

Press Release

Contract Register Voted as the Act of the Year 2015 by almost Two Thirds of Entrepreneurs

Prague, 8 June 2016 – Based on a vote, almost two thirds (61%) of entrepreneurs, companies and experts have decided that the winner of the Act of the Year 2015 survey on the best legislative act of the previous year is the Transparency of the Treatment of Public Finances (Contract Register). Securing a considerable margin, it drew ahead of the amendment to the Accounting Act, which was voted for by 15% of the entrepreneurs, or the amendment to the Act on Free Access to Information, voted for by 12% of the entrepreneurs. These are the conclusions of the seventh edition of the Act of the Year survey conducted by Ambruz & Dark Deloitte Legal in cooperation with the survey's partners. This year's vote saw the participation of 273 representatives of the business sector.

The aim of the survey is to foster discussion among Czech entrepreneurs, politicians and experts on the quality of legal regulations. In the past year, the winners of the survey were the amendments to the Act on Employment and the Trade Licensing Act, introducing less administration for entrepreneurs and decreasing the minimum amount of penalty.

“This year's survey confirmed that besides taxes, entrepreneurs are traditionally concerned about how public funds are handled. The main reason for entrepreneurs selecting the Contract Register as the Act of the Year may be that the Act bets on publishing information and getting the competition and the NGO sector involved in finding discrepancies. Therefore, what may appeal to entrepreneurs is the combination of a simple solution – 10 sections, a clear rule and greater leeway for public supervision. No complicated evidence proceedings and grey zones. A contract is simply made public or it is not. And if it is not, it is invalid,” stated Tomáš Babáček, Chairman of the Nomination Committee for the Act of the Year survey and an attorney at Ambruz & Dark Deloitte Legal, in relation to the results.

This year's Act of the Year also included a survey among entrepreneurs which suggests that 86% of the respondents consider the Czech regulation of business as haphazard and lacking in concept – in their view, it is not based on stable strategies supported by a broader social consensus.

“The same number, 86% of entrepreneurs, believe that changes to the regulation of business are unnecessarily frequent and that, in terms of timing, they do not show any effort of taking into account the business operating cycle at all. Only about a fifth of entrepreneurs think that the regulation of business is adopted in a transparent way in the Czech Republic and is duly explained,” added Tomáš Babáček.

Comments on the Results of the Act of the Year 2015 Survey

“The results of the survey confirmed that not only representatives of the NGO sector but also entrepreneurs, companies and experts would like to see a Contract Register introduced and do not consider it as a threat to business. At the same time, it needs to be pointed out that the Act is currently re-opened and deputies are debating proposals which

would extend the scope of exemptions. Therefore, there is a threat that it will lose transparency and, most importantly, its basic purpose, which is supervision over the handling of public funds,” said Martina Mikolášková, a member of the Nomination Committee and an attorney at Transparency International.

“The success of the Act on Contract Register corresponds with the attention that is currently directed at it. At present, it is a hot topic with both experts and the affected public. Third place was rightfully taken by the amendment to the Act on Free Access to Information focusing on ‘big data’. It has introduced the revolutionary right to online access to public authority databases in open, machine-readable formats, making the right to information the industry of the future for the commercial use of mass data, new applications and the development of the ICT business,” said František Korbek, a partner at the Havel, Holásek & Partners law firm and former long-standing Deputy Minister of Justice.

“I am pleased that it was the Act on Contract Register that experts appreciated the most. Transparency is certainly not a panacea for social ills – not in the slightest. However, it is effective in supervising public funds management, which is, among others, also shown by the years of good and useful functioning of the Act on Free Access to Information. The Contract Register will bring a lot of transparency with relatively little money and show the public what the public authority spends money on in a way that makes it possible to analyse and use the information systematically,” said Karel Šimka, a judge at the Supreme Administrative Court.

“In present times, when in the name of a fight against tax evasion (against which no objections may be raised in relation to illegal tax evasion and which must be supported) most changes to taxation as well as criminal policies take the form of across-the-board measures which place a greater administrative burden on honest entrepreneurs, pose a threat of what are frequently fatal sanctions and often give rise to issues and ambiguities interpretation-wise, positive changes are hard to find. Just like the notion of looking for a needle in a haystack. In my view, what is missing are positive changes for honest entrepreneurs and a positive approach towards these entrepreneurs, to which a client approach should continue to be applied not only on the part of tax administrators, but also on the part of the state in general,” stated Jiří Nesrovnal, a Presidium member, Chamber of the Tax Advisors of the Czech Republic.

“The aim of the Act of the Year survey is to point out the legislative acts that help improve the business environment. I think that as far as the victory of the Contract Register is concerned, we have thrown the baby out with the bath water. On the one hand, we want to fight corruption and thus manage public funds in a transparent way, but on the other hand, we strip business entities bare naked, although they operate in a market environment where certain information simply cannot be made public because it suppresses all competition rules,” stated Monika Zahálková, Executive Director of the Czech Institute of Directors.

Results of the Act of the Year 2015 Survey

| Act of the Year 2015 – The Best Legislative Act in the Business Environment | | % |
|---|---|-----|
| 1. | Transparency of the treatment of public finances (Contract Register) | 61% |
| 2. | Green light to small and middle-sized businesses (differentiation of obligations by means of an amendment to the Act on Accounting) | 15% |
| 3. | Public bodies data for commercial use (amendment to the Act on Free Access to Information) | 12% |

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| 4. | Public contracts in a more responsible but realistic way (small improvements in the Act on Public Procurement) | 8% |
| 5. | More realistic conditions for drawing investment incentives (amendment to the Act on Investment Incentives and the Act on Income Tax) | 4% |

Participants in the vote on the Act of the Year 2015 included addressed entrepreneurs, companies and experts. **It took place between 15 March and 20 May 2016** by means of the website www.zakonroku.cz and ballots placed in the client suite at Deloitte's Prague office.

Individual nominations for the Act of the Year 2015 were selected based on a Nomination Committee comprising selected lawyers from across the legal industry, and other persons from the business sector. The aim of the survey is to foster discussion among Czech entrepreneurs, politicians and experts on the quality of legal regulations adopted in the previous year and on their impact on the business environment, and to foster a general debate on the level of the Czech legal environment.

In preparing individual nominations, the Nomination Committee considered the recommendations that could be sent by the public from **the beginning of January to the end of February 2016** through the website www.zakonroku.cz. In nominating five choices for the **Act of the Year 2015**, the Committee especially took into account the anticipated practical impact and the experience of the Czech entrepreneurs with the application of particular legal norms. The number of Nomination Committee members is 21, primarily consisting of legal experts across the legal industry, mostly attorneys-at-law, company lawyers and other persons engaged in law. The list of the members of the Nomination Committee is available here.

Rules of the Act of the Year 2015

As part of the survey, nominations could include the generally binding legal regulations of the Czech Republic or the European Union which came into force in the previous year: constitutional acts, acts, ministerial decrees, government regulations and EU directives and regulations. Nominations may also relate to new international agreements having an impact on the Czech business environment. The authors of the nominated legal regulations are either their instigators or those who made a significant contribution to the adoption of the regulation.

For more information on the Act of the Year 2015 and previous results of the survey, please visit www.zakonroku.cz.

List of the Five Nominations for the Act of the Year 2015:

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| 1. Title | Transparency of the treatment of public finances (Contract Register) |
| Regulation | Act on Contract Register No. 340/2015 Coll. |
| Author | Jan Farský and others (group of deputies) |
| Nomination | Only ten new sections of this act principally increase the transparency of the treatment of public finances. Contracts for the performance exceeding CZK 50,000 concluded by public entities will be published on the Internet in the format facilitating the search for data under a simple and effective sanction of the invalidity of the contract. A space is opened to all persons (companies, non-profit organisations etc.) who have anything to say as regards the treatment of public funds. |

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| 2. Title | Green light to small and middle-sized businesses (differentiation of obligations by means of an amendment to an Act on Accounting) |
| Regulation | Act No. 221/2015 Coll. (amendment to the Act on Accounting) |
| Author | The European Commission, The Ministry of Finance |
| Nomination | For small companies an administrative burden is lowered in the presentation and publication of financial statements, for some of them an option is reintroduced to maintain single entry bookkeeping, the number of the so-called public interest entities is decreased on which the highest degree of control is imposed. Also some problematic accounting terms were made more accurate (reserves, subsequent events, materiality). An example of the differentiation of public regulation for small companies. |
| 3. Title | Public contracts in a more responsible but realistic way (small improvements in an Act on Public Procurement) |
| Regulation | Act No. 40/2015 Coll. (amendment to the Act on Public Procurement) |
| Author | The Ministry of Regional Development, The European Commission |
| Nomination | An obligatory cancellation of tenders with a single offer received was removed, a limit for the assignment of additional work was increased from 20% to 30% and the conditions for the assignment of such work were reformulated. Also an option to evaluate offers is extended, eg, by previous experience relevant for a new public contract. These are several small improvements responding to real needs which represent a good contribution to a wider debate on a global new conception of the award of public contracts. |
| 4. Title | More realistic conditions for drawing investment incentives (amendment to an Act on Investment Incentives and an Act on Income Tax) |
| Regulation | Act No. 84/2015 Coll. (amendment to the Act on Investment Incentives and the Act on Income Tax with regard to the drawing of the investment incentives) |
| Author | The Ministry of Industry and Trade |
| Nomination | It mitigates some disproportionate sanctions upon the breach of the rules for drawing the incentives (eg, upon a merger or incorrect setting of the transfer pricing of a recipient the drawing is only stopped in the future or the amount of drawing is adjusted but the already drawn incentive is not returned automatically). Companies can decide explicitly not to further draw the incentive in the form of tax credit, also administrative requirements in granting the investment incentives are mitigated. These are appropriate adjustments concerning the current and potential recipients of the incentives. |
| 5. Title | Public bodies data for commercial use (amendment to an Act on Free Access to Information) |
| Regulation | Act no. 222/2015 Coll., amending the Act on Free Access to Information |
| Author | The European Commission, the Ministry of the Interior |
| Nomination | A revolutionary right of access to collective information held by public entities in open and machine readable formats is launched, including the option to share publically accessible data from databases and the facilitation of on-line remote access to information that is, over time, changed, renewed, completed or formed repeatedly. Obtaining the information via individual applications became old-fashioned as a clumsy instrument focused rather on political exercise of the right of citizens to information. The implemented changes |

make the right to information the branch of the future also for the commercial use of collective data, new applications and ICT business development.

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