

# Introduction to taxation of individuals in the Czech Republic

Adam Linek



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# Speaker

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- ▶ Adam Linek
- ▶ Tax Manager, Ernst & Young
- ▶ Certified Czech Tax Adviser, member of the Czech Chamber of Tax Advisers
- ▶ Specializes in taxation of individuals, international tax and social security issues, employee and management compensation, HNWI and family businesses.
- ▶ [adam.linek@cz.ey.com](mailto:adam.linek@cz.ey.com)

# Obligation to file Czech tax return

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- Your income exceeded certain threshold (in 2019 CZK1,569,552)
- You had more than one employer at the same time during the calendar year
- You had other income besides employment income exceeding CZK6,000
- You are a Czech tax non-resident and wish to apply tax deductions
- You cancelled your private life insurance or supplementary pension insurance or received a payment that was not an indemnity
- Voluntary filing

# Types of income

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- ▶ Employment income
- ▶ Income from self-employment (freelancer) activities
- ▶ Capital income (dividends, interest)
- ▶ Rental income
- ▶ Other income (not specified above)

# Employment income

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- ▶ Income from employment such as salaries, wages, bonuses and other compensations including benefits in kind
- ▶ Tax base (“super gross income”) = gross income + employer’s part of compulsory insurance
- ▶ You will need a Confirmation of Income (COI) from your employer
- ▶ Solidarity tax applicable if gross income exceeds certain threshold (**CZK1,569,552** in 2019)

# Income from self-employment activities

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- ▶ Income from business and self-employment activities
- ▶ Tax base = income – expenses incurred in order to generate, assure and maintain the said income
- ▶ Expenses can be either actual or flat
- ▶ Flat expenses depend on the nature of the self-employment activities and range between 40 % to 80 % of the total income
- ▶ The cap for flat expenses is between CZK400,000 and CZK800,000 based on the percentage applicable for the respective self-employment activities
- ▶ Solidarity tax applicable – threshold of **CZK1,569,552** in 2019 applicable

# Capital income

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- ▶ Dividends and interests
- ▶ Tax base = sum of gross dividend and/or interest income
- ▶ Czech sourced dividends and interest are generally subject to a final withholding tax (i.e. taxed at source) resulting in no obligation to declare these in the personal income tax return

# Rental income

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- ▶ Income from the lease of real estate and flats or movables
- ▶ Tax base = income – expenses incurred in order to generate, assure and maintain the said income
- ▶ Expenses can be either actual or flat
- ▶ Flat expenses amount to 30 % of the total income up to CZK600,000



# Other income

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- ▶ Income from other activities not previously specified, typically sale of shares, retirement pension, sale of property etc.
- ▶ Tax base = income – expenses incurred in order to generate the said income
- ▶ In case of sale of shares, expenses can be purchase price + transaction costs
- ▶ Income from sale of shares exempt from taxation if:
  - ▶ total annual income (before deduction of expenses) does not exceed CZK100,000
  - ▶ the following time tests apply:
    - ▶ For shares purchased prior 1 January 2014, holding period of 6 months
    - ▶ For shares purchased on 1 January 2014 and later, holding period of 3 years
- ▶ Income not meeting the above exemption tests has to be reported in the tax return

# Tax

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- ▶ Tax rate of 15 % applicable on total tax base
- ▶ Solidarity tax calculated from gross employment income and tax base from self-employment income exceeding certain threshold (CZK1,569,552 in 2019)
- ▶ Solidarity tax rate of 7 %

# Avoiding double taxation

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- ▶ In case double taxation of income occurs, it can be avoided in compliance with the respective double tax treaty
- ▶ Two methods:
  - ▶ Crediting foreign tax against the Czech tax due
  - ▶ Exempting income from taxation in the Czech Republic
- ▶ In case of capital income, limit for a foreign tax credit is stipulated in the respective double tax treaty
- ▶ For foreign tax credit applicable to dividend income, limit of 15 % of gross income generally applies

# Tax allowances, deductible items

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- ▶ Donations provided to selected subjects for selected purposes
- ▶ Blood donation
- ▶ Mortgage interest paid for primary residence (further conditions apply)
- ▶ Pension insurance contributions (further conditions apply)
- ▶ Life insurance contributions (further conditions apply)
- ▶ Each tax deduction must be supported by a specified confirmation issued by the respective bank/company

# Tax deductions

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- ▶ Personal tax deduction of CZK24,840
- ▶ Spouse deduction if his/her annual income was lower than CZK68,000
- ▶ Costs for child placement in the organization of preschool age children care (including nursery school) - max CZK13,350 per child (for 2019)
- ▶ Child tax deduction:
  - ▶ CZK1,267 per month for the first child
  - ▶ CZK1,617 per month for the second child
  - ▶ CZK2,017 per month for the third and each other child

# Tax due, tax overpayment

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- ▶ Tax liability due within the tax return filing deadline
  - ▶ Bank accounts for payment available on the website of the Financial Authority (column “Daň z příjmů fyzických osob podávajících přiznání”):  
[https://www.financnisprava.cz/assets/cs/prilohy/d-placeni-dani/bankovni\\_ucty\\_Priloha\\_4.pdf](https://www.financnisprava.cz/assets/cs/prilohy/d-placeni-dani/bankovni_ucty_Priloha_4.pdf)
  - ▶ Variable symbol = birth number or tax identification number
  - ▶ Date of payment = date when the payment is credited to the bank account of the Tax Authority
  - ▶ Another option is to pay the tax due at the cash register of the relevant Tax Authority or at a Post Office via a related Post Cheque
- ▶ Request for refund of the overpayment
  - ▶ Only tax overpayment higher than CZK100 can be claimed
  - ▶ Request for refund included in the tax form at the bottom of page 4
  - ▶ The Tax Authorities have 30 days after the filling deadline to refund the payment

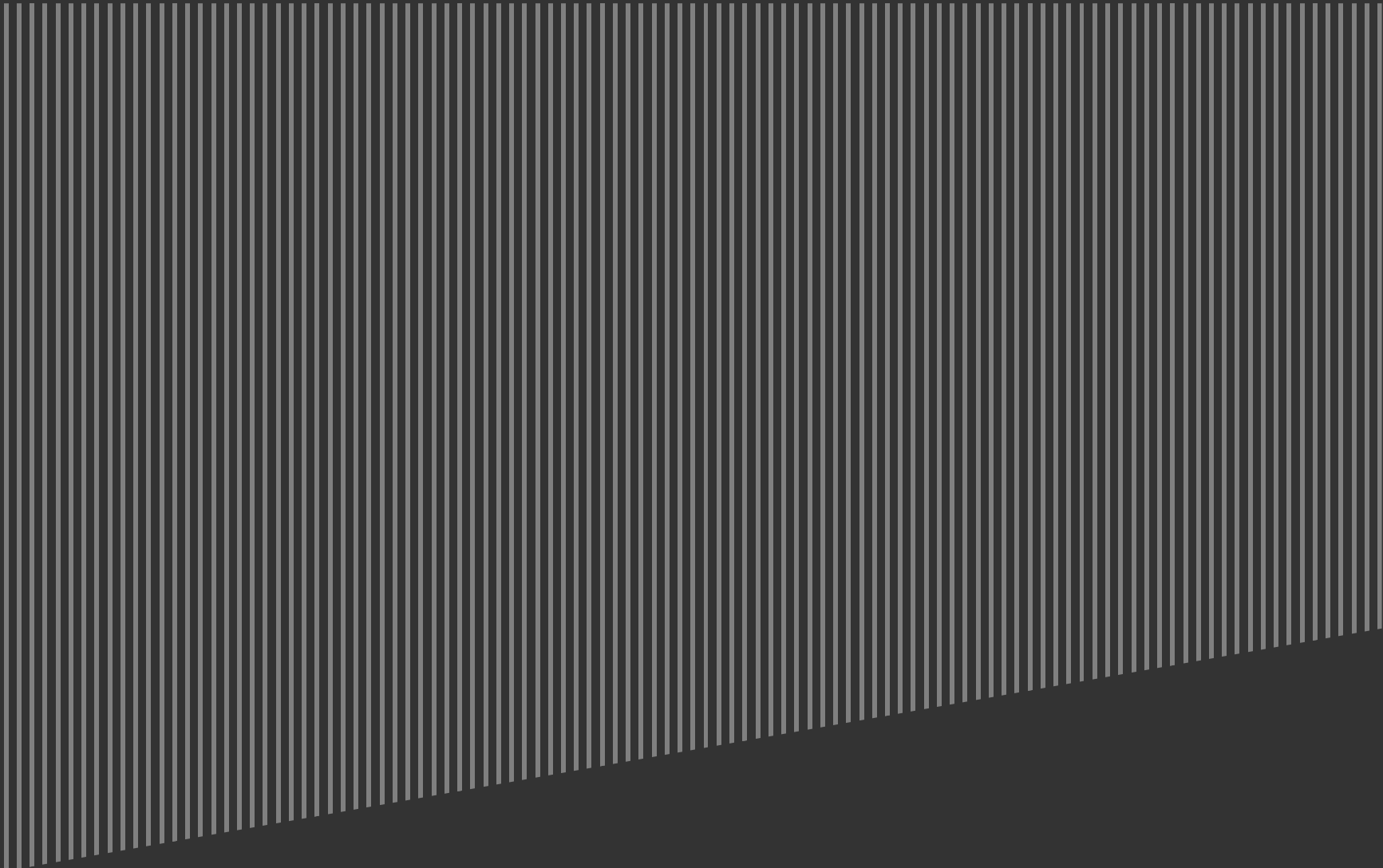
# Filing tax returns

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- ▶ Signed tax return including all required attachments must be filed within the filing deadline of **1 April of the following calendar year**
  
- ▶ Ways of filing:
  1. Personally to the Tax Office (originals required)
  2. By post (originals required)
  3. Electronically - data box \*
  4. Electronically – with an electronic signature via the tax portal \*

\*) If the taxpayer has a data box, he has the obligation to file the tax return electronically!

# Thank you





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