The case examined by the Court concerned the decision issued by the Head of the Customs Office in Katowice in June 2015. The Customs Office set the taxpayer an acceptable loss standard for beer production losses at 20%, i.e. the maximum level resulting from the Regulation of the Minister of Finance of 24 February 2009 on maximum standards for acceptable losses and acceptable standards for the consumption of excise goods (Journal of Laws of 2014, item 1526). However, in the application for the decision, the taxpayer had indicated that the natural losses occurring in the beer production amounted to 35.06%, as a consequence of the specific production process and the physical and chemical properties of the product.

In the second-instance proceedings, on 20 February 2019, the Supreme Administrative Court (NSA) ordered that excise duty on natural losses was inconsistent with Article 7(4) of Directive 2008/118/EC. According to the statement of reasons accompanying the judgement, the Polish legislator implemented normative solutions concerning exclusion of natural losses from taxation into the domestic legal system in a defective (incomplete) manner because of the failure to extend the tax exemption to natural losses exceeding the natural losses indicated in the decision determining the amount of losses exempt from taxation.

The Supreme Administrative Court holds in the judgement that the company, being an excise tax payer, is entitled to invoke the provision of Article 7(4) of Directive 2008/118/EC in order to object against the national law that is inconsistent with the EU regime in such a way that it limits the exemption of natural losses to the amount indicated in the administrative decision. NSA also stresses that the taxpayer is burdened with the obligation to prove the volume of the losses caused during the production process and to confirm the natural character of such losses.

What does this mean?

As a result of the activities of the European Commission, the provisions of the Act of 20 July 2018 amending the Excise Duty Act and the Customs Law Act (Journal of Laws of 2018, item 1697) came into force on 19 September 2018. On the grounds of these amendment The losses of excise goods exceeding the standards for acceptable losses applicable to a given entity can be exempt from excise tax, however, only up to the amount equal to the actual losses of these goods and if the entity concerned proves the natural character of the losses resulting from the characteristics of the goods.

Nonetheless, in line with the thesis of the judgement in question, excise tax payers were entitled to use that exemption even before the relevant provision was added to the Act, because they could directly invoke the relevant EU directive. It is the first NSA's judgement issued after the regulations concerning exemption from excise duty of the so-called natural losses were amended which breaks the previous negative line of rulings.

In addition please note that the findings of the judgement may also apply to other types of excise products, as they do not only concern beer and alcoholic beverages.

What next?

Taxpayers who have paid excise tax on the losses of excise goods due to exceeding the loss standards before 19 September 2018 may contemplate the possibility of applying for a statement of excise duty overpayment and a refund. Nevertheless, it should be remembered that the burden of proving the natural character of the losses rests with the taxpayer.

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Possibility of extending tax exemption to all income on the basis of the support decision. Favourable interpretative practice for entrepreneurs operating within the Polish Investment Zone.

The Director of National Fiscal Information Service has recently issued a number of individual tax rulings that confirm the possibility of exempting from income tax, on the basis of the decision on support, of all income derived from the activities specified in the relevant support decision and conducted in the area indicated therein, up to the limit of the state aid granted.

By issuing such rulings the Director of the National Fiscal Information Service has confirmed the lack of restriction to use the exemption only with respect to the income generated by the new investment. Considering these recent individual tax rulings it may be inferred that the so-called **project approach** according to which only the income related to a given initial investment can be subject to CIT/PIT exemptions has not been followed.

The necessity to apply the project approach (or lack thereof) was one of the issues that aroused the greatest interest among entrepreneurs, both during the legislative work on the Act of 10 May 2018 on supporting new investments (which introduced the so-called Polish Investment Zone) and after the said Act was adopted. Despite the clear declarations made by the legislators at the stage of Parliamentary Committees, there were no simple guidelines from the authorities granting support as to whether all income obtained in the area indicated in the support decision and derived from the business activity defined in the support decision or alternatively, only the income obtained from the investment constituting the basis for issuing the decision (e.g. exclusively the income generated using the machinery and equipment purchased as part of the investment) could be exempted from tax on the basis of the given support decision.

This issue is especially important for the investments that are carried out within existing facilities, for example those that consist in increasing the production capacity of a plant. In such a case the calculation of the profits or losses from exempted activities is very difficult and involves a high risk of being challenged by tax authorities. Moreover, the difference in the amount of the income derived from all activities falling within the scope of the support decision and the amount of the income linked only with certain selected assets could be significant.

Individual tax rulings – no project-based approach

Considering that this issue is of key importance for the correct calculation of the value of the exempt income, many entrepreneurs decided to apply for an individual tax ruling decision to confirm lack of obligation to apply the project approach.

In response, the Director of the National Fiscal Information Service has recently issued a number of individual tax rulings confirming the possibility to exempt from income tax - on the basis of the support decision - all income obtained from the activities covered by the decision and conducted in the area specified therein, up to the limit of the state aid granted. By implication, as confirmed by those individual tax rulings, the Director of the National Fiscal Information Service did not apply the project approach.

The above conclusion is corroborated by the individual tax ruling decision of the Director of the National Fiscal Information Service issued on 19 April 2019, file No. 0111-KDIB1-3.4010.69.2019.1.MO and the individual tax ruling of the Director of the National Fiscal Information Service of 9 April 2019, file No. 0112-KDIL3-3.4011.96.2019.1.AM.

Practical implications

These individual tax rulings should significantly contribute to increasing the interest in obtaining support decisions in connection with the plans to carry out brownfield investment projects. It would not be so if the project approach were to be applied, because then the actual possibility of taking advantage of the new relief would be significantly limited.

It should be noted here that in the past, the interpretative authorities often tended to change their approach to using tax exemptions to the disadvantage of the taxpayer, despite the uniform interpretative practice followed in the given respect. Therefore, all interested parties should closely monitor the individual tax rulings on an ongoing basis, or they should themselves consider the possibility of submitting an application for an individual tax ruling in their case.

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GDPR: Sector-specific legislation is already in force! General changes introduced by the Act, changes to the Act on Insurance and Reinsurance Activity and the Act on Consumer Rights

Sector-specific legislation implementing GDPR entered into force on 4 May 2019. Its main task is to align nearly 170 acts of law with the requirements of the EU data protection regulation. What changes to expect?

Changes to nearly 170 legal acts came into force as form 4 May, introduced by the so-called Sector-specific legislation, i.e. the Act of 21 February 2019 amending certain acts to ensure compliance with Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation, GDPR). The idea behind the Sector-specific legislation is to adapt the Polish law to the requirements of the EU Regulation.

Amended laws

The Sector-specific legislation introduces amendments to the following acts of law: Labour Code, Banking Law, Act on the Bank Guarantee Fund, Deposit Guarantee Scheme and Compulsory Restructuring, Insurance and Reinsurance Activity Act, Act on Electronic Provision of Services, Telecommunication Law, Trading in Financial Instruments Act, Consumer Rights Act, and the Prevention of Money Laundering and Terrorist Financing Act; certain amendments also concern Polish healthcare regulating acts.

Issues subject to changes

According to the explanatory statement accompanying the draft Act, the amendments introduced by the Sector-specific legislation are aimed to adapt the Polish legal system to the requirements of the Regulation, inter alia, by removing the provisions that are inconsistent with GDPR or that duplicate the solutions implemented by GDPR; the Sector-specific legislation also introduces certain restrictions concerning GDPR pursuant to Article 23 of the Regulation. It should be stressed that some of the changes are fundamental in their character, while others are merely cosmetic ones.

Changes in the insurance sector

According to the new wording of the Act on Insurance and Reinsurance Activity:

a) the insurance company will be able to process personal data, including the personal data covered by the insurance secrecy obligation, in the case of a justified **suspicion that an offence has**

been committed to the detriment of the insurance company, in order and to the extent necessary to prevent the offence;

b) Article 15 of GDPR grants the data subject the right to obtain from the controller a confirmation whether his or her personal data are being processed, and if so – the data subject is entitled to access the data and obtain the information indicated in the Regulation; however, the insurance company is not obliged to abide by **the right of access** rule to the extent necessary for the proper implementation of the tasks related to the prevention of money laundering and terrorist financing and the prevention of crimes;

c) a definition of **profiling** and a provision constituting a legal basis for making individual decisions based on automated processing, including the profiling of personal data in order to assess the insurance risk has been introduced into the Act on Insurance and Reinsurance Activity; unlike the banking sector, decisions based on automated processing will be made only on the basis of a closed catalogue of categories of personal data indicated in the Act on Insurance and Reinsurance Activity;

d) the amended Act on Insurance and Reinsurance Activity allows the insurance company to directly process the **data concerning the health** of the insured or the persons authorised under the insurance agreement, contained in insurance agreements or statements made prior to the conclusion of the insurance agreement, respectively, in order to assess the insurance risk or to perform the insurance agreement, insofar as it is necessary depending on the purpose and type of insurance;

e) significant changes have also been introduced in the scope of the insurance company's duties to obtain the **written consent**; specifically, the written consent will not be required for the transfer between insurance companies of personal data of the persons insured, policyholders and those intending to conclude an insurance agreement, where such data is needed for credit risk assessment and data correctness assessment (Article 39 (1) of the Act on Insurance and Reinsurance Activity), and in the case of acquisition of information on the circumstances related to the assessment of insurance risk and verification of the data provided by the person concerning the health condition, determination of the right to benefits under the concluded insurance contract and the amount of such benefits - by the insurance company from entities performing medical activities which provided health services to the insured or the person on whose account the insurance agreement is to be concluded (Article 38 of the Act on Insurance and Reinsurance Activity).

Micro-entrepreneurs - compliance with the disclosure duty

The duty to provide the data subject with the information related to the processing of his or her personal data is counted among the key obligations imposed on entrepreneurs under GDPR. Such information may be provided (depending on the situation) in writing, electronically or orally. In practice however, entrepreneurs have many doubts as regards the manner of fulfilling the disclosure duty.

The Sector-specific legislation provides certain simplified procedures for micro-entrepreneurs[1] in respect of their disclosure duties. In line with Article 4a of the Act on Consumer Rights[2], a micro-entrepreneur (being a personal data controller) fulfils the disclosure obligation referred to in Article 13 of GDPR by displaying the relevant information in a visible place at the business premises or by making it available on its website. This solution will certainly enable micro-entrepreneurs to cut the costs of complying with the disclosure requirements. Nonetheless, it should be kept in mind that the above-mentioned manner of fulfilling the disclosure obligation is permitted only if the personal data has been collected directly from the data subject.

The above simplified procedure is excluded if special categories of data are processed and if the data subject is not in a position to read the information on the website or at the business premises of the entrepreneur.

Footnotes:

1) Microentrepreneur within the meaning of Article 7.1.1 of the Entrepreneurs' Law of 6 March 2018 (Journal of Laws of 2018, item 646) is an entrepreneur which or who in at least one of the two last financial years fulfilled jointly the following conditions: a) had an average annual employment of less than 10 and b) showed an annual net turnover from sales of goods, products and services and from financial operations of no more than a PLN equivalent of EUR 2 million, or a balance-sheet assets total prepared as at the end of either of these two years of no more than a PLN equivalent of EUR 2 million.

2) Act on consumers' rights of 30 May 2014. (Official Journal of 2014, item 827, as amended);

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Directive that protects whistleblowers

On 16 April 2019 the European Parliament voted in favour of an EU law to protect whistleblowers. Now member states are obliged to implement its provisions in their national legal systems.

According to the common understanding of the term, a **whistleblower** is an employee of an enterprise who exposes any illegal or dishonest activities of the employer. The term first appeared in the United States and is used there especially in the context of reporting irregularities in financial institutions or corporations. The United States, Australia and Canada have introduced laws that grant wide-ranging protection to whistleblowers because of the retaliatory actions from their employers. **The EU Directive is therefore a response to the urgent need to regulate the issue of whistleblowers under the European law.**

An employee, a self-employed person, a partner or a shareholder in a company, a person in a management position, a person working under the supervision and direction of contractors, subcontractors and suppliers, a trainee if he or she becomes aware of irregularities in the course of recruitment or a former employee can all become whistleblowers. A whistleblower will qualify for protection provided that he or she has reasonable grounds to believe that the information reported is true and they have reported the information in accordance with the procedures laid down in the Directive. **As per the Directive, any institution, whether public or private, employing at least 50 people, will have to implement a procedure for reporting on breaches or workplace abuse.**

The Directive introduces three procedures for reporting irregularities:

- an internal procedure within the organization;
- an external procedure consisting in reporting irregularities directly to the State authorities; and
- a procedure of public disclosure of infringements, e.g. in the media.

In case a whistleblower files a justified claim for damages, the court will presume that the damage resulted from retaliatory actions taken by the employer, and the employer will have to prove that they have not taken illegal retaliatory action. Natural or legal persons who interfere with the reporting, retaliate against whistleblowers or violate confidentiality obligations will be penalized.

It is worthwhile to point out here that Polish regulations to protect whistleblowers are now in the process of being drafted. **The draft version of the Act on liability of collective entities which was tabled for the Sejm discussions on 10 January this year** is an example of such a law.

According to the draft Act on liability of collective entities, an employee, a member of the entity’s body or any other authorised person can become a whistleblower. The governing bodies of collective entities, in particular the management bodies (e.g. the management board of the company) will be obliged to clarify the irregularities reported. The obligation to clarify will concern any report indicating:

- suspected preparation for, an attempt or commission of a prohibited act;
- breach of obligations or abuse of powers by the collective entity's authorities or other persons listed in the Act acting in the name, on behalf or for the collective entity;
- the failure of such persons to exercise due diligence; or
- irregularities in the organisation of the collective entity's activities which could lead to a criminal offence.

If the governing body of the collective entity does not conduct investigation or does not remove the breach, the court may impose a fine of up to PLN

60 million.

The Act on Counteracting Money Laundering and Terrorist Financing which has been in effect since 13 July 2018 also provides for an obligation to introduce whistleblowing procedures, protection of whistleblowers and penalties for violating the provisions concerning them.

The said Act regulates only the reporting linked with money laundering and terrorism financing. As per the Act, entrepreneurs carrying out activities that involve an increased risk of recognising money laundering or terrorism financing transactions, such as financial institutions, brokerage houses, accounting firms, tax advisors or lawyers, are obliged to introduce appropriate procedures in this respect - such entrepreneurs are referred to in the Act as "obliged institutions".

It should be observed here that the Office for Competition and Consumer Protection has set up communication channels for individuals who are in possession of information about competition-restricting practices. The person reporting on breaches can communicate with the Office for Competition and Consumer Protection anonymously, through an intermediary or personally.

A similar solution has been adopted at the EU level - it is possible to openly or anonymously report information on cartels and practices restricting competition directly to the European Commission.

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Romania

Amendment of Law no. 10/1995 on construction quality by inserting new obligations incumbent to the investors and building owners

The President of Romania has promulgated on May 7, 2019 the Law no. 97/2019 regarding the amendment of Law no. 10/1995 on construction quality. The notable change is that operating buildings prior to the reception upon termination of construction works is deemed a contravention sanctioned with a fine.

The legislative project for amending Law no. 10/1995 on construction quality has been promulgated through Decree no. 435/2019 dated May 7, 2019 and thus becoming Law no. 97/2019 (the "Amendment Law").

The Amendment Law supplements the list of the obligations provided under Law no. 10/1995 as the responsibility of investors and building owners, as follows:

- The investors and the building owners shall have the obligation to allow the operation of the construction solely after the reception upon termination of works has been performed.
- These obligations shall be applicable both with respect to new buildings, as well as upon performance of works to existing constructions if the operation of the building was interrupted during the execution of the construction works.
- Inobservance of the above-mentioned obligation is deemed a contravention and may be sanctioned with a fine between RON 20,000 and 40,000.

It appears from the explanatory report grounding the legislative project that these amendments were necessary in order to protect the life and health of the lessees.

Namely, it is intended to avoid the cases whereby new spaces are included on the real estate market without having signed reception minutes upon termination of works and without authorized connection to utilities in accordance with the permitted use of the building.

The Amendment Law shall be published in the Official Gazette and shall enter into force within 3 days as of its publication.

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Additional rules imposed on employers with regard to the equal opportunities and treatment between men and women

Government Decision no. 262/2019 for the approval of Methodological Norms for the application of Law no. 202/2002 on the equal opportunities and treatment between men and women ("Norms") was published in the Official Gazette no. 333 of 02.05.2019.

Inter alia, through these Norms certain issues were clarified, such as: the duties incumbent to individuals with attributions in the field of equal opportunities and treatment between men and women, the measures that must be included under the actions plans in the same field and the employers' obligation to adopt an internal policy, aimed at eliminating the tolerance to workplace harassment and anti-harassment measures.

The main novelties regulated under the Norms include:

1. Determining the person who can be appointed by companies, central and local public institutions and authorities, both civil and military who employ more than 50 individuals, in order to insure equal opportunities and treatment between men and women in employment

Under the Norms, the institutions, authorities and companies mentioned above may opt for:

- Identifying an employee to whom to entrust, under the job description, attributions in the field of equal opportunities and treatment between men and women. In this case, the employer shall take into consideration the need for professional training, under the approved budget and with the observance of the spending limit for this type of expenses;
- Employing an expert/technician in equal opportunities, under the approved budget. In this case, at the date of planning the budget for the following year, the employer may include the necessary budget for employing an expert/technician in equal chances.

2. Detailing the manner in which the person appointed with attributions in the field of equal opportunities and treatment between men and women/expert/technician may exert his/her competencies, such as:

- Communication and collaboration with other specialists working in other departments of the entity where he/she carries out his/her activities;
- Collection and analysis of data and information with regard to the equal opportunities and treatment between men and women at the level of the entity where he /she carries out his/her activities;
- Elaboration of reports, studies, analysis and/or forecast on the application of the principle of equal opportunities and treatment between men and women, in the specific field of activity;
- Informing the management of the entity where he/she carries out his/her activities with regard to the compliance with the specific legislation;

- Effective participation in various phases related to planning, identifying, proposal, financing, implementation and evaluation of projects/programs initiated by the entity where he/she carries out his/her activities, in view of ensuring the inclusion and monitoring of aspects related to ensuring compliance with the principle of equal opportunities between men and women.

3. Regulating the measures that must be included under the action plans on the implementation of the principle of equal opportunities between men and women, such as:

- Promoting equal opportunities and treatment between men and women and eliminating direct and indirect discrimination based on sex;
- Preventing and combating workplace harassment;
- Internal policy for recruiting and selecting new employees;
- Internal policy on the promotion, including occupation of management positions, or positions under the supervisory board or board of administration in private companies;
- The wage policy and the associated salary levels for existing management and execution positions; establishing measures aimed at ensuring gender equality and elimination of wage gaps between men and women and equitable conditions for retiring;
- Continuous training and career development;
- Various measures aimed at ensuring work-life balance;
- Work organization, employment conditions and work environment;
- Developing a safe and confidential system for filing complaints related to sexual harassing and discrimination, in view of ensuring effective access for victims to all administrative and judicial phases, regulated under the law, and offering them guidance during these procedures;
- Ensuring equal treatment to work health and safety.

4. Regulating the employers' obligation to draft an internal policy that must include details regarding the institutional circuit on the measures to be taken in order to ensure the immediate notification of relevant public authorities, in case of breach of the principle of equal treatment between men and women.

5. Regulating the employers' obligation to draft an internal policy in the field of employment relations, aimed at eliminating tolerance towards workplace harassment and anti-harassment measures, containing:

- Guiding principles;
- Legal framework;
- Purpose and scope;
- Workplace harassment, definition and examples of unwanted attitudes;
- Sexual harassment, definition and examples of unwanted attitudes;
- Preventive measures, detailing possible actions and sanctions that could be applied in case of workplace harassment;
- Proactive measures, concrete roles and responsibilities incumbent to both employers and employees;
- Confidentiality rules;
- Preliminary measures concerning the settlement of complaints at the employer level;
- Establishing conclusions following the analysis of complaints and measures ordered at the level of the employer.

In addition, in connection with the above, the Norms also impose the following obligations on the employer:

- Ensure the organization of specialized information and training sessions on equal opportunities and treatment between men and women for the management of the institution and other management positions;
- Promote an attitude based on mutual respect and good collaboration that generates professional behavior at any time, including for meetings organized outside the office and outside working hours, as well as in the on-line environment;
- To inform employees about the procedure for submitting a complaint of sexual harassment/inappropriate behavior at work and procedure for settling complaints filed by individuals prejudices by such acts.

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Amendments to the Tax Code

On May 23th 2019, the Emergency Ordinance supplementing Law 227/2015 on the Tax Code was published. The applicability of the reduced VAT rate of 5% was extended to mountain, bio and traditional food. The amendment enters into force as of June 1st, 2019.

On May 23rd, 2019, Emergency Ordinance no. 31/2019 on the completion of Law 227/2015 on the Fiscal Code was published in the Official Gazette no. 403.

This ordinance extends the applicability of the reduced VAT rate of 5% for the supply of high-quality food.

This category includes mountain, bio and traditional products.

In order to apply the reduced VAT rate of 5%, the products must be authorized by the Ministry of Agriculture and Rural Development.

Practical aspects to be considered by companies:

- The invoice must be accompanied by a copy of the certification document issued by the Ministry of Agriculture and Rural Development, except for deliveries to final consumers;
- Changing the accounting systems (for example: tax codes);
- Updating the electronic cash registers.

The change will enter into force on June 1st, 2019.

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Serbia

Law on Amendments and Changes of the Law on Foreigners

Law on Amendments and Changes of the Law on Foreigners was published in the Official Gazette no. 31/2019, on April 29, 2019. Law entered into force on May 7, 2019, however the most important amendments will be applicable as of January 1, 2020.

Amendments already applicable are with respect to:

- Broadening the definition of the members of the immediate family that are obtaining a temporary residence permit as a dependent family member;
- Issuance of a specific ID card for the members of diplomatic or consular mission or other type of mission which has a diplomatic immunity;
- Deadline for submission of the temporary residence permit request i.e. the 90 day deadline is deleted.
- From the beginning of next year, following will be applicable:
- To apply for the first or for the renewal of their temporary residence permit electronically either from Serbia or abroad;
- To exercise employment rights based on the long stay visa (visa D) i.e. to apply for the work permit without previously obtaining a temporary residence permit;
- To submit a unified application form for both work and temporary residence permit to a single administrative body.

More detailed conditions for the electronic submission, the look of the unified application form and list of documentation to be submitted will be prescribed by the Minister of Internal Affairs and Minister of Labour within 6 months from the moment Law entered into force.

Law on Amendments and Changes of the Law on Employment of Foreigners

Law on Amendments and Changes of the Law on Employment of Foreigners was published in the Official Gazette no. 31/2019, on April 29, 2019. Law entered into force on May 7, 2019.

Most of the amendments will be in force as of January 1, 2020, however as of May 7, novelties for assignment and intercompany movement work permits are enforced:

- Authority competent for the employment will ex officio request consent and opinion of the Ministries for the extension of the said work permits (Ministry in charge of employment and Ministry in charge of employers business activity);
- Request for the extension of the work permits would need to be submitted 60 days prior to the expiration date, at the latest.
- Regarding the changes that will be in force as of January 1, 2020 they are as follows:
- Foreigners will be able to apply for the work permit based on the long stay visa (visa D);
- Such work permits will be issued for the period of visa validity.

Rulebook on work permits will be harmonized within 90 days of entering this Law into force.

Position of the Tax Administration regarding the control of the fulfillment of conditions for reimbursement of commuting costs

The Ministry of Finance has taken a stance in its Ruling no. 011-00-12/2019-04 issued on 01.02.2019 that reimbursement of commuting costs needs to be properly documented with credible accounting documents, in order for such costs to be deductible as expenses, in line with the Corporate Income Tax Law. Otherwise, expenses would be considered as non-documented.

Considering the aforementioned stance of the Ministry of Finance regarding the control of the fulfillment of conditions for reimbursement of commuting costs, in communication between Tax Administration and Chamber of Commerce and Industry of Serbia it was clarified that the distance between the place of living of employee and place of work should be considered while determining the amount of reimbursement of commuting costs.

The suggested method of calculation of distance between the place of living of employee and place of work, as well as normative for the consumption of fuel for that relation, is determined by the taxpayer himself via his internal documents (i.e. collective agreement or labor rulebook, as well as via employment contracts).

That said, it should be emphasized that activities on the drafting of Guidelines for the control of the fulfillment of conditions for reimbursement of commuting costs have begun in the Control Department within Tax Administration.

Annual Tax Audit Plan for the year 2019

The Annual Tax Audit Plan for the year 2019 has been published on the Tax Administration website.

In accordance with the aforementioned annual plan, tax audits are going to be particularly directed towards following taxpayers:

- taxpayers with non-resident founders, their related party transactions, and taxpayers applying double tax treaties;
- taxpayers who participate in mergers, acquisitions and similar status changes and the influence of the transfer of assets and obligations in regards to the Value Added Tax and Corporate Income Tax treatment;
- taxpayers who perform the supply of oil derivatives and regularity of computation and payment of excise.

The Annual Tax Audit Plan for the year 2019 may be accessed via the following link (available only in Serbian).

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Slovakia

Higher Supplements for Public Holiday and Weekend Work

On 1 May 2019, a part of an Amendment to the Labour Code of 2018, amending Articles 122, 122a and 122b regarding employee wage supplements for work performed on a public holiday or weekend, became effective. From 1 May 2019, employees working on the above days are entitled to a wage supplement as follows:

- The supplement for work during a public holiday must be at least 100% of the employee's average wage;
- The supplement for every working hour on a Saturday must be at least 50% of the minimum hourly wage in Slovakia. If the nature of the work requires regular work on Saturdays, a lower supplement may be agreed (at least 45% of the minimum hourly wage); and
- The supplement for every working hour on Sunday must be at least 100% of the minimum hourly wage in Slovakia. If the nature of the work requires regular work on Sundays, a lower supplement may be agreed (at least 90% of the minimum hourly wage).

As this part of the Labour Code became effective on 1 May 2019, employers are obliged to pay the above supplements to employees with their wages for May 2019.

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Proposal to Increase the Meal Allowance for Business Trips

According to statistics for February 2019, a condition was met for increasing the amount of meal allowance for business trips pursuant to Article 8 (1) of Act No. 283/2002 Coll., on Travel Expenses, as amended by Act No. 475/2008 Coll.

Under the proposed measure, the meal allowance will increase as follows:

- For a business trip of 5 to 12 hours - from EUR 4.80 to **EUR 5.10**, ie a 30 cents increase;
- For a business trip of 12 to 18 hours - from EUR 7.10 to **EUR 7.60**, ie a 50 cents increase;
- For a business trip of more than 18 hours - from EUR 10.90 to **EUR 11.60**, ie a 70 cents increase.

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