CZECH REPUBLIC

As per 1 January 2014

EXPATRIATE AND EMPLOYER TAX COMPLIANCE AND ADVISORY

Tax rate	Flat tax rate: 15% (solidarity surcharge 7% on the employment and self employment income over a threshold of CZ 1,245,261K (approximately EURO 45,400 at the exchange rate as of 1 January 2014).
Tax period	Calendar year
Tax residency / Domicile according to domestic law	Residence in the Czech Republic (i.e. the flat or house available to the individual where the circumstances lead to the conclusion that the individual intends to dwell there permanently). Present for more than 183 days during the calendar year in the Czech Republic.
Tax registration	Mandatory only for individuals generating self employment income.
Employment income definition	Any remuneration and benefits in cash or in kind income, regardless whether it is paid regularly or as a one off payment, whether there exists legal entitlement to this income or not and also regardless whether it is paid out to the employee or to any other individual. The only condition is that the income is paid to the individual for the work performed under the instructions of the payer of such income (so called dependent work). Further, it is explicitly stipulated that the income of the statutory representatives of the companies and members of collective bodies in the companies should be also considered employment income even if they do not perform dependent work. In addition any income which is paid out to the individual in connection with his former, current or future performance of dependent work is considered employment income regardless whether such dependent work is performed for the benefit of the payer of this income or not.
Examples of tax exemption	Travel expense reimbursement up to certain limits, housing costs in certain situations, employment income for the work performed outside the Czech Republic and taxable abroad, certain specific employment benefits
Specific expatriate concession	Not applicable
Income of board members	Treated as employment income
Tax returns	Local employment agreement – the employer is responsbible for the monthly tax compliance. A tax return should be filed by the individual whose taxable income for the relevant year exceeded CZK 15,000 (approximately EURO 550 converted against the exchange rate as per 1 January 2014) or who generate a loss from self employment or rent. The individuals whose only taxable income is employment income taxed through payroll might be exempt from the duty to file a tax return and their employer might prepare for them a tax reconciliation instead. The tax return is generally due till 1 April of the year following the year. Foreign employment agreement – the employee is responsible to file an annual tax return if the taxable income exceeds CZK 15,000. Amongst other by means of application of the economic employer concept the Czech Tax Authorities will try to apply local monthy withholding by a Czech company.
Tax payments	Payroll tax advances which are withheld and paid by the employer are due on monthly basis up to and including the 20th of the following month for which they are paid. The individuals are liable to pay their tax liability at once within the tax return filing deadline (i.e. till 1 April or till 1 July, if the tax return is filed by a Registered Tax Advisor) in the first year. In the following years, the individuals might be liable to pay quarterly or semi-annual tax advances (depending on the amount of their tax liability for the previous year). These advances are due on 15 March, 15 June, 15 September and 15 December if paid quarterly, on 15 June and 15 December if paid semi-annually.

TAX TREATIES

Employment income / income from board members	Art 15/16 Model OECD Tax Convention

INTERNATIONAL SOCIAL SECURITY

Cross border employments	EU Regulation No 883/2004 and EU regulation No. 1408 / 71.
Exception under Art 16 of Reg. 883/2004 **and Art 17 of Reg. 1408/71**	Generally applicable
Social Security Cost as % from gross salary and absolute amounts	Social Security Contributions consists of three subsystems: Pension, Sickness and Unemployment Contributions are are as follows: Employer's part 21.5% for Pension insurance, 2.3% for Sickness insurance and 1.2% for Unemployment insurance. Employee's part: 6.5% for Pension insurance, if the employee is participating in another system of Pension insurance (so called II. pillar) the rate is reduced to 3.5%. From the income over certain threshold (CZK 1,245,216 for 2014) no further Social Security Contributions are due. Apart the Social Security System there runs mandatory Health insurance system in the Czech Republic . The contributions to this system are calculated as 13.5% from the assessment base (generally equal to taxable income), when employer pays two thirds of the contributions and the employee the remaining one third.

IMMIGRATION

Work permit	EU and EEA nationals do not need a work permit to be working in the Czech Republic. Non EU and EEA nationals generally need to obtain a work permit (with certain exemptions – spouse of an EU and EEA citizen, master degree from a Czech university holder, etc.). Nevertheless, there is a reporting duty of the Czech employer towards the Czech Labour office regarding the employment of foreigners entitled to work without a work permit. Such report must be filed no later than on the date of the commencement of employment.
Visa	EU and EEA citizens do not need a visa to enter the Czech Republic and stay there, however, if their stay exceeds thirty consecutive days, they have to register at the Czech Foreigner's Police. Non EU and EEA itizens from particular countries may be obliged to apply for a visa before entering the Czech Republic and even if there might be no visa duty for visit of the Czech Republic for tourist purposes stipulated for the citizens of particular non EU and EEA country, in most cases they have to have the relevant visa in order to be entitled to work in the Czech Republic.
Residency permits / registration certificate	EU and EEA citizens have to register at the Foreigners Police if their stay in the Czech Republic exceeds thirty consecutive day, which has a validity of 90 days. This implies that each 90 days an extention would need to be filed. Non EU and EEA citizens must from the beginning of their stay in the Czech Republic obtain with a short term (up to 90 days of stay) or long term (up to one year of stay) residency visa according to the purpose of stay, which is issued by a Czech embassy in the country of their residence or in certain cases by any Czech embassy. The long term residency visa can subsequently be extended and converted into the long-term residency permit, issued by the Czech Ministry of Interior. Finally, the new document called Employee Card, combining in one work permit and residency visa/permit has been introduced by Czech legislation in 2014 to be used for the most cases of employment of non EU and EEA nationals in the future.
Driving license	The driving licence issued in other EU, EEA countries and Switzerland as well as International Driving Permit are recognized. There is no liability to change it to a Czech driving licence. For non EU and EEA countries the Czech Republic generally accepts their driving licence, except for Japan and South Korea. However, if the individuals from non EU and EEA countries obtained a Czech permanent residency permit or a Czech long-term residency permit with the validity longer than one year, they have be in the posession of a Czech driving licence.

STOCK OPTION PLAN	Tax treatment depends upon the condition of the Stock Option Plan, generally taxable income arises at the moment of exercise of the option and is considered employment income. Other taxable moment might be also the moment when the shares are sold within certain period from their acquisition (currently 3 years).

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