CZech BusinessToday.eu

Published by
CEBRE
CZECH BUSINESS REPRESENTATION
www.cebre.cz

volume XIII, 3-2014

CEBRE was founded in 2002 by the three most important Czech business organizations - Czech Chamber of Commerce, Confederation of Industry of the Czech Republic, Confederation of Employers' and Entrepreneurs' Associations of the Czech Republic with kind support of the Ministry of Industry and Trade via its Trade promotion agency CzechTrade.

www.komora.cz

www.spcr.cz

www.kzps.cz

www.czechtrade.cz

NEW STATE AID RULES EXTEND BLOCK EXEMPTION REGULATION, COMMISSION RELIES MORE ON MEMBER STATES

The General Block Exemptions Regulation (GBER) is being revised and shall allow the Member States to grant the aid without prior notification to the Commission, assuming GBER conditions are met. The new draft of GBER focuses on acceleration of compatibility assessment with EU Treaties, increasing the notification limits and significant extension of the block exemption categories. Up to 90% of State aid cases will fall under GBER and only bigger cases will have to be evaluated by the Commission ex ante. New rules should enter into force in July 2014. According to the Commission, greater emphasis will also be put on the role of Member States during the whole process and their responsibility for the compliance of the aid granted with the new rules. Hynek Brom of the Czech Office for the Protection of Competition says State aid rules modernization will bring no essential system changes within the scope and competencies of the EC and Member States´ bodies. In his opinion, the revised rules will more likely strengthen the monitoring and coordinating role of Member States and increase the involvement of the Commission in the supervision of public budget expenditures. Changes in the control scheme will enable the provider to get feedback, but will also mean higher costs. *"Modernisation also brings important changes in procedural rules helping the Commission fight a large amount of complaints on breaching State aid rules"*, highlighted Ondřej Dostal from the Permanent Representation of the Czech Republic. To ensure better communication between the Commission and the Czech Republic, Josef Schwarz of DG COMPET was appointed as the new national coordinator for the Czech Republic. Changes brought by State aid rules modernization to Czech entities were discussed during the debate co-organized by CEBRE on 27^{th} March 2014 in the European House in Prague.

NEW REGIONAL AID GUIDELINES WILL LEAD TO INVESTORS´ OUTFLOW

At end of 2013, the effectiveness of wide range of state aid instruments expired, and it was therefore necessary to adopt new legislation. The European Commission took advantage of this opportunity to propose a significant revision of the whole state aid system. While some changes, like acceleration of decision processes within the Commission or clarification of unclear rules, can be appreciated, others seem rather problematic. The second category includes state aid reduction for large enterprises. From 1^{st} July 2014 to 31^{st} December 2020, the regional aid will be provided in all NUTS II regions except Prague, however, the support to large enterprises will be limited to 25% of eligible costs, which is a decrease of 5-15% compared to the previous period. The Commission´s justification of this approach is that large companies would invest in the region anyway, while small and medium-sized enterprises would otherwise not manage. I strongly disagree with this opinion. At the time when the EU is recovering from the crisis, such a solution, which can lead to a loss of investment incentives and outflow of investors, is inappropriate.

Oldřich Vlasák,
Vice-President of the
European Parliament

FUTURE MEPS WERE BRIEFED BY CEBRE FOUNDERS

Before May election of the new Members of the European Parliament, CEBRE founders discussed their priorities regarding EU affairs with Czech candidates on 31^{st} March, 2014. The main message was that there is a need to join forces when defending national interests in the EU and be ambitious with regards to the portfolio, which will be given to the new Commissioner from the Czech Republic. Better coordination is also needed with future MEPs from the Visegrad Group who might have similar views on the issues discussed. Last but not least, new MEPs should also more efficiently cooperate with the national Parliament, not only with regards to early warnings, but also in transposition of EU directives. Furthermore, CEBRE founders briefed the candidates on their priorities in different areas relevant to business such as energy and climate change, transport, Internal Market, finance and labour market.

News FLASH

>COMMISSIONER ANDOR VISITED PRAGUE

On 21^{st} March, the Commissioner for Employment, Social Affairs and Inclusion, László Andor met with several Czech ministers. The main topics discussed were unemployment, funding from the European Social Fund and preparations for the next programming period 2014-2020.

>THE CZECH REPUBLIC CLOSER TO EU FISCAL PACT

On 24^{th} March, Czech government agreed to join the EU Fiscal pact and introduce measures to monitor budgetary discipline. The decision is yet to be approved by both chambers of the Parliament. The rules will become effective only after the Czech Republic adopts the euro.

>GREEN ENERGY TARGETS MET

According to the Energy Regulatory Office, the Czech Republic will produce 13.8% of its gross electricity consumption from renewable resources this year and will therefore meet the Commission´s target of 13.5% six years earlier.

>EP ELECTIONS AWARENESS LOW IN THE CZECH REPUBLIC

March survey conducted by STEM shows that only 9% of Czech respondents describe the elections to the European Parliament as very important.

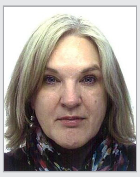
STOP TO ROAMING BY MID-DECEMBER OF 2015

Last year, the European Commission adopted major regulatory proposals to complete the telecoms single market and deliver a Connected Continent. The aim of the proposals is to establish a single European authorisation for operators that provide their services in more than one EU country, terminate roaming within the EU, harmonise the spectrum and virtual access to fixed networks, introduce a safeguarding access to the open internet and strengthen the rights of end-users. The proposal also lays down harmonized rules on traffic management, which will promote cross-border business activities and improve services to end users. *"The Commission wants to ensure that consumers are better informed about the minimum and the actual speed of their Internet connection. And that they have the opportunity to terminate the contract with their service provider without any penalty if the provider does not provide the speed specified in the contract"*, highlights Peter Eberl, Deputy Head of Unit for Electronic Communications Regulation, DG CONNECT, European Commission. The European Parliament in its plenary held on 3rd April significantly amended the EC proposal with respect to net neutrality and ending data for roaming. According to the Parliament, roaming charges should end by 15th December 2015. Furthermore, internet access providers will be barred from blocking or slowing down selected services for economic or other reasons. Ondřej Malý, Member of the Council of the Czech Telecommunication Office, and Michal Frankl, Member of the Board of Telefónica Czech Republic, agree that the proposal comes too early without a deep prior evaluation of the current regulatory framework and has not followed standard rules of stakeholder consultation. This is also a critical point stressed by the Council. Moreover, the Commission in its proposal changed the cap it had set up a couple of years ago, which kills investments made by the private sector including alternative roaming operators. The adoption of the proposal also depends on the result of June TTE Council where the proposal will be discussed. Potential changes brought by the single market for electronic communications and its impact on Czech entities were discussed during the debate co-organised by CEBRE on 1st April 2014.

Michal Frankl, Telefónica Czech Republic

EESC CORNER: TAXATION – PARENT SUBSIDIARY DIRECTIVE

The issue of corporate base erosion is very high in the political agenda of many EU and non-EU countries and has been on the agenda of recent G20 and G8 meetings. Double non-taxation deprives Member States of significant revenues, creates unfair competition between businesses in the Single Market and is one of the key EU areas for urgent and coordinated action. Both the European Council and the European Parliament have stressed the need to develop specific ways to improve the fight against tax fraud and tax evasion via hybrid financial instruments in the EU. The PSD was originally conceived to prevent same-group companies, based in different Member States, from being taxed twice on the same income (double taxation). However, certain companies have exploited the provisions of the Directive and mismatches between national tax rules in order to avoid being taxed in any Member State at all (double non-taxation). The proposal aims to close these loopholes. First, it updates the anti-abuse provision in the Parent Subsidiary Directive to allow for ignorance of artificial arrangements used for tax avoidance purposes and ensure taxation takes place on the basis of real economic substance. Second, it will ensure that the Directive is tightened up so that specific tax planning arrangements cannot benefit from tax exemptions. Currently, the PSD obliges Member States to give parent companies a tax exemption for the dividends they receive from subsidiaries in other Member States. However, in some cases, the Member States where the subsidiaries are based classify these payments as tax deductible "debt" repayments. That results in the payments from the subsidiary to the parent company not being taxed anywhere. Exploiting such mismatches is the basis for a specific type of tax planning arrangement (hybrid loan arrangements). Under the proposal, if a hybrid loan payment is tax deductible in the subsidiary's Member State, it must be taxed by the Member State where the parent company is established. This will stop cross-border companies from planning their intra-group payments in order to enjoy double non-taxation. The EESC welcomes the proposal for a review of the Parent-Subsidiary Directive, and considers that it is a major step forward in implementing the action plan to strengthen the fight against tax fraud and tax evasion. Considering that every year the Member States lose billions of euros as a result of tax fraud and tax evasion, as well as aggressive tax planning, the Committee can only endorse the Commission proposal aiming on implementation of the general anti-abuse rule.



Marie Zvolská,
EESC Member, Group I - Employers

EU ENHANCES TIES WITH AFRICA

Four years after the last EU-Africa Summit in Tripoli, the fourth one took place at the beginning of April in Brussels. The main topic of the summit was "Investing in People, Prosperity and Peace", and a broad range of topics, such as education, job creation, prosperity, security or migration were discussed. Apart from that, business talks were an important part of the summit as the 5th EU-Africa Business Forum took place just before the summit. EU trade relations with Africa are very strong; in 2012, the EU bought African goods worth 187 billion EUR and more than one third of total African trade was with the EU. In addition, the EU is the biggest donor of development aid to Africa. But the situation in Africa is changing and the EU seems to be shifting its attitude towards the continent as well. It does not only want to pour money into African development (however, that does not mean that the development aid will end) but wants to make profit on the African boom. As President of the European Commission, José Manuel Barroso mentioned during his opening speech of the summit, *"economic and demographic growth represents an exciting opportunity"*, an opportunity that the EU will want to seize. However, as the EU business leaders' remark, making business with Africa will not be able unless a predictable and stable environment is created there, and the private sector should be engaged in the economic development of the continent. Especially SMEs should be given a proper support to engage in business relations with their African counterparts. The intention of the EU to enforce its position in Africa is also evident from the expression of continuous support to the Economic Partnership Agreement Development Programme (PAPED) in West African countries for the period 2015-2020. The decision to continue with the programme was made in mid-March and the aim of the programme is to support development of the region consisting of 16 countries and increase trade and investment, while developing the main sectors as energy, transport, industry and also to build a stronger civil society.

CEBRE CALENDAR:

- Debate on "Labour Market Flexibility" – 13th May 2014 (Prague)
- Debate on "CSRs for the Czech Republic" – 23rd June 2014 (Prague)

CEBRE – Czech Business Representation, protects the interests of the Czech business community in relation to EU institutions, informs Czech businesses about EU legislation affecting them, trains Czech entrepreneurs in Brussels and represents Czech business associations at European business federations. Contact: Czech House, 60 Rue du Trône, 1050 Brussels, Tel:+ +32 2 502 0766/+32 2 502 8091, e-mail: brussels@cebre.cz, www.cebre.cz

CEBRE Czech Business Representation
www.cebre.cz