

CZECH REPUBLIC

As per 1 January 2020

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EXPATRIATE AND EMPLOYER TAX COMPLIANCE AND ADVISORY

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| Personal Income Tax Rates – Employment Income | Flat tax rate: 15% (solidarity surcharge 7% on the employment and self employment income over a threshold of CZK 1,672,080 (approximately EUR 65,804 at the exchange rate on 2 January 2020). |
| Tax rate | 15% |
| 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 responsible 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 590 converted against the exchange rate as per 2 January 2020) or who generate a loss from self employment income or rental income. 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. Among other by means of application of the economic employer concept the Czech Tax Authorities will try to apply local monthly 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 on real estate property

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

Generally applicable.

and Art 17 of Reg. 1408/71

Social Security Cost as % from gross salary and absolute amounts

Social Security Contributions consists of three subsystems: Pension, Sickness and Unemployment Contributions are as follows:

Employer's part: 21.5% for Pension insurance, 2.3% (until 30 June 2019) or 2.1 % (since 1 July 2019) for Sickness insurance and 1.2% for Unemployment insurance.

Employee's part: 6.5% for Pension insurance.

From the income over certain threshold (CZK 1,672,080 for 2020) 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 citizens 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 extension 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).

ARTICLE 15 OF THE OECD MODEL**183 days**

With countries where double tax treaty is not signed: Number of all days of physical presence on the territory of the CR (including the days of departure and arrival) and all days outside the CR in case of:

- weekends,
- public holidays,
- the vacation days,
- days on business trips if directly related to the Czech activities, if after these days the employment activities on the Czech territory continue. 183 days are counted in any 12 consecutive months.

Notion of employer

Employer is the person / entity which provides the individual with the income related to his current, previous or future employment.[i.e., it definitely concerns the standard legal employment relationship. However, the person / entity can be considered an employer also if it provides any other non-related person with the income relating to his employment relationship (i.e. employee of another employer).]

Moreover, the Czech tax resident (person or company) can be considered so called 'economic employer' if some person (employee) paid by the foreign employer performs the working activities according to this Czech tax resident's instructions.

Existence of a permanent establishment

Czech legislation distinguishes three types of PE:- Fixed place – any office, factory, mines, sales place, construction area or any other permanent place for performing business activities of the foreign company on the territory of the CR; for construction area or installation project there is time limit 6 months in any 12-month period

- Service PE – if the foreign company provides services on the Czech territory through its employees for more than 6 months in any 12-month period;
- Dependent agent – person who has and habitually exercises the right to conclude the contracts on behalf of the foreign company on the territory of the CR; no time-limit is applicable if the double tax treaty does not specify the Service PE, then the Czech states interprets that this PE is created because there is no protection of the double tax treaty.



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