# Global minimum tax

## Introduced in the Czech Republic from 2024

**Reforms launched by the OECD and the EU will dramatically change the world of international taxation. As from 1 January 2024 the EU Directive implementing the rules of Pillar 2 of the BEPS 2.0 initiative (15% minimum level of taxation) will come into force.**

**The rules of the EU Directive are complex, full of complicated exceptions and choices, and every large Czech group and Czech subsidiary of a large foreign group should already be considering the impact that the complex global minimum tax rules will have on them.**

## Basic parameters

The rules apply to all EU-based companies and permanent establishments that are part of groups with consolidated revenues of at least **EUR 750 million**.

The global minimum tax introduces two interlinked rules ensuring a minimum level of taxation:

- the Income Inclusion Rule (IIR)
- the Undertaxed Profit Rule (UTPR).

The directive includes the possibility of introducing a qualified domestic top-up tax, giving the Czech Republic the possibility to collect top-up tax from all low-taxed companies and permanent establishments located in the Czech Republic.

The rules contained in this directive must be implemented by EU member states in their national legislation by the end of 2023, with effect for tax periods beginning **after 31 December 2023**. The Income Inclusion Rule will apply **from 2024** and the Undertaxed Profit Rule **from 2025**.

> **You need to start preparing now, and KPMG can help you determine how these new tax rules will impact your group or company in the Czech Republic.**

## What do you need to be prepared for?

- Even though the Czech bill has not yet been approved, **the time to act is now**. The rules in the directive have been set and there is little room for Czech specific deviations.
- The introduction of Pillar 2 into Czech legislation will lead to a greater interaction between accounting according to International Financial Reporting Standards and tax rules. Details from IFRS consolidation packages will not be sufficient.
- The administrative burden for groups falling under the scope of the directive will be enormous.
- It is estimated that the global minimum tax will affect approximately **3,500 entities** in the Czech Republic.
- Entities should expect to be affected by the global minimum tax even if their current effective tax rate **is higher than 15%,** as the basis for calculating this global minimum tax is also affected by items by which the profit/loss will need to be adjusted. This also applies to deferred tax (recalculated according to specific rules).
- In addition, if you have investment incentives in the form of tax credits or record a significant research and development allowance, then this issue affects you directly.
- In all cases, groups will be obligated to submit a tax return that will require a new, higher level of detail which may not be readily available.

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## How can KPMG's experts help you?

**We can evaluate how the rules could potentially affect your group or company.**

- Analysing whether your group or company falls within the scope of the directive.
- Analysing whether your group or company can make use of any exceptions or simplifications.
- Calculating the effective tax rate and any top-up tax.
- Evaluating the impact of transitional provisions.
- Analysing related administrative obligations.

**We can evaluate any potential financial and administrative impacts.**

**We can identify data sources.**

- Assisting you in gathering the necessary data.
- Analysing potential systemic problems in your data collection.

**We can provide any necessary integration between tax and accounting teams.**

**We can evaluate any secondary impacts on investors.**

**750 mil. eur**

The rules apply to groups with consolidated revenues above this amount.

**15 %**

The global minimum tax rate is set at this amount.

**3 500**

Approximately as many entities in the country will be affected by the new rules.

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