



PETERKA PARTNERS

THE CEE LAW FIRM

NEWSLETTER

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LEGAL NEWS

CZECH REPUBLIC

Amendment to Contract Register Act

An amendment to the Contract Register Act was adopted on 1 August 2017. The Amendment introduces partial exemption from the obligation to publish contracts in the contract register in certain cases. For example, contracts concluded in the ordinary course of trade by businesses that are not contracting authorities and have an industrial or business nature will not have to be published.

New Regulation on Insolvency Proceedings

The new Regulation on Insolvency Proceedings aims to make cross-border insolvency proceedings more effective, and faster, by preventing “forum shopping”, introducing more precise rules on concern insolvency proceedings and establishing publicly accessible insolvency registers. The Regulation became effective on 26 June 2017.

Amendment to Building Act

An extensive amendment to the Building Act, which aims to simplify and accelerate building permit proceedings will come into effect on 1 January 2018. The amendment foresees, in particular, the reduction of bureaucracy when obtaining all permits. In relation of the extensive changes, which will affect almost every part of the Building Act, amendments to more than thirty other Acts have been adopted together with the amendment to the Building Act.

New duties of multinational businesses

The Amendment of the Act on International Tax Cooperation, applicable since 19 September 2017 foresees the obligation of countries to share the information upon multinational businesses with consolidated yearly revenues exceeding 750 million EUR.

Amendment to Act on Payment System

A governmental amendment to the Act on Payment System, aimed at increasing the security of internet payments and of the users of payment services. The amendment hasn't been discussed in the Chamber of Deputies yet.

Compensation for breach of competition rules

The new Act on Compensation for Breach of Competition Rules was adopted on 1 August 2017, and should come into effect in the immediate future. The Act facilitates the enforcement of claims arising out of the violation of competition rules. For example, it extends the statute limitation period to five years and facilitates claimants' access to evidence proving their claims.

SLOVAKIA

Amendment to Act on Collective Bargaining

A new amendment to the Act on Collective Bargaining (effective from September 1, 2017) brings back the possibility of extending the “representative” higher collective agreement to other employers, which were not party to such an agreement and are doing business in the same economic sector/industry.

New restrictions on work of unemployed

As of 1 May 2017, the Act on Employment Services applies new restrictions on work performed by the unemployed, limiting their opportunities to both work and be registered as a job seeker by the Labour Office. The act also tightens the conditions for registration as a job seeker.

Mobility of workers from countries outside EU

With the effect of 1 May 2017 the transposition of EU Directives No. 2014/36 and No. 2014/66 into the Act on the Residence of Foreigners has improved the mobility of workers in Slovakia in regards to the entry and stay of third-country nationals for the purpose of seasonal work and within the framework of intra-corporate transfers.

Amendment of Labour Code

As of 1 June 2017, employers are not entitled to order, or agree on, work with employees working in retail (with some exceptions) on certain additional days (state holidays) as specified by an amendment to the Labour Code.

UKRAINE

Simplification of employment and immigration of foreigners

On 27 September 2017, Law of Ukraine simplifying the procedure for obtaining a temporary residence permit and work permit for foreigners, especially for founders, participants, beneficiary owners (controllers) of Ukrainian enterprises, came into force.

Changes in corporate governance in joint-stock companies

On 4 June 2017, a law concerning the improvement of the level of corporate governance in Ukrainian joint stock companies entered into force. The law introduces compulsory sale of shares by minority shareholders to the shareholder owning 95% shares and the mechanism for such acquisition.

Absence of seal does not lead to invalidation of documents

On 19 July 2017, the Law of Ukraine concerning the use of seals by legal entities and individual entrepreneurs entered into force. From now on, documents are deemed to be effective regardless of affixing them with a corporate seal.

New rules for State Aid to Legal Entities

On 2 August 2017, Law of Ukraine On State Aid to Legal Entities dated 1 July 2014 became effective. The Law introduces a comprehensive and transparent legal framework for state aid regulations in line with the EU-Ukraine Association Agreement.

BULGARIA

Draft of Protection Against Over-Indebtedness of Natural Persons Act

A new draft of the Protection Against Over-Indebtedness of Natural Persons Act was submitted to the Bulgarian Parliament on 21 July 2017. The new bill has the aim of bringing to an end the status quo of lifelong indebtedness of natural persons under Bulgarian law by providing a complete legal framework governing the procedures to be applied when it is impossible for a natural person to fulfil his/her obligations.

Various amendments to Bulgarian Civil Procedure Code (CPC)

A draft of amendments to the Bulgarian CPC was adopted at first reading by the Bulgarian Parliament on 7 July 2017. The amendments introduce changes in various groups of legal provisions including within the rules regulating appeals before the High Court of Cassation, summoning of the parties and enforcement procedures.

Draft of new Payment Services and Payment Systems Act

A draft of a new Payment Services and Payment Systems Act was submitted to the Bulgarian Parliament on 16 October 2017. The main purpose of the new bill is to implement Directive 2015/2366 on Payment Services in the Internal Market into Bulgarian legislation. The draft is aimed at reflecting and fulfilling the main goals of the Directive s.a. supplementation of the legal framework of services which are outside of the scope of the legal act, introduction of new types of payment services, implementation of additional requirements for the licensing of payment institutions and electronic money institutions.

RUSSIA

Amendments in relation to pre-action dispute resolution procedures

On 22 June 2017, substantial amendments to the Arbitrazh Procedure Code were adopted concerning pre-action dispute resolution procedures. Now, the general rule is that such procedures are no longer obligatory except for the types of cases stipulated in Federal Laws or specified in agreements.

Vicarious liability of beneficiaries of bankrupt entities

On 29 July 2017, new amendments to the Federal Law dated 26 October 2002 N 127-FZ “On Bankruptcy” were adopted. The amendments relate to issues of vicarious liability of beneficiaries and managers of companies that have gone bankrupt. In particular, the law grants Russian Arbitrazh courts the right either to reduce the liability of managers, or to relieve them of it in full, provided that such manager has reported information relating to the beneficiary who, de facto, controlled the legal entity in question.

Anonymizers prohibited

On 29 July 2017, amendments to the Federal Law dated 27 July 2006 N 149-FZ “On Information, Information Technologies and Data Protection” were adopted, according to which Internet service providers will be obliged to block Internet links to applications and devices encrypting and anonymizing the traffic of Russian users. The amendments will become effective on 1 November 2017.

POLAND

New rules for joint liability in construction process

In June 2017, the Polish Parliament introduced changes to the Civil Code which simplify the rules for an investor’s and general contractor’s joint liability towards subcontractors in the construction process. The amendment clarifies the way of notifying subcontractors to the investor and limits the investor’s liability towards subcontractors. This shall facilitate creditors when asserting their claims.

ROMANIA

More severe penalties for undeclared work

According to government ordinance no. 53/2017, amending the Labour Code, which entered into force on 10 August 2017, a penalty of RON 20,000 (approximately EUR 4,444) is payable by employers for each person employed without a labour contract, the threshold of five persons being eliminated.

New deadline for entry into force of law regarding insolvency of individuals

By Government Ordinance no. 6 of 27 July 2017, the deadline for entry into force of Law no. 151/2015 regarding the procedures related to the insolvency of individuals was postponed from 1 August 2017 to 1 January 2018.

New regulations regarding reception of buildings

According to Decision no. 343 of 18 May 2017, which entered into force on 30 July 2017, the Reception Commission can no longer recommend the postponement of the reception of such, but only the admission or rejection of the reception.

BELARUS

EAEU Customs Code: new integration

From 1 January 2018, the Customs Code of the EAEU will come into force (the business community actively participated in its development). The new Customs Code will implement the approaches and concepts applied in developed countries in customs administration related to the organization of the international trade of goods and their movement between countries. The transition to modern information technologies is among the important advantages. The new Code also includes provisions regarding:

- customs control in the form of inspecting customs, and other documents and information
- innovations in the origin, execution and termination of the tax obligation to pay customs duties
- regulation of the implementation of domestic transport via the customs territory of the EAEU.

New instrument for financing commercial organizations – securitization

From 1 July 2018, a new instrument for financing commercial organizations is available – securitization. Commercial organizations are able to sell receivables to special financial organizations. These financial organizations issue bonds specifically for the purchase of rights (claims).

There are two ways to securitize: 1) Assignment of rights (claims) with simultaneous issue (the special financial organization authorized to do this finances the initiator at the expense of the proceeds from the sale of the bonds), and 2) Assignment of rights followed by issue (the financing takes place at the expense of one's own and (or) borrowed funds from the special financial organization, including loans).

HUNGARY

New anti-money laundering act

The implementation of the fourth EU directive aims to combat money laundering by extending the application to any merchant of goods that accepts a cash payment in excess of the equivalent of EUR 8,000. The physical presence of the client is no longer required if the electronic identification process of the service provider is pre-audited and secure. The collected data is to be recorded more precisely regardless if the client is Hungarian or not. Companies are to revise their data protection policies and processing practices in order to be fully compliant with the new regulations, effective June 2017.

Changes to Hungarian Bankruptcy Code

The changes applicable from July 2017 aim to secure the interest of creditors by closing loopholes in the proceedings. The amendment clarifies the provisions regarding the dispute of the claim by the debtor and the increased liability of directors if they failed to act in the interest of the creditors; the exemptions from this liability are also qualified.

Mandatory registration at Company Gate for all companies

All Hungarian registered companies were required by statute to register and have an electronic governmental Company Gate platform by 30 August 2017. From the new year, companies will be able to stay in contact with and receive official documents from authorities and official bodies by using the service. The platform ensures secure and reliable online storage for companies when receiving official documentation.

TAX NEWS

CZECH REPUBLIC

MLI – minimum standard approach

On 7 June 2017, over 70 governmental ministers signed the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (“MLI”). The MLI is an OECD tool that modifies the application of thousands of bilateral tax treaties to eliminate double taxation. The Czech Republic intends to implement the MLI minimum standard provisions rather than the optional provisions.

Tax reviews of one-crown bond issuers

The tax administration’s reviews focus on entities that issued one-crown bonds before 2013. The investigations focus not only on the withholding tax application (a widely discussed tax evasion) but also on the economic substance of financing, i.e., the rational reasons for the issuance of bonds, and interest rates, i.e., complying with arm’s length principles.

2017 Tax Package – Local reverse charge regime expanded

An amendment to the VAT Act, effective from 1 July 2017, in addition to many other changes, extends the list of supplies subject to mandatory local reverse charge mechanisms by the delivery of immovable items in a forced sale, the provision of workers for construction and assembly work, the delivery of goods originally provided as a guarantee, etc.

2017 Tax Package – Technical improvement

An amendment to the Income Tax Act brings significant changes to the depreciation of technical improvement costs; if a lease or sublease contract is transferred, the costs of technical improvement (completed on 1 July 2017, and later) may be depreciated by the sub-lessee or the new lessee. Also, significant changes apply to entrepreneurs (individuals) who apply flat rate expense charge-offs.

Financial administration’s growing interest in transfer pricing

Based on the 2016 annual report on the activities of the Czech financial administration, tax inspections are more focused on transfer pricing issues. This fact is demonstrated by additionally assessed tax of CZK 886 million (approximately 34 million EUR) in 2016, showing a year-on-year increase of 50%. This trend will continue in 2017.

SLOVAKIA

Draft amendment to Slovak VAT Act

Major changes to the VAT Act are passing through the legislative process, with proposed effectiveness from 1 January 2018, e.g., a new opportunity to receive a part of the excessive deduction prior to opening a tax audit, regulation of tax liability and deduction of VAT in cases of assignment of claims, changes to the tax regime of tourism services, and others. The draft amendment could be subject to modifications.

Amendment to Act on Use of Electronic Cash Registers

As of 1 September 2017, the use of virtual cash registers are no longer limited by the number of issued receipts.

UKRAINE

New double tax treaties in effect

Double tax treaties concluded with the Grand Duchy of Luxembourg and with Malta offer preferential taxation rates for dividends, interests and royalties paid to and from Ukraine. The treaty concluded with the Grand Duchy of Luxembourg is effective as of 18.04.2017, and the treaty concluded with Malta is effective as of 15.05.2017.

Personal income tax rate on dividend income reduced

The rate of personal income tax has been reduced from 18% to 9% with respect to dividends received from:

- Non-residents
- Investment funds
- Legal entities that are not taxpayers in Ukraine (for example, from single tax payers)

The Law introducing the specified changes is in force from 15.04.2017.

Other important changes in tax administration

On 9 June 2017 a new form for corporate income tax declarations has been introduced. The new form shall be applied for filing the results of the three quarters of 2017 and effective from 9 June 2017.

The terms and procedure for issuing individual tax rulings have been changed and the Unified Register of Consultations has come into force on 1 August 2017.

The procedure for refunding overpayments or incorrect amounts paid to state and local budgets has been altered as well on 19 May 2017.

BULGARIA

VAT registration of non-corporate entities – the instruction has been issued on 01.08.2017

A recent instruction of the National Revenue Agency stipulates that if the establishment of a non-corporate entity is conditional (e.g. depends on whether the respective entity is awarded a specific public service contract), the obligation for VAT registration shall arise only after/if the public service contract is awarded. The said approach shall be applicable even if the condition is not explicitly stipulated in the relevant agreement but could be inferred by interpretation from its provisions.

Liabilities of third parties for tax and social security obligations

Shareholders, as well as a broadened group of business agents, should be among the third parties (such as management bodies, commercial representatives, procurators, etc.) liable for the tax and social security obligations of legal entities. The new rules, valid from 4 August 2017, also involve new actions regarding company property which lead to liability for company representatives.

RUSSIA

Employers obliged to pay insurance premiums calculated on daily allowance amounts

From 1 January 2017 employers shall pay insurance premiums to the State Insurance Funds if the amounts of daily allowance paid to employees going on business trips exceeds RUB 700 (approximately EUR 10) for internal and RUB 2,500 (approximately EUR 37) for external business trips.

Tax benefits for participants in regional investment projects

Since 1 January 2017, all tax payers (legal entities) which are participants in regional investment projects are allowed to take advantage of additional tax benefits. Before, such opportunity was only granted on the territory of the Russian Far East and Trans-Baikal Regions.

Domestic interest-free loans not subject to transfer-pricing rules

Since 1 January 2017 interest-free loan agreements concluded by and between related parties, will not be subject to transfer-pricing rules if the personal law of such persons and legal entities is Russian law.

POLAND

MLI signed by Poland

On 7 June 2017, in Paris, Poland signed the Multilateral Convention, which has as its aim changes to double tax treaties without the necessity of their renegotiation and ratification.

New bill on corporate income tax

On 17 June 2017, a new bill on corporate income tax was presented. Among others, it introduces: limitations of tax deductible costs with respect to expenses on immaterial services and minimum income tax in relation to taxpayers owning commercial real properties of a substantial value (such as retail parks).

ROMANIA

New rules on part-time labour contracts

Effective from 1 August, for part-time contracts below the minimum gross salary (RON 1,450, approximately EUR 322), employer will take into account the minimum gross salary as basis for the calculation of the pension and health insurance contributions.

Exceptions for certain categories of part-time employees

The abovementioned taxation regulation will not apply for certain part-time employees (school or university students up to 26 years of age, trainees under the age of 18, and persons with disabilities, for whom the law acknowledges the possibility of working under 8 hours per day).

More permissive rules with respect to VAT for companies

Since 1 October 2017, companies are re-registered ex officio for VAT purposes, without being checked from the fiscal risk perspective, after, and if, they have eliminated the situation that generated the fiscal risk.

BELARUS

Institute of tax advisers may appear in Belarus

By the end of the year, a Presidential Edict that regulates tax consulting as a kind of entrepreneurial activity will be adopted. Among the requirements for tax advisors are the relevant education – economic or legal, work experience of at least three years, and having civil liability insurance for professional errors. A pilot group of tax advisers has already been formed in Belarus.

Changes to tax audits

The introduction of the Presidential Edict “On specific issues of inspections and taxation of legal entities and individuals” will be a great step for business development, improving the tax payers’ situation, and generally improving the business climate in Belarus. The main changes, according to the draft edict, relate to:

- establishing the duration of the period under control in five years,
- increasing the verification period for compliance with transfer pricing rules, and
- introduction of a moratorium on the application of administrative responsibility (confiscation of goods, proceeds received from the sale of goods for violations committed in the process of economic transactions).

VAT on electronic services

Since 1 January 2018, as stipulated in the Law “On introducing amendments and additions to the Tax Code”, foreign companies providing electronic services to individuals in Belarus are required to register with the Belarusian tax authorities and pay VAT. If a foreign company provides electronic services through a Belarusian mediator in a settlement, VAT should be paid by the mediator. Electronic services will be taxed at a rate of 20%. The VAT base for electronic services will be determined as the cost of services, taking into account the VAT amount.

HUNGARY

Country by country (“CbC”) reporting starts from 2016

Hungarian resident subsidiaries of multinational enterprises (with more than EUR 750 million consolidated revenue in 2015) have to announce to the Tax Authority by 31 December 2017 whether or not they perform the CbC reporting obligation in Hungary. Missing and incorrect filing may result in a default penalty of up to HUF 20 million (EUR 65 thousand).

Hungary signed Multilateral Instrument to amend double tax treaties

By signing the OECD initiative on 7 June 2017, Hungary intends to modify the existing double tax treaties with all of its major investing countries.

Online data reporting to tax authority delayed

Due to demanding IT needs, the initially proposed 1 July 2017 deadline for online data reporting has been extended to 1 July 2018. Companies would be required to connect their invoicing system to the tax authority by this extended date. The real-time reporting obligation for invoices of more than HUF 100 thousand (EUR 323) VAT content is also postponed to the same date, though taxpayers may use the new system under a pilot project already this year.

New tax procedure rules from 1 January 2018

Due to re-regulation of tax procedure rules significant changes are to be expected to the effective tax legislation, as well as to the tax authority audits and executions from 1 January 2018.

**NEWS FROM
PETERKA & PARTNERS**

Upcoming PETERKA & PARTNERS seminars

PETERKA & PARTNERS continues in its organization of seminars on legal topics covering various jurisdictions.

In the near future, the following seminars are going to be held in the premises of PETERKA & PARTNERS Prague:

- On 1 November 2017, Rostislav Frelich, Tax Adviser for PETERKA & PARTNERS Czech Republic and Jan Rohan, a specialist in international cooperation in the area of direct taxes for Generální finanční ředitelství, will give a lecture titled “Aktuality v oblasti mezinárodního zdanění, včetně automatické výměny informací o finančních účtech”/“International tax news, including the automatic exchange of information on financial accounts”.
- On 7 November 2017, Tatiana Timchenko, Director for PETERKA & PARTNERS Ukraine, will give a presentation titled “Participation in public tenders in Ukraine”.
- On 22 November 2017, Adela Krbcova, Partner and Deputy Director, and Martin Murad, Partner, both from PETERKA & PARTNERS Czech Republic, will give the presentation “Monitoring zaměstnanců”/“Online monitoring of employees by employers”.

Please note that the seminars, except the “Participation in public tenders in Ukraine” seminar, will be held in Czech.

If you are interested in participation in one or more of these seminars please contact us at: lacmanova@peterkapartners.cz. Updates about new seminars can be found on our website.

New PETERKA & PARTNERS website

We are proud to announce the release of our newly redesigned website!

Please visit www.peterkapartners.com for some new information about:

- Our offices
- Client references
- Our expertise: practice groups, sector groups and language desks
- News and information about the firm

PETERKA PARTNERS

THE CEE LAW FIRM

PETERKA & PARTNERS is an independent full-service law firm with a special commitment to the region of Central and Eastern Europe.

The only truly Central Eastern European law firm that has built its own strong regional presence in key markets, PETERKA & PARTNERS offers a pan-regional legal and tax competency and dynamic alternative to the top law firms, both international and purely local, on these markets.

Operating nine fully-owned offices across the region, in the Czech Republic, Slovakia, Poland, Hungary, Romania, Bulgaria, Belarus, Ukraine and Russia, PETERKA & PARTNERS is organized and acts as “one firm” and leverages its unique integrated infrastructure, legal excellence, industry insight and deep local expertise to deliver complex legal solutions with exceptional commercial value to its clients.

For further information on any of the issues discussed in this edition of the Newsletter, or if you should have any other enquiries, please contact us through the contacts listed below or visit our website at www.peterkapartners.com.

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