

# A view from...

## Czechia

### News from FTI Consulting's European affiliate network

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Below they provide an update following some changes in the political landscape of the country. The views expressed herein are those of the author(s) and not necessarily the views of FTI Consulting, Inc. its management, its subsidiaries, its affiliates, or its other professionals, members of employees.



#### **Three new ministers in the cabinet**

The new ministers, that have been appointed on April 30, have already presented some of their priorities and have started to act upon them. The new Minister of Industry and Trade Karel Havlicek announced a plan to replace both of his political deputies, Alexandra Rudysarova and Ivan Pilny, and bring two experts with significant knowledge in their field but with no political background: Silvana Jirotkova, so far the general manager of CzechInvest, whose main focus shall be on innovations, investments and greater interconnection of the government agencies CzechTrade, CzechInvest and CzechTourism. The second deputy will be Jan Dejl, who previously led the Department of Export Support at the Ministry of Finance. Mr Dejl will be in charge of the economic management of the departmental organizations. Other deputies are not out of danger of being replaced yet, as Havlicek stated that he will lead individual talks with each

one to determine their priorities and decide whether further cooperation would be mutually beneficial. Moreover, Havlicek is planning to change the whole press department in order to communicate with media and entrepreneurs more efficiently, however, not giving any names yet.

Since the announcement of his designation, the new Minister of Transportation Vladimir Kremlík has commented on his priorities rather scarcely. He stated that his predecessor Dan Tok, despite being criticized for number of problems, has done a good job and that he wants to build on it. Specifically, Kremlík mentioned that the first topic he wants to focus on will be an acceleration of the preparation and construction of key transport infrastructure as well as the related bill that is currently in the legislative process and it is important to finish it swiftly.

Already one day before Marie Benesová was appointed the new Minister of Justice (MoJ) there have been protests in Prague and other places in Czechia against her and PM Babiš. She held this post before, during the time of caretaker government of Jiri Rusnok. Benesová's appointment caused strong criticism from the opposition, claiming that her nomination was purposeful as it came only a short time after the police proposed to arraign PM Babiš in the Stork's Nest Farm case. The often-mentioned reason for criticism is that the state prosecutor falls directly under the MoJ (with a serving Minister for ANO) and therefore could be easily suggestible. Benesová herself, also serving as a counsellor to President Zeman with whom she has a long history and good relations, stated that a reform of the justice system, namely dissolving the quadruple instance system (therefore High Courts and Chief Prosecutors' Offices) is one of her priorities. On the other hand, she stressed that it is so far a preliminary consideration and thorough analysis together with the opinions of other experts from this field will be needed. Benesová called this change a revolutionary one, meant for her successor and expressed that with only approx. 2 years of her mandate left, she probably will not be able to implement such transformation.

Lastly, on April 26, PM Babiš announced that he will appoint Havlicek and Minister of Finance Alena Schillerová his Deputy PMs and at the same time stripping Minister of Environment Richard Brabec of this post. What might have seemed like a formal change may be much more important shift as both of them agreed to create (renew) a platform, where the most pressing issues of economy and economic policies will be discussed with representatives of entrepreneurs and employees.

### **New priorities of the Confederation of Industry towards the EU**

Last week, Confederation of Industry (SPCR) introduced an [overview](#) of the key priorities and requirements whose fulfilment at the European level, according to the Confederation, is crucial for the development of the Czech economy and companies. This way SPCR tries to appeal to the candidates and future Czech MEPs not to forget about the interest of Czechia, its citizens and companies. SPCR presented 9 areas where the Czech industry expects quality European legislation covering a broad scale of topics from energy to consumer protection. The SPCR has also [identified](#) so-called Seven commandments for economic success of Czech industry in the EU including fair conditions within the EU internal market with no artificially created national barriers, consistent enforcement of current rules instead of new administrative regulation, no hampering of the development of new sectors, particularly in the digital economy, through over-regulation, effective use of tool for support of research, development and innovations, account for national

differences of all kinds when creating new legislation. Last but not least, SPCR stresses the importance of having an equal position against competitors from the USA, China and other countries outside the EU.

### **Digital tax might reach 7 %**

Both coalition partners, ANO movement and the Social Democrats (CSSD), have agreed on the level of the so-called digital tax to be seven-percent. The cabinet decided to impose the tax on the national level after the failed negotiations in the EU. Ministry of Finance found inspiration in the Austrian model, which set the five-percent digital tax, along with the French cabinet's plan to impose three-percent tax. The digital tax in Czechia is perceived as an instrument to mitigate the budget deficit and to level the playing field so the Czech companies are not disadvantaged. Minister of Finance Alena Schillerova (for ANO) argues the increased level of taxation would bring CZK 5 billion (EUR 195 million) to the state treasury. The draft of the digital tax should be prepared by the Ministry until the end of May, thus a further debate is expected regarding the final form and the level of the tax. Apart from the taxation of the digital giants, such as Google or Facebook, CSSD initiated a discussion about other forms of taxes as well. The most commonly mentioned is the sectoral tax on banks, which was recently accompanied by suggestions to tax insurance companies and the telecom sector. All three kinds of sectoral taxes are opposed, however, by the PM Andrej Babis (ANO) and the Minister of Finance Schillerova. The sectoral tax on banks, specifically, was criticised by financial experts, including the governor of the Czech National Bank (CNB) Jiri Rusnok, who said that the Czech financial market is highly competitive and there is no need for further taxation.

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