

News Flash

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Czech Tax Package 2021: Overview of Proposed Changes

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The package of tax amendments with planned effect from 1st January 2021 was approved by the Chamber of Deputies and on 23rd November 2020 the package reached to the Senate. It has been the subject of heated debate here and we can expect to return by the Senate to the Chamber of Deputies. The next discussion is scheduled for 12th December 2020, but due to time pressure, extraordinary negotiation is expected. If the proposal will be approved in current wording, what changes await us?

1. Cancellation of super-gross salary

- Cancellation of super-gross salary and introduction of personal income tax rates of 15 % and 23 %.
- The 15% rate will be applied to the tax base up to 48 multiple of the average wage (2021: CZK 1,701,168 per year, i.e. CZK 141,764 per month).
- The 23% rate will be applied to income exceeding this limit.

2. Increase of the basic relief for the taxpayer

- Of the current CZK 24,840, the basic relief for the taxpayer would be CZK 34,125 per year (corresponding with the average salary for 2019).

3. Cancellation of the tax bonus limit for maintained child

- At present, the maximum possible amount of the bonus is CZK 60,300, this limit will be abolished.
- Entitlement are only if the earnings will be 6 multiple of the minimum wage (2021: CZK 91,200).

4. Introduction of a meal voucher monthly lump-sum fee

- It is an alternative to meal vouchers with a comparable tax advantage without need to pay provision to meal voucher company.
- The financial contribution provided by the employer will be exempted up to 70 % of the maximum value of the meal allowance for a business trip lasting 5-12 hours (2020: CZK 72,10, 2021: a higher value can be expected).

5. Restrictions on the exemption of income from the payable transfer of securities

- According to the current wording of the law, income from the sale of securities is exempt from tax, if the period between acquisition and transfer exceeds 3 years, or income does not exceed 100 thousand CZK.
- Newly, the time test (3 years) and exemption limit which is CZK 20 million for one taxpayer is necessary to fulfil. It is not yet clear whether the limit is set on the total income or individual sales of the security.
- This point of the amendment does not contain an explanatory memorandum or transitional provisions and it is the subject of great criticism from the professional public, it is an attempt to change it.

6. Increasing the limit for depreciation of tangible assets and technical improvements

- Of the current CZK 40,000, the limit for depreciation purposes is set at CZK 80,000.
- It will be possible to include all items that do not meet the limit stated above directly in the costs.
- This adjustment will optionally applicable already for the taxable period started from 1st January 2020, i.e. for tangible assets acquired from 1st January 2020.

7. Cancellation of tax depreciation of intangible assets

- The tax expense will depreciation applied in accounting in accordance with accounting regulations.

- This adjustment will optionally applicable already for the taxable period started from 1st January 2020, i.e. for intangible assets acquired from 1st January 2020.

8. Introduction of extraordinary depreciation for tangible assets included in the 1st and 2nd depreciation groups

- The amendment introduces the possibility of depreciation of tangible assets acquired in the period from 1st January 2020 to 31st December 2021 according to special rules.
- Assets included in the 1st depreciation group will possible to depreciate in 12 months instead of the standard 3 years.
- Assets included in the 2nd depreciation group will possible to depreciate in 24 months instead of the standard 5 years. In the first 12 months, straight-line depreciation of up to 60 % of the entry price will be applied.
- This adjustment will optionally applicable already for the taxable period started from 1st January 2020.

9. Increase of the limit for notification of income paid abroad

- From the current CZK 100,000, the limit is increased to CZK 300,000 per calendar month.
- Exempt income will be reported only once a year, until 31st January of the following year.
- Only income for the months in which the limit was exceeded will be included in the annual notification.
- Notification of income which subject to withholding tax remains under the same regime.

10. Possibility to use donations provided in connection with the occurrence of coronavirus SARS-CoV-2 as a tax deductible expense

- Non-monetary donations provided in the period from 1st March 2020 to 31st December 2020 will be possible optionally applied as a tax deductible expense, instead of as a non-taxable part of the tax base or an item reducing the tax base.
- In fact, it will be possible to reduce the tax base by these donations in a case of a tax loss.

Other proposed changes

11. Lump tax for entrepreneurs

- For entrepreneurs with income up to CZK 1 million who are not VAT payers and do not have income from dependent activities, with the exception of income collected by deduction. Furthermore, the entrepreneurs are not partners of public company, general partners of limited partnership and debtors against whom insolvency proceedings have been opened.
- The lump tax would total CZK 5,469 (CZK 100 advance payment for personal income tax, CZK 2,976 social insurance and 2,393 health insurance).
- It is necessary to submit a notification of entry into the lump tax regime by the 10 days of the taxable period (by 10th January 2021)
- It allows administrative simplification, but it is not possible to use any expenses, depreciation of assets, tax reliefs, tax benefits, allocation into a cooperating person and others.
- It is advantageous mainly for entrepreneurs applying now 40% lump expense.

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