



## TAXES IN THE CZECH REPUBLIC (2019)

### income taxes

personal income tax

corporate income tax

### consumption taxes

value added tax (VAT)

excise taxes (alcohol, beer, wine, tobacco and tobacco products, fuels and lubes)

ecology taxes (natural gas, solid fuels, electricity)

### property taxes

real estate tax

real estate transfer tax

road tax

### insurance (tax)

social security (tax)

health insurance (tax)

# PERSONAL INCOME TAX

## Tax rate

15 %	basic rate
7 %	solidarity surcharge; applies to annual income from employment and from self-employment exceeding CZK 1,569,552 (expenses relating to self-employment deducted)

## Selected exemptions

inheritance	universal
gifts/donations	received from specified family members
sale of real estate	5 years after acquisition (universal) 2 years after acquisition (seller lived in the real estate)
sale of securities	3 years after acquisition or annual total of selling prices < CZK 100,000
sale of shares in companies (except of securities)	5 years after acquisition

## Tax base

employment income	gross salary increased by social security (tax) and health insurance (tax) to be paid by the employer
income from self-employment	income reduced by expenses or by lump sum deduction
capital income	income
rental income	income reduced by expenses or by lump sum deduction
other income	income reduced by expenses

## Lump sum expense deduction

self-employment income from agricultural production, forestry and water management	80 % of income, CZK 1,600,000 at most
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self-employment income from craft	80 % of income, CZK 1,600,000 at most
self-employment income from other trade	60 % of income, CZK 1,200,000 at most
other self-employment income	40 % of income, CZK 800,000 at most
letting property being part of business assets	30 % of income, CZK 600,000 at most

## Allowances deductible from tax base

donations for charitable purposes	CZK 1,000 at least, 15 % of tax base at most*
interest on loans for housing purposes	CZK 300,000 at most*
premiums for pension insurance	CZK 24,000 at most*
premiums for life insurance	CZK 24,000 at most*
tax loss carry-forward	up to tax base, 5 years carry-forward

## Tax reliefs

personal tax relief	CZK 24,840
spousal tax relief (spouse's income < CZK 68,000)	CZK 24,840*
children tax relief (1 <sup>st</sup> child)	CZK 15,204*
children tax relief (2 <sup>nd</sup> child)	CZK 19,404*
children tax relief (further children)	CZK 24,204*
relief for disabled persons (1 <sup>st</sup> and 2 <sup>nd</sup> level)	CZK 2,520*
relief for disabled persons (3 <sup>rd</sup> level)	CZK 5,040*
relief for disabled persons (ZTP/P level)	CZK 16,140*
relief for students	CZK 4,020*
kindergarten fee relief	for each child CZK 13,350 at most*

\* Individuals being tax residents in other EU countries (or EEA countries respectively) can claim the allowance and the tax relief only if his/her Czech sourced income accounts for at least 90 % of his/her worldwide income.

# CORPORATE INCOME TAX

## Tax rate

19 %	applies to difference between revenue and tax deductible expenses
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## Selected exemptions

dividends	10 % shareholding for at least 12 months (applies to certain legal forms only)
sale of shares in companies	10 % shareholding for at least 12 months (applies to certain legal forms only)

## Selected tax deductible expenses

tax depreciation of tangible assets	3 years – office equipment, computers 5 years – machining and construction equipment, cars 10 years – turbines, electric motors, metal prefabricated buildings 20 years – wooden and plastic buildings, fencing, silos 30 years – manufacturing plants, apartments, communications 50 years – office buildings, hotels, large department store buildings
tax depreciation of intangible assets	18 months – audio-visual works 36 months – software and intangible results of R&D 72 months – other intangible assets 180 months – valuation difference (when buying a business as a going concern)
interest (related-party financing)	thin capitalisation – interest is fully tax deductible provided that the average amount of related-party loans does not exceed 4-times debtor's equity
interest (exceeding borrowing costs)	borrowing costs are deductible up to 30 percent of borrower's EBITDA or CZK 80 million (whatever is higher)
tax adjustments against bad debt	50 % – receivables > 18 months past due 100 % – receivables > 30 months past due 100 % – receivables to bankrupt debtors
tax adjustments	adjustments for repair of fixed assets with tax depreciation life over 5 years

## Allowances deductible from tax base

R&D allowance	100 % expenses for R&D (110 % with respect to year-on-year increase)
donations for charitable purposes	CZK 2,000 at least, 10 % of tax base at most
students training support allowance	CZK 200 for each hour of training and 50 % or 110 % of assets acquired
tax loss carry-forward	up to tax base, 5 years carry-forward

## Tax reliefs

investment incentives tax relief	up to the tax liability over 10 years; cap applies
relief for employing disabled persons	CZK 18,000
relief for employing more disabled persons	CZK 60,000

## VAT

### VAT rate

10 %	printed books, newspapers, magazines, infant food and baby foods, food preparation mixtures for people intolerant to gluten, passenger public transport
15 %	heat, cold, food and beverages (except for alcoholic drinks), medical devices, accommodation services, social housing
21 %	other goods and services (standard rate)

### Special modes

reverse-charge	provision of construction and assembly works provision of telecommunication services delivery of devices with integrated circuits delivery of mobile phones delivery of game consoles, tablets and laptops delivery of cereals and technical crops supply of metals supply of electricity and gas to a trader
consignment warehouses	placing goods from an EU country to a consignment warehouse on the territory of the Czech Republic is subject to VAT reverse-charge taxation by the future purchaser

## REAL ESTATE TRANSFER TAX

tax rate	4 %
tax payer	purchaser
subject to tax	acquisition of ownership of real estate (incl. right of construction) in the Czech Republic against payment – applies also to the contribution of real estate to companies
tax base	purchase price or 75 % of value determined by a valuer – whatever is higher

## SOCIAL SECURITY AND HEALTH INSURANCE

Rates	Social security	Health insurance
employee	6,5 %	4,5 %
employer	24,8 %	9 %
self-employed individual	29,2 %	13,5 %

### Assessment base

employee, employer	gross salary
self-employed individual	50 % of income after deduction of expenses
maximum assessment base	CZK 1,569,552
	none

## DOUBLE TAXATION TREATIES

Czech Republic has a wide network of double taxation treaties with 87 countries. The most frequently used treaties are listed below:

Counterparty	Dividends	Interest	Royalties
Germany	5 %* / 15 %	0 %	5 %
Austria	0 %* / 10 %	0 %	5 %** / 0 %***
Switzerland	0 %* / 15 %	0 %	5 %
Luxembourg	0 %* / 10 %	0 %	10 %** / 0 %***
Liechtenstein	0 %* / 15 %	0 %	10 %** / 0 %***
Cyprus	0 %* / 5 %	0 %	10 %** / 0 %***
Netherlands	0 %* / 10 %	0 %	5 %
Poland	5 %	5 %	10 %
Slovakia	5 %* / 15 %	0 %	10 %** / 0 %***
France	0 %* / 10 %	0 %	10 %** / 0 %*** / 5 %****
Russia	10 %	0 %	10 %
U.S.A.	5 %* / 15 %	0 %	10 %** / 0 %***
U.K.	5 %* / 15 %	0 %	10 %** / 0 %***

\* certain shareholding (and sometimes either a holding period) required

\*\* industrial royalties

\*\*\* copyright royalties

\*\*\*\* letting of equipment

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