



# UPCOMING OBLIGATIONS RELATED TO THE TOP-UP TAX



*Dear Clients and Business Partners,*

*Even during the Easter holidays, we would like to bring you important information. This time, we would like to draw your attention to the obligations related to the top-up tax under Act No. 416/2023 Coll., which implements the OECD Pillar 2 rules.*

*The rules are effective for accounting periods beginning on or after 31 December 2023, i.e. for most companies for the first time for the year 2024. The first reporting obligations are arising now, in most cases by 30 June 2026. It will therefore be necessary to take a number of steps as soon as possible.*

**It is not easy for us to determine in all cases whether you are an affected entity, therefore we are reaching out via our CLA NEWS. We kindly ask you to carefully read the short summary below. Should you wish to discuss this topic or use our services to comply with the relevant obligations, please contact your CLA contact person as soon as possible during April, who will connect you with our specialists in this area.**

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## UPCOMING OBLIGATIONS RELATED TO THE TOP-UP TAX

### Who is subject to the top-up tax

The rules apply to companies that are part of:

- International or large domestic groups,
- with consolidated revenues of at least EUR 750 million in at least 2 of the last 4 accounting periods.

(Please pay increased attention if there have been changes in your ownership structure in the past 2 years, as such changes may trigger the obligation.)

### Who may be affected in the Czech Republic

The obligation may apply to:

- Czech entities within a group,
- Czech permanent establishments of foreign entities.

### When does the tax liability arise

The top-up tax applies if the effective taxation of the group in a given jurisdiction falls below 15%. In such cases, the tax is increased up to this minimum level.

## Types of top-up taxes

The Act distinguishes two basic forms of top-up tax:

- **Domestic top-up tax (QDMTT)** – applies to low taxation in the Czech Republic and is paid by Czech entities,
- **Allocated top-up tax** – may be applied to foreign parts of the group if no top-up tax is imposed in another jurisdiction.

## Obligations of affected entities in the Czech Republic

Even if no actual tax liability arises, affected entities are required to:

- **First reporting obligation**

The first reporting obligation (submission of an information return) arises for the year 2024 and must be fulfilled within **18 months after the end of the accounting period**, i.e. typically by **30 June 2026** (for calendar-year companies).

- **First tax return for both top-up taxes**

For the first period, the deadline has been extended – the tax return must be filed **within 22 months after the end of the accounting period**, i.e. typically by **31 October 2026** (for calendar-year companies).

- **Additional related obligation – income tax report (public CbCR)**

Selected entities with an international presence are also required to publish an income tax report pursuant to Act No. 563/1991 Coll., on Accounting, as amended by Act No. 441/2023 Coll.

This obligation applies for the first time to accounting periods beginning after 22 June 2024, with publication required within 12 months after the end of the accounting period (i.e. for calendar-year entities, first for 2025 **by the end of 2026**). Compliance will be reviewed by the statutory auditor for the first time in 2026.

### The obligation to publish (and in some cases prepare) the report applies mainly to:

- ultimate parent companies based in the Czech Republic of large groups or standalone Czech companies with revenues exceeding CZK 19 billion and an international presence (subsidiaries, branches, permanent establishments abroad),
- medium or large Czech entities belonging to a large group (revenues exceeding EUR 750 million) where the ultimate parent company is outside the EU,

- Czech branches of non-EU companies with revenues exceeding CZK 240 million, where the parent company meets the EUR 750 million threshold – such branches must make the report available.

Revenue thresholds are assessed over two consecutive periods.

If your parent company within the EU prepares and publishes the report (including an English or Czech version), your obligation is limited to providing a reference to this publication on your website.

We are ready to guide you safely through this new area of compliance.

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