Global minimum tax

coming soon... are you ready?

On 1 January 2024, a new law on the top-up tax entered into force, introducing to the Czech Republic a minimum level of taxation at 15 % under Pillar 2 of the international BEPS 2.0 initiative.

The rules to calculate the tax are complex, and penalties for non-compliance will be steep. already be considering the impact that the complex global minimum tax rules will have on them.

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

These are the same entities that are currently subject to country-by-country reporting: parent companies, subsidiaries, registered branches and permanent establishments.

It seems that **identifying all Czech entities** and coping with the new obligation may be a challenge, especially if the companies in the region are not used to collaboration and the sharing of data.

The principle is to test the effective tax rate, which should not fall below 15 % in aggregate for **all Czech members of the group**. The current corporate tax rate of 19 % or 21% tax rate cannot be relied upon to protect Czech entities from the new obligations.

The calculation of the effective tax rate will be based on carrying values under the accounting standards of the ultimate parent company. Several items not normally considered in tax calculation will have to be taken into account.

Even just one entity with a low effective tax rate can significantly affect the aggregate outcome for the Czech Republic.

To make the implementation of the new obligations easier, the law provides for **safe harbours and permanent simplifications** for selected entities.

Simplifications that may be used:

- simplified calculation of the effective tax rate using mainly the data contained in the country-by-country report for 2024-2026
- simplification for jurisdictions where the group operates on a small scale (temporary and permanent "*de minimis*" exemptions)
- simplified substance-based income exclusion (a set percentage of the value of eligible tangible assets and eligible payroll costs) based on 2024-2026 country-by-country reports
- simplification for groups in early stages of international activity.

Although these global rules are being implemented across the EU, Czech group entities cannot wait for the parent or holding companies to cover the new tax agenda.

Czech subsidiaries have local obligations to file a top up-up tax information return and, where applicable, also a top-up tax return. In some cases, Czech entities will have to start collaborating with their parent company, headquarters, or management divisions.

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How can KPMG's experts help you?

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

- We can guide you through the new administrative obligations and ensure compliance (help with the preparation of all new tax filings).
- We will help you come to grips with the new agenda through a tailored workshop.
- We will review whether your group and its Czech entities fall within the scope of the law.
- We will check applicable exemptions from the law and possible simplifications.
- We will calculate the effective tax rate and top-up tax in the Czech Republic.
- We can help you set up reporting for the parent/group reporting entity.

We can evaluate any potential financial and administrative impacts.

We can identify data sources.

- We will assist you in gathering necessary data.
- We will analyse potential systemic problems in data collection.
- We can help with the customisation/setup of business systems.

We can provide the necessary integration between tax and accounting teams.

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.

3 200
Approximately as many entities in the country will be affected by the new rules.

Contact

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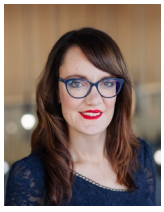

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