



Czech Legal News

New EU Capital Market Reforms

A Boost for SMEs Seeking Investment

by Radek Werich

The EU has introduced new rules to help small and medium businesses access capital markets more easily. These changes aim to make public markets more attractive. They will fully apply from March 5, 2026, and June 5, 2026, simplifying the listing process and lowering costs for companies going public.

EASING THE PATH TO PUBLIC CAPITAL MARKETS

One of the core objectives of the reform is to make it easier for SMEs to issue shares and raise capital in public markets. Traditionally, many SMEs have faced significant regulatory burdens and high costs associated with initial public offerings (IPOs) and ongoing market compliance. The new rules address these concerns by:

- **Streamlining IPO regulations**

The revised Prospectus Regulation reduces administrative complexity, making it cheaper and faster for SMEs to prepare and publish a prospectus.

- **Reducing disclosure burdens**

Companies already known to investors will benefit from simplified requirements for follow-on share issuances.

- **Standardizing prospectuses**

A new format ensures that investors receive clear, concise, and comparable information.



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SIMPLIFYING COMPLIANCE FOR LISTED COMPANIES

For businesses that have already gone public, the reforms introduce further improvements:

- **Lighter reporting requirements**

The revised Market Abuse Regulation provides more clarity on what constitutes inside information and reduces the risk of unnecessary disclosures.

- **Digitalization and accessibility**

Companies will now be able to issue prospectuses exclusively in digital form, with an option to prepare them in English, making cross-border investment easier.

- **New SME growth market documentation**

Instead of the previous “EU Growth Prospectus,” companies listed on SME Growth Markets will use a shortened EU Growth Issuance Document, further simplifying compliance.

A MORE ATTRACTIVE MARKET FOR INVESTORS AND BUSINESSES

The EU has recognized that, compared to markets in the US or Asia, European public capital markets have not been as attractive for SMEs. These reforms aim to close this gap by:

- **Harmonizing rules across the EU**, reducing legal fragmentation.
- **Increasing the threshold for exemption** from prospectus requirements to EUR 12 million, making it easier for smaller companies to raise funds.
- **Enhancing investor confidence** by ensuring standardized and easily accessible company information.

WHAT THIS MEANS FOR BUSINESSES

For growing companies, particularly in Central and Eastern Europe, these changes

could unlock new opportunities to access funding. By reducing bureaucracy and costs, the EU hopes to encourage more SMEs to take advantage of public markets as a viable financing option.

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Public Auctions Made Easier

by Karolína Szturc

The new Public Auctions Act introduces significant changes to the conduct of public auctions in the Czech Republic. It aims to modernize auction procedures, enhance transparency, and align with the Civil Code.

SCOPE OF THE NEW LAW

The Act only applies to auctions where the auctioneer invites an unspecified group of people to submit bids for a purchase contract or a future purchase contract with the highest bidder. Auctions among a closed group or those aimed at contracts other than purchase agreements, such as lease contracts are not concerned. For example real estate agents conducting bidding processes among selected buyers are not subject to this law.

KEY CHANGES INTRODUCED

- **Transfer of Ownership**

Ownership of auctioned property now automatically transfers (*převod*) upon the completion of the auction, aligning with the Civil Code’s view of auctions as a method of concluding contracts. The terms of this agreement will be set out in the auction announcement, and during the auction, only the details of the buyer and the purchase price will finalize the agreement. As a result, no separate written purchase agreement will be required after the auction. The official confirmation of the sale will be the certificate issued by the auctioneer.

For real estate, the buyer becomes the owner only after the transfer is recorded in the Real Estate Register.

- **Electronic Auctions and Central Register**

The Act introduces a Central Register of Auctions, managed by the Ministry of Regional Development. This publicly accessible registry will contain information about auctioneers and auctions, facilitating easier access to auction details. It shall eliminate unnecessary paperwork and make the whole process more cost efficient. Additionally, the law supports electronic auctions, promoting digitalization of the auction process.

- **Simplified Regime for Movable Things and Dutch Auctions**

The Act introduces a simplified auction regime for movable things with a bidding price under CZK 300,000, streamlining procedures for lower-value items. Further, public auctions now include Dutch auctions, where the auctioneer starts with a high asking price, which is gradually lowered until a bidder accepts the current price.

- **Sanctions for Non-Compliance and stricter regulations on forced auctions**

Previously, there were no penalties for auctioneers breaching their obligations. The new law allows for fines up to CZK

1,000,000 for violations, aiming to enforce compliance and ensure fair practices. Further, stricter regulations are imposed on forced auctions. Once a forced auction is initiated, the property owner is prohibited from taking actions that could affect the property’s value or hinder the auction process. This prohibition will be recorded in the Real Estate Register, which will also include a note warning third parties about the pending auction.

- **Auctioneers**

Those conducting auctions must obtain the appropriate trade license, secure liability insurance, and may need to update their electronic auction platforms to comply with the new regulations. Non-compliance can result in significant penalties, including fines or suspension of business activities.

The new Public Auctions Act represents a shift in the legal landscape of auctions in the Czech Republic. By modernizing procedures, supporting electronic auctions, and enforcing compliance through penalties, the law aims to create a more transparent and efficient auction environment.

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A More Employer-Friendly Labor Code?

by Dagmar Junková

The landscape of labor law in 2025 looks set to be more employer-friendly, with a significant update to the Labor Code – the “Flexible Amendment” – currently under discussion. While the aim is to have the changes in effect by April 1, 2025, most experts predict a more realistic start date of July 1, 2025.

What would the Flexible Amendment bring?

EXTENSION OF THE PROBATIONARY (TRIAL) PERIOD

The maximum trial period would increase from 3 to 4 months and for executive employees from 6 to 8 months.

Employers could also extend the probationary period to the full maximum length, if a shorter period had initially been agreed. This would give employers more time to assess a new hire’s performance, ensuring that they are the right fit for the company.

INCREASED FLEXIBILITY FOR PARENTS RETURNING TO WORK

The proposal makes new rules relating to the employment of people caring for young children. It now allows these employees to perform the same type of work for the same employer on the basis of a work activity agreement (DPČ) or a work performance agreement (DPP).

It might be beneficiary for the employer if an employee on parental leave can work effectively in a limited capacity under DPČ or DPP, as he may save the costs associated

with recruiting a new employee (training, etc.). At the same time, the relationship under this agreement can be easily terminated, if it is later found that the new set-up does not suit both parties.

REPETITIVE FIXED-TERM EMPLOYMENT CONTRACTS

Employers may renew fixed-term agreements as often as they need under specific circumstances when replacing an employee on maternity, paternity, or parental leave. However, the total duration of all fixed-term agreements may not exceed 9 years.

On the other hand, reinforcing legal regulations to guarantee that employees returning from parental leave can return to the same job and workplace, even before their child reaches the age of two, could become more problematic.

TERMINATION WITHOUT CAUSE – A GROUNDBREAKING PROPOSAL

One of the most notable proposals is the introduction of termination without cause. This means that employers would be entitled to end employment relationships without specifying any reason. However, exceptions would apply in case of employees who are close to retirement and those on maternity, paternity, or parental leave, or employees with disabilities.

When terminating without cause, the severance pay should be twice the statutory amount, e.g. if an employee has worked for more than two years, they would be entitled to a severance payment of six monthly wages.

CHANGES TO THE NOTICE PERIOD

Start Date of the Notice Period

When terminating an employee, the notice period would begin on the date the notice is delivered, rather than the first day of the following month, as is the current rule. While this may seem like a minor change, it could have a significant impact on termination timing, especially in cases of organizational restructuring.

It is important to note that the parties may agree contractually on a different starting time for the notice period.

Length of the Notice Period

A new rule would introduce a shorter notice period of only one month for so-called “sanction terminations”, i.e. terminations due to employee misconduct or breach of obligations.

Employers should also be aware that it is common practice in the Czech Republic that existing agreements specify a two month notice period for both parties. In this case, employees may argue that a two months notice period was agreed between even for “sanction terminations”.

Take Action Now

The Flexible Amendment is still under debate, but the proposed changes are likely to have a significant impact on your workforce management. We recommend reviewing your standard employment agreements and, if necessary, amend them.

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Green Light for Czech Agrivoltaics

by Jan Valíček

The combination of agriculture and energy production has been a well established concept for years. In particular, the cultivation and processing of “energy crops” and the use of agricultural land for the construction of solar panels have been rather popular. In the past, the second option required removal of the land from the agricultural land fund. As a result, the farmer lost the possibility of agricultural utilisation of the land. He had to decide whether to become an electricity producer or to continue ‘just’ farming.

The Czech legal system now finally establishes the concept of agrivoltaic power plants, i.e. a system in which photovoltaic panels are installed over agricultural land (horizontal agrivoltaic system) or between crops (vertical agrivoltaic system).

An amendment to the Agricultural Land Fund Protection Act and a special decree stipulate not only conditions for implementation of agrivoltaic power plants, but also how the owner must proceed after the plant is no longer in operation and, most importantly, which crops may be grown on the land where the agrivoltaic power plant is located. This is where a farmer may see one of the major limitations, since the permitted agricultural crops include, in particular,

vineyards, hops, orchards, nurseries and truffles areas.

Agrivoltaics are now the only way to use agricultural land under protection classes I and II for electricity production. Such land may no longer be removed from the agricultural land fund for these purposes, not even for a fee. In addition to enhanced economic benefits of the land, the agrivoltaic system may also serve to protect the cultivated crops from adverse environmental influences.

At the same time, we expect that the development of agrivoltaics will be supported by various subsidy programs that are likely to be announced soon.

If you are interested in more detailed information on the conditions for implementation of agrivoltaics or need support in a specific project, do not hesitate to reach out to our team. We will expertly guide you through the preparation and implementation of your project and provide you with all necessary legal advice.

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Debt Collection Made Faster

by Jana Kostěncová

Significant amendments to the Civil Procedure Code have changed how payment orders are delivered, impacting both creditors and debtors. The primary goal of these changes is to streamline court procedures, especially in debt collection, making them faster and more efficient.

KEY CHANGES TO DELIVERY OF PAYMENT ORDERS

Under the new rules, a payment order delivered to a data box will be considered “delivered” 10 days after being sent, even



if the recipient does not open it. This will speed up the process and reduce delays, as creditors can quickly obtain an enforceable title. However, for other delivery methods, the existing practice remains the same. In case the recipient doesn't accept delivery, the order is considered undelivered, and the court may cancel it.

For creditors, the new system offers a more efficient way to recover debts, eliminating the need for multiple legal steps. However, debtors who don't actively monitor their data box may risk missing important notices. The 10-day window for accessing the box adds pressure on recipients to stay aware of incoming documents.

OTHER NOTABLE CHANGES

The amendment also removes the cap on the value of claims that can be processed through electronic payment orders, allowing larger amounts (over 1mio CZK) to be handled more easily. Additionally, if delivery attempts fail, notices will be posted on the court's official board, requiring defendants to stay vigilant.

CONCLUSION

These changes, while improving efficiency, place more responsibility on debtors to monitor their data boxes. Creditors will benefit from faster enforcement, but debtors must be proactive to avoid missing critical court notices.

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The EU AI Act

What Businesses Need to Know

by Radek Werich



The new **European Union's Artificial Intelligence Act (AI Act)** introduces a comprehensive regulatory framework for AI systems across the EU. It aims to harmonize AI rules, fostering innovation while ensuring the protection of fundamental rights.

The AI Act uses a rather broad definition of AI systems and encompasses a wide range of applications, from simple AI chatbots to complex decision-making algorithms used in finance, healthcare, and law enforcement.

The AI Act applies to a wide range of **AI providers and users**, regardless of whether they are based in the EU. Specifically, it covers:

- **AI system providers** placing AI on the EU market, even if they are based outside the EU.
- **Companies deploying AI systems** within the EU.
- **Foreign providers and users** whose AI systems generate outputs used in the EU.
- **Importers and distributors** of AI technology.
- **Manufacturers** who integrate AI systems into their products.
- **Authorized representatives of non-EU AI providers.**
- **Individuals and businesses within the EU** affected by AI systems.

However, the AI Act does not apply to

AI systems used exclusively for military, defense, or national security purposes, nor does it regulate AI developed strictly for scientific research and development.

The AI Act introduces a **risk-based framework**, categorizing AI systems into four levels:

MINIMAL RISK

AI-powered applications like spam filters and recommendation systems face no mandatory obligations, though voluntary ethical guidelines are encouraged.

SPECIFIC RISK

AI systems such as chatbots and deepfake generators must clearly disclose their artificial nature to users. AI-generated content must be labeled, and biometric recognition systems used for categorization or emotional analysis require transparency.

HIGH RISK

AI used in hiring, credit scoring, and healthcare is subject to strict compliance measures, including:

- **Risk mitigation strategies**
- **High-quality datasets**
- **Detailed documentation**
- **Human oversight**
- **Cybersecurity requirements.**

UNACCEPTABLE RISK

AI applications that pose a threat to fundamental rights are banned.

These include:

- **AI systems designed to manipulate human behavior and bypass free will.**
- **AI tools enabling social scoring (e.g., ranking individuals based on personal behavior).**
- **Certain biometric surveillance tools used in public spaces, except in limited law enforcement cases.**

Companies failing to comply with the AI Act face **severe penalties**, with fines reaching **up to 7% of global annual turnover** for the most serious breaches.

IMPLEMENTATION TIMELINE

The AI Act has a **staggered rollout**, with key milestones including:

- **February 2, 2025:** Prohibitions on high-risk AI practices and core definitions take effect.
- **August 2, 2025:** Rules regarding regulatory oversight, AI system classification, and enforcement mechanisms become applicable.
- **August 2, 2026:** General EU-wide enforcement of the AI Act begins.
- **August 2, 2027:** Specific regulations for high-risk AI systems take effect.

WHAT THIS MEANS FOR BUSINESSES

Companies operating in the EU must **evaluate their AI systems** and determine their risk classification to ensure compliance. This includes implementing transparency measures, conducting risk assessments and establishing human oversight mechanisms.

THE ROAD AHEAD

The AI Act positions the EU as a global leader in AI regulation, balancing technological innovation with ethical responsibility. Businesses must proactively adapt to these regulations, ensuring their AI applications remain compliant, transparent, and trustworthy.

As AI continues to evolve, staying informed and compliant will be crucial for businesses seeking to navigate the new regulatory landscape.

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Slovak Legal News

Transaction Tax

New Tax on Payments and Withdrawals

by David Benčat & Valter Pieger



"Nothing is certain except death and taxes", Benjamin Franklin's famous quote remains true, especially in today's times. In response to the challenging state of public finances, the Slovak parliament

adopted a range of fiscal instruments aimed at consolidation. Part of the measures adopted in order to consolidate Slovak public finances is the introduction of the Transaction Tax. All companies, other legal entities and sole proprietors operating in Slovakia, are required to pay a tax when making a payment from their bank account, for cash withdrawals and the use of credit/debit cards. Exempted are only public entities, non-profit organizations or civic associations.

For transfers (payments) made from a bank account, a tax of 0.4% of the transaction amount, with a maximum of 40 EUR per transaction, will be paid. In the case of cash withdrawals, a tax of 0.8% of the amount withdrawn, with no maximum limit, must be paid. For the use of a credit/

debit card, there is no tax on individual transactions, but a fixed tax of 2 EUR per year, if the credit/debit card was used at least once during the preceding calendar year.

However, not all payments made from a bank account will be taxed. Exceptions include for example payments of taxes, fees, and contributions to health and social insurance, payments of contributions to the second and third pension pillars, etc. Notably, internal transfers between one's own bank accounts within the same bank are also exempt.

As for the actual process of paying the Transaction Tax, in the case of bank accounts held in banks in Slovakia, the bank is the entity responsible for calculating and deducting the tax from the taxpayer's bank account and subsequently remitting it to the tax authority on a monthly basis. However, for accounts held in foreign banks, the taxpayer will be directly responsible for calculating and paying the Transaction Tax to the tax authority.

Contribution for Sports Activities of an Employee's Child

by David Benčat

The Slovak government is stepping up its support for sports activities of young people, as now large employers have to 'get in the game' and contribute.

A provision for a contribution towards the sports activities of an employee's child has been in effect for several years. Until 2025, this contribution could have been voluntarily provided by any employer to an employee who requested it, provided they had been in continuous employment with the employer for at least 24 months, had a child under the age of 18 who held permanent or similar residence in Slovakia, and was a member of a registered sports organization. The contribution could have been granted up to a maximum of 55% of the employee's related eligible expenses,

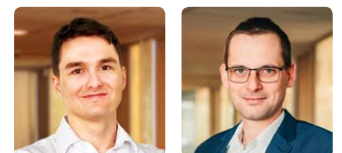
or 255 EUR per calendar year.

Employers with more than 49 employees will now be legally required to provide this contribution, if an employee who meets the legal criteria requests it. As for the extent to which the employer is obliged to provide the contribution, the aforementioned maximum of 55% of the employee's related eligible expenses, or 255 EUR per calendar year, applies.

Employers with fewer than 50 employees, may still voluntarily provide the contribution, provided that the previously mentioned legal criteria and the maximum extent of the contribution are adhered to.

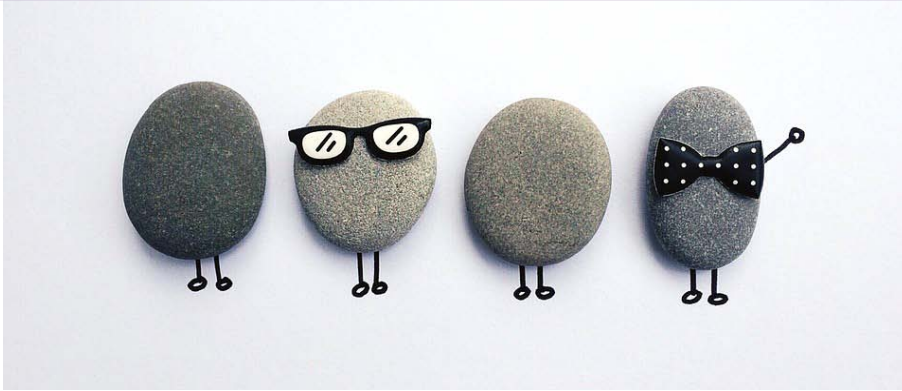
From a tax perspective, the contribution for the sports activities of an employee's child, whether provided

voluntarily or as a requirement, remains exempt from income tax and social security contributions for the employee, while the employer is entitled to include it as part of their tax-deductible expenses. This means, in effect, that, provided all legally prescribed requirements are met, the employee does not pay tax or social security contributions on the received contribution for the sports activities of their child, while its provision reduces the employer's taxable income.



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Giese & Partner News



New Arrivals

Giese & Partner is thrilled to introduce two new members of our Prague team:

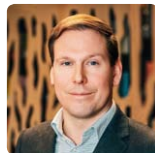
Mgr. Bc. ANDREA LANČOVÁ
Associate

Andrea has started her position as Associate at Giese & Partner in February 2025. She graduated from the School of Law at Masaryk University in Brno in 2019 and was admitted to the Czech Bar in 2022. Andrea specializes in corporate law, employment law, administrative law and civil law. She speaks Czech, German and English.

Mgr. LUKÁŠ JAKOUBEK
Junior lawyer

Lukáš joined our Prague team as junior lawyer in January 2025. He graduated from the School of Law at Charles University in Prague and specializes in corporate law, real estate projects, inheritance law and IT law. Lukáš speaks Czech, German and English.

Radek Werich is now officially a Master of Laws



We are delighted to congratulate our longtime colleague Radek Werich on obtaining his Master of Laws (LL.M.) in Banking and Finance

Law with Merit from the University of London.

Over the past 15 years, Radek has advised on numerous financing transactions, an experience that inspired him to gain additional academic insight into syndicated loans and project financing. We appreciate his dedication and wish him continued success in his legal career.

Jan Valíček promoted to Managing Associate



We are pleased to announce that our colleague Jan Valíček has been promoted to Managing Associate at Giese & Partner.

Jan started working with our firm as junior lawyer in 2012 straight after having graduated from the School of Law at Charles University in Prague. In 2015 he was admitted to the Czech Bar. In his practice Jan specializes in corporate law, M&A, real estate projects, project financing and employment law.

Jan has earned this promotion due to his commitment over the years and an extraordinary work performance on many significant cross-border transactions. We are happy to have him on our team and look forward to our continued success together!

Further activities of Giese & Partner lawyers

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General statement regarding this

publication:

The content of this Newsletter is provided for information purposes only and does not constitute or substitute legal advice provided by Giese & Partner.

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