

Legal 500

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Czech Republic

Tax Disputes

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This country-specific Q&A provides an overview of tax disputes laws and regulations applicable in Czech Republic.

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Czech Republic: Tax Disputes

1. Is it necessary for a taxpayer to register with the tax authority? Are separate registrations required for corporate income tax and value added tax/sales tax?

Registration with the tax authority

Individuals (natural persons): There is no separate registration for personal income tax; individuals file returns when statutory conditions are met.

Employers (withholding tax remitters): Any person (individual or legal entity) that becomes an employer paying wage must register as a tax remitter within 8 days of the duty arising.

Resident legal entities: Must register for corporate income tax within 15 days of incorporation (entry in the Czech Commercial Register).

Non-resident legal entities: Must register within 15 days of (i) establishing a permanent establishment in CZ, or (ii) commencing an income-generating activity in CZ, or (iii) receiving Czech-source income, or (iv) obtaining a Czech authorization to carry out such activity.

Separate registrations for CIT and VAT

Corporate income tax and value-added tax (i.e. VAT payer/identified person) require separate registration processes with different forms, though both are administered by the tax authority.

2. In general terms, when a taxpayer files a tax return, does the tax authority check it and issue a tax assessment – or is there a system of self-assessment where the taxpayer makes their own assessment which stands unless checked?

The CZ tax system primarily operates on self-assessment. By filing a return, the taxpayer self-assesses the tax and is responsible for calculation, filing and payment (for PIT, CIT and VAT). The tax authority does not issue assessments for every return.

Electronically filed returns undergo automated formal checks; returns with critical defects are rejected for correction. Substantive review occurs post-filing: the tax

authority may initiate post-filing queries (a procedure to remove doubts) or conduct a tax audit. If discrepancies are established, it issues an additional assessment, and may impose penalties and late-payment interest on underpaid tax.

The CZ tax administration does not automatically issue tax assessments for every filed return. However, it conducts occasional reviews, which may lead to a corrective tax assessment.

The tax authority may conduct a tax audit within the statute of limitations, typically 3 years from the filing deadline with 10 years as the general absolute maximum.

3. Can a taxpayer amend the taxpayer's return after it has been filed? Are there any time limits to do this?

A taxpayer can amend their tax return in one of two ways, depending on the timeframe of discrepancy discovery.

Before the filing deadline – corrective return: If an error is found before the statutory filing deadline, the taxpayer files a corrective return. The corrective return fully replaces the original filing; only the latest corrective return is taken into account. Any additional tax is payable within the original payment deadline.

After the filing deadline – amended return: If an error is found after the filing deadline, the taxpayer files an amended return. The taxpayer is obliged to file it by the end of the month following the month of discovery if the amendment shows that the tax should be higher, or the previously declared tax loss should be lower. This requirement applies within the statute of limitations. If the amendment would reduce the tax, filing is permitted but not mandatory.

4. Please summarise the main methods for a tax authority to challenge the amount of tax a taxpayer has paid by way of an initial assessment/self-assessment.

The tax authority has two main methods – 1) procedure to remove doubts, and 2) tax audit.

Procedure to remove doubts (post-filing queries):

Following filing, if specific inconsistencies or gaps are identified, the authority may issue a targeted request asking the taxpayer to explain or document the disputed items. This procedure is issue-limited; if broader verification becomes necessary, it should be converted into a tax audit. Failure to dispel doubts may lead to an additional (payment) assessment.

Tax audit: A comprehensive review that may be conducted on-site, remotely, or in a hybrid form. The authority can examine records, perform reconciliations, and—where taxpayer evidence is absent, unreliable, or incomplete — (i) obtain data from third parties (e.g. banks, business partners) and/or (ii) estimate the tax using available aids. An audit may result in an additional assessment with penalties and late-payment interest.

The tax authority also uses local enquiry, which is a fact-finding process at the taxpayer's or third-party premises to verify particular facts. Similarly to procedure to remove doubts, if broader verification becomes necessary, it should be converted into a tax audit.

5. What are the time limits that apply to such challenges (disregarding any override of these limits to comply with obligations to relief from double taxation under a tax treaty)?

The standard assessment limitation period is 3 years from the regular tax return filing deadline. Within this time, the tax administrator may reassess or additionally assess tax. If a taxpayer reports a tax loss, the limitation period for the assessment of the tax for the tax-loss generating period expires at the same time as the limitation period for the last tax period in which the loss could be utilized (the tax loss may be utilized in principle for the following 5 annual tax periods), meaning that the assessment limitation may be significantly extended beyond the standard 3 years (e.g. tax loss reported for 2024, means that instead of 1 July 2028 the assessment limitation extends to 1 July 2033).

The limitation period can be extended by one year at a time through certain administrative acts (such as filing an amended tax return or the tax authority initiating a tax audit) that occur within the last 12 months of the current period. However, these extensions cannot exceed a maximum of 10 years from when the tax was originally due.

In cases of tax evasion or fraud, the limitation period can be extended to correspond with criminal proceedings.

The general absolute maximum is 10 years from the

regular tax return filing deadline.

6. How is tax fraud defined in your law?

In Czech law, tax fraud typically refers to a criminal act of "*Evasion of taxes, fees, and similar mandatory payments*", which occurs when a person unlawfully reduces, evades, or avoids paying a tax, duty, or other mandatory public levy, or fraudulently obtains a tax benefit. A similar tax criminal act is that of "*Failure to remit taxes, social security contributions, and similar mandatory payments*", which pertains to the obligation to remit taxes and similar payments to the tax authority.

Criminal tax evasion requires two key elements: intention aimed at tax evasion, and damage of at least a "larger scale" (currently set to 100,000 CZK or roughly €4,000, though no statutory limit is explicitly stipulated). Negligence does not constitute tax evasion. However, if the perpetrator knew their actions could result in violation of their duties, they may still be liable. Both preparation and attempted crimes are punishable.

Common examples of tax evasion include deliberate failure to file tax returns, providing false or incomplete information in tax documents, concealing income or assets subject to taxation, claiming unauthorized tax deductions or exemptions, and VAT carousel fraud (especially in cross-border transactions).

7. How is tax fraud treated? Does the tax authority conduct a criminal investigation with a view to seeking a prosecution and custodial sentence?

Minor tax discrepancies are handled through administrative proceedings by the tax authorities, resulting only in penalties and interest. Criminal investigation and prosecution by the Czech Police and Public Prosecutor are possible, but reserved especially for more serious cases of tax fraud classified as tax evasion under applicable criminal law.

Treatment concerning tax evasion under criminal law is further divided into several tiers based on the amount of damage caused (i.e. tax liability evaded), where each type carries a different base custodial sentence, and the punishment further varies depending on the form of execution (e.g. with at least two other people, in an international organized group).

8. In practice, how often is a taxpayer audited after a return is filed? Does a tax authority need to have any justification to commence an audit?

In practice, tax audits are fairly uncommon in the Czech Republic, affecting only a small percentage of taxpayers annually. Based on Ministry of Finance data, we estimate that just well below 1% of taxpayers undergo a comprehensive tax audit in any given year.

Tax authorities are not required to provide taxpayers with justification for an audit, but the selection must not be arbitrary. Valid reasons for initiating an audit may include internal systems flagging potential discrepancies, unusual patterns, red flags, random compliance checks, or third-party prompts.

Companies are typically more likely to be audited if they report large tax liabilities or tax losses, claim substantial deductions or tax credits, or showcase a history of poor compliance with the tax administrator.

9. Does the tax authority have to abide by any standards or a code of conduct when carrying out audits? Does the tax authority publish any details of how it in practice conducts audits?

In the Czech Republic, tax audits are governed by Act No. 280/2009 Coll., the Tax Code. The Tax Code establishes the legal framework, procedures, and obligations that the Czech tax authority must follow when conducting tax audits. The Tax Code includes several key principles of conduct: proportionality and minimising taxpayer burden; timely information on taxpayer rights and duties; consistency and non-discrimination.

The Czech Tax Administration has also adopted an Ethics Code that sets standards of conduct for tax officials.

While the tax administration has not published a comprehensive methodology for tax audits themselves, it has issued Tax Audit Process Guidelines that outline the basic rights and responsibilities of both tax officers and taxpayers during tax audits. Furthermore, the administration has published methodology directives to standardize their approaches to select issues.

10. Does the tax authority have the power to compulsorily request information? Does this extend to emails? Is there a right of appeal against the use of such a power?

Yes, the Czech tax authority can compulsorily request information from taxpayers under the Tax Code if they are necessary to establish tax liability. This power explicitly extends to any demanded data carriers and records, which may also include access to emails and other correspondence. For this purpose, taxpayers are required to cooperate with tax officials, provide reasonable assistance, and grant access to, in principle, business premises and places where records/evidence are kept. Non-compliance may result in fines.

Additionally, the tax administration has the authority to confiscate evidence materials if they determine these items might become unavailable or difficult to obtain in the future.

A tax authority has broader information powers when a tax audit is commenced, including witness interviews etc.

Taxpayers are entitled to file a complaint against information powers exercised by the Czech tax authority, or to submit objections to tax audit report results, including information requests. It is also possible to object to the decisions imposing penalties for non-compliance with presumably unlawful information requests.

In any of the above options, the taxpayer must demonstrate that the information request lacks relevance, is disproportionately burdensome, violates protected rights (privacy, privilege, self-incrimination protections etc.) or otherwise exceeds the tax authority's statutory powers.

11. Can the tax authority have the power to compulsorily request information from third parties? Is there a right of appeal against the use of such a power?

The tax authority may request data or documents (including email communication) from any entities that process relevant information for tax determination or collection, provided such information cannot be obtained internally, from the taxpayer or public registers. This includes registries, other public authorities, the taxpayer's business partners, and other third parties.

The law provides rules on information requests to banks, mail carriers, telecom companies, and payment service providers, specifically detailing what information they must provide to tax authorities.

Persons bound by statutory professional secrecy (lawyers, tax advisors, and auditors) are exempt from

these information requests, unless originating from a central contact authority in matters regarding international taxation, money laundering, or terrorism financing.

If the taxpayer considers a request for information to a third party to be unlawful, they may seek remedy through a complaint. This requires proving the information request lacks relevance, is disproportionately burdensome, or violates protected rights.

12. Is it possible to settle an audit by way of a binding agreement, i.e. without litigation?

No, there is no option to settle an ongoing audit through a binding agreement.

Binding advance rulings can be made beforehand in certain areas to provide a guideline for the tax treatment of a company's activities; this helps prevent disputes or sometimes aids in avoiding an audit altogether.

The results of tax audits do not always require litigation. The taxpayer can either accept the audit findings or challenge them through an appeal.

13. If a taxpayer is concerned about how they are being treated, or the speed at which an audit is being conducted, do they have any remedies?

Yes, the taxpayer can file a complaint with the tax authority if they believe officials are acting inappropriately, unlawfully, or causing unnecessary delays. The tax authority has to review this complaint, in principle, within 60 days at the latest. Filing such a complaint cannot be held against the taxpayer.

If the complaint is upheld, the tax authority must remedy the deficiency (including reversing any improper steps), take measures to prevent recurrence, and set a reasonable time limit to proceed, informing the taxpayer of the corrective action.

If the complaint is denied, the taxpayer can escalate the matter to a superior tax authority.

14. If a taxpayer disagrees with a tax assessment, does the taxpayer have a right of appeal?

Yes, the taxpayer can file a complaint with the tax authority if they believe officials are acting inappropriately, unlawfully, or causing unnecessary

delays. The tax authority has to review this complaint, in principle, within 60 days at the latest. Filing such a complaint cannot be held against the taxpayer.

If the complaint is upheld, the tax authority must remedy the deficiency (including reversing any improper steps), take measures to prevent recurrence, and set a reasonable time limit to proceed, informing the taxpayer of the corrective action.

If the complaint is denied, the taxpayer can escalate the matter to a superior tax authority.

15. Is the right of appeal to an administrative body (independent or otherwise) or judicial in nature (i.e. to a tribunal or court)?

Czech law incorporates both administrative and judicial bodies in its appeal system, each functioning at distinct stages.

The taxpayer first uses the administrative appeal route: an appeal is filed with the issuing tax authority (local tax administrator). That authority may change or annul its own decision (fully grant the appeal) or forward the case to the appellate tax authority (typically the Appellate Financial Directorate). The appellate authority's decision is final within the administrative system.

Afterward, the taxpayer may seek judicial review by bringing an action before the Regional Administrative Court (review of legality/procedure; the court may annul and remand). A cassation complaint on points of law lies to the Supreme Administrative Court.

16. Is the hearing in public? Is the decision published? What other information about the appeal can be accessed by a third party/the public?

Administrative (tax authority) stage: Proceedings are not public. Only participants (and their representatives) may access the tax administrative file. Tax assessments and other administrative decisions are not publicly available.

Judicial stage: Court hearings are generally public. The court may exclude the public where necessary (e.g. protection of personal data, trade secrets, or classified information). Courts may also decide without an oral hearing where the law allows.

Final court decisions are made publicly available, a part of them in anonymized form.

17. Is the procedure mainly written or a combination of written and oral?

In matters of both tax proceedings and court proceedings, a combination of written and oral submissions is used. However, both proceedings are predominantly written.

18. Is there a document discovery process?

There is no pre-trial "document discovery" in Czech tax litigation in the sense of common law jurisdictions. Instead, the Czech system evidence gathering in tax administration proceedings and subsequent court proceedings operates on a set of statutory production powers and court ordering powers to gather the necessary information.

In the tax proceedings, the authority may require production of information and documents from the taxpayer and, where statutory conditions are met, from third parties. The taxpayer may inspect the administrative file.

In the court proceedings, the court primarily reviews the administrative file and the authority's decision for lawfulness. It may order production of the file and the authority's statement, and can take additional evidence (e.g. specific documents, witness testimony, expert opinions) if needed to assess legality. There is no broad discovery right; evidence is admitted to the extent necessary to review the challenged administrative decision.

19. Are witnesses called to give evidence?

Yes, witnesses may be called in both tax proceedings of the tax administration and in subsequent court hearings, especially if the taxpayer suggests witness testimony to prove their claims.

In general, every person must testify as a witness about important tax-related circumstances concerning other individuals if they have knowledge of such matters; they must always testify truthfully and not conceal any facts.

Exceptions from this obligation are given for lawfully recognized cases of confidentiality, or if the testimony would lead to criminal liability of the witness themselves, or their close relatives.

20. Is the burden on the taxpayer to disprove the

assessment the subject of the appeal?

Yes, witnesses may be called in both tax proceedings of the tax administration and in subsequent court hearings, especially if the taxpayer suggests witness testimony to prove their claims.

In general, every person must testify as a witness about important tax-related circumstances concerning other individuals if they have knowledge of such matters; they must always testify truthfully and not conceal any facts.

Exceptions from this obligation are given for lawfully recognized cases of confidentiality, or if the testimony would lead to criminal liability of the witness themselves, or their close relatives.

21. How long does an appeal usually take to conclude?

If the appeal proceedings end at the tax administrative level, they should take no longer than 6 months according to the tax administration internal directives. From our experience, the appeals usually end up taking 8-16 months.

If court proceedings follow (excluding Constitutional Court proceedings), from our experience, the complete tax appeal procedure may end up taking approx. 3-6 years.

22. Does the taxpayer have to pay the assessment pending the outcome of the appeal?

No, the taxpayer does not have to pay the outstanding tax liability arising from the tax assessment by the tax authority for the duration until the final decision by the Appellate Financial Directorate is made.

Once the tax administrative proceedings have taken place and a final decision has been issued, there is an option for deferral of tax payment upon a request of the taxpayer, if justified by specific circumstances, such as ongoing court proceedings. This decision must be issued by the tax administrator and the conditions laid down by law for a deferral of tax must be met.

The taxpayer may also ask the court in subsequent court proceedings to grant suspensive effect to the court action – it is exceptional and requires showing serious harm to the taxpayer outweighing public interest.

23. Are there any restrictions on who can

conduct or appear in the appeal on behalf of the taxpayer?

In tax proceedings, no special restrictions apply. Including appeals, taxpayers may be represented by their statutory bodies, employees or other authorized persons conducting the taxpayer's activities (within the scope of their instructions), appointed representatives, or agents authorized by power of attorney. If necessary, the tax administration may require the taxpayer to be directly involved, though such cases are rare.

In court proceedings, (i) in the first-instance proceedings (Regional Court), representation by an attorney-at-law is not required, (ii) in the second instance (Supreme Administrative Court), the taxpayer generally has to be represented by an attorney-at-law.

24. Is there a system where the "loser pays" the winner's legal/professional costs of an appeal?

In the administrative part of the process and appeals, proceedings costs are incurred the tax authority and not passed onto the taxpayer. In this part of the process, the taxpayer has no legal basis to be compensated for their expenses associated with the costs of professionals, such as a tax advisor or an attorney-at-law.

Upon escalation to court proceedings, each party initially bears their own legal costs, while the state covers the expenses of conducting the hearing.

The party who has been fully successful in the case shall be entitled to reimbursement of the proceedings costs which were reasonably incurred against the party who has been unsuccessful in the case; only costs according to the Attorney's Tariff decree are reimbursed, i.e. lump sums that are not the actual costs of legal representation. If the party has been only partially successful, the court shall award the right to reimbursement of a proportionate part of the costs.

Neither party is entitled to reimbursement of proceedings costs when a case is discontinued or dismissed. However, if the petitioner withdraws their petition because of the respondent's subsequent conduct, or if proceedings are discontinued to the petitioner's satisfaction, the petitioner is entitled to have their proceedings costs reimbursed by the respondent.

25. Is it possible to use alternative forms of dispute resolution – such as voluntary mediation

or binding arbitration? Are there any restrictions on when this alternative form of dispute resolution can be pursued?

No, there are no such alternative forms of dispute resolution in CZ tax disputes.

International and EU remedies such as Mutual Agreements Procedures are used for cross-border double taxation purposes.

26. Is there a right of onward appeal? If so, what are all the levels of onward appeal before the case reaches the highest appellate court.

There is a right of onward appeal from the initial filing of an appeal against a tax assessment, through both the administrative and judicial branches. The general system for most taxpayers is as follows:

- first instance administrative – local tax administration, where the appeal is filed with the tax administrator whose decision is being contested. The local tax administration may either grant the appeal outright or forward it to the Appellate Financial Directorate.
- second instance administrative – Appellate Financial Directorate, which reviews the local tax administration's decisions, conducts additional investigations, and issues a final decision. If the appeal is rejected, the ruling can be challenged in courts.
- first instance judicial – regional administrative court, which determines whether the tax administration conducted the tax audit properly, fulfilled their lawful duties, and reached a justified conclusion based on the available evidence.
- extraordinary appeal – Supreme Administrative Court, where taxpayers can file a cassation complaint challenging legal flaws in the first instance judicial court's decision.
- constitutional remedy – Constitutional Court may be referred to when the taxpayer believes their constitutional rights have been violated (e.g. unlawful access to private correspondence). This is an extraordinary remedy and is admissible only on constitutional grounds subject to strict conditions.

27. What are the main penalties that can be applied when additional tax is charged? What are the minimum and maximum penalties?

The tax authority employs several accessory charges

relating to additional tax assessment by decision.

Penalties are typically imposed on additionally assessed tax as a punishment to the taxpayer. The standard rate is 20% of the additionally assessed tax when the assessment increases tax liability or decreases applied tax deductions. If the assessment results in a reduction of tax loss, a lower rate of 1% applies instead. There is no maximum limit to these penalties. If the taxpayer files an amended return before the authority starts a relevant action (post-filing queries/tax audit), only interest accrues.

Interest for late payment is also charged when tax is paid later than it should have been even if no tax assessment occurred. The annual interest rate follows a statutory formula: the Czech National Bank repo rate raised by 8 percentage points. As of September 2025, the interest rate equals to 11.5% p.a.

In addition to penalties directly related to additional tax assessment, the tax authority can also impose fines for late or missing filings, neglect of non-monetary obligations (such as failure to register), and obstruction or non-compliance with tax administration procedures.

If criminal tax evasion was committed, criminal proceedings can follow, which may result in criminal sanctions (e.g. monetary penalty, custodial sentence).

28. If penalties can be mitigated, what factors are taken into account?

Most penalties may be mitigated by the tax administration, at least in part.

The taxpayer may request, within three months of the final decision, partial remission of penalties resulting from additional tax assessment, if the additional tax assessment from which the penalties arose has been paid in full. The amount of reduction depends on the taxpayer's cooperation during the assessment process or other justifiable circumstances. The tax administrator may waive up to 75% of the penalty.

The taxpayer may also request reduction of the interest on late payment of the tax resulting from additional tax assessment, if the additional tax assessment from which the interest arose has been paid in full. Interest for late payment may then be waived in full or in part provided that the additional tax assessment resulted from a justifiable reason under the specific circumstances of the case.

Penalty and interest remissions are discretionary.

29. Within your jurisdiction, are you finding that tax authorities are more inclined to bring challenges in particular areas? If so, what are these?

Tax authorities frequently dispute claims for input VAT where they find insufficient proof of the supply or suspicious activity (failure to verify suppliers, missing substantive contracts). Authorities set a high bar for proofs required in claiming input VAT, as taxpayers must be able to prove delivery of goods or services, and factual entitlement to input VAT. Producing an invoice is often not sufficient proof of deductibility.

The tax authorities also tend to raise issues in cases of residency or permanent establishment (PE), especially dependent-agent PEs, service PEs, or where they suspect a foreign entity's local activities might be significant enough to constitute a local PE in the Czech Republic under the Income Tax Act, making it subject to Czech income tax. Authorities examine whether a foreign company has a place of effective management in the Czech Republic, the scope of activities carried out locally, any properties or persons employed, and may claim a Corporate Income Tax (CIT) liability has arisen.

30. In your opinion, are there any areas which taxpayers are currently finding particularly difficult to deal with when faced with a challenge by the tax authorities?

A particularly difficult case to defend is one where the taxpayer is responsible for their business partners duly reporting and paying output VAT. If such an independent third party does not report or pay VAT correctly, the taxpayer may be challenged by the tax administration and forced to forfeit or return their tax deductions on grounds of VAT fraud if the authority proves the taxpayer knew or should have known that the transaction was connected with VAT fraud.

Difficult disputes also often arise over disagreements in transfer pricing methodology, or lack of transfer pricing documentation altogether. The burden of proof is on the taxpayer to demonstrate proper arm's-length pricing, and the taxpayer must often be able to stay very consistent in their methodology and produce proper benchmarking as a part of robust transfer pricing documentation.

31. Which areas do you think will be most likely to be the subject of challenges and disputes in

the next twelve months?

It is highly likely that top-up tax will be a subject of near-future disputes with the tax authority. Uncertainties remain amongst taxpayers over which entities fall under scope, how to apply safe-harbour thresholds, and how the Czech top-up tax interacts with foreign regimes. If unresolved, this may result in a wave of mistakes in tax liabilities.

A particular challenge are mismatches in transfer pricing, where profit allocation and timing can directly impact the top-up tax calculation. Tax authorities are expected to focus early audits on documentation quality and consistency across jurisdictions. Businesses are advised to diligently map their group structures, test effective tax rate calculations, in anticipation for cross-border controversy.

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