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Babiš's bond loophole



One of the most-profitable "accidental" loopholes in recent years was the law allowing bonds with a nominal value of Kč 1 to escape all taxation, due to the rounding down of the interest. The loophole was eliminated as of the end of 2012, but bonds issued by that date retained the tax advantage until maturity. Among the bond issuers was Agrofert. According to its 2014 annual report, it sold Kč 1.48bn in bonds, of a total approved 2012 securities issue of Kč 3.0bn. The bonds pay 6.00% and mature in 2022. Andrej Babiš reported Kč 138m in outside revenue for last year, of which Kč 90m was from bonds. This corresponds to the Agrofert bond payments. In other words, Babiš issued tax-free bonds to himself and deprived the state budget of corporate or withholding tax. He's doing nothing illegal, but as a finance minister who complains constantly about other people's tax schemes, he should voluntarily call the bonds and start paying the tax.

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