11. Taxation

CZECHINVEST

21 %
Corporate income tax

15 %
Personal income tax

21 %
VAT

The system of taxation described below is derived from the Czech tax legislation effective on 1 January 2024. The legislation is subject to frequent amendments and changes.

Residents

All **Czech tax residents** are subject to income taxes on their worldwide income, while **Czech tax non-residents** are taxed only on their income from Czech sources.

An **individual** is a Czech tax resident if he/she has his/her permanent address in Czechia (i.e., a place where an individual has his/her home and circumstances indicate his/her intention to dwell there permanently) or has “a usual residence” in Czechia (i.e., the individual’s total number of days spent in Czechia is equal to or greater than 183 days per calendar year).

A **legal entity** is tax resident of Czechia if its registered office or place of effective management is in Czechia.

Taxpayers in Czechia are subject to the following taxes in 2024:

Tax	Tax rate	Taxation period
Corporate income tax	21% standard corporate income tax rate; 5% CIT rate applies to basic investments funds; 0% CIT rate applies to pension funds Withholding tax rates are 5%, 15%, 35% (for more information see “Corporate Income Tax”)	Monthly payable advances on CIT (if the last tax liability was bigger than 150 ths. CZK)
Personal income tax	15% and 23% on income exceeding social security payment cap (for 2023 approximately CZK 1.9 million)	Month (for employees)
Value added tax (VAT)	21% (most goods and services); 12% (food, certain pharmaceuticals, special healthcare products, accommodation, catering services, supply of heat and cold, water and sewage services, construction); 0 % (books).	Month or quarter for taxpayers of VAT (depends on turnover)
Excise tax	Levied on petrol and petrol derivatives, alcohol (beer, wine and spirits) and tobacco	Month (for producers or importers of commodities)
Road tax	CZK 800 – CZK 24,200 (trucks over 12 tonnes), when used for business purposes	Quarterly or annual payable advances
Real estate tax	According to type, location and purpose of use of the real estate	Year
Energy tax	Levied on supplies of electricity, natural and other gases, and solid fuels.	Month (for producers, distribution system operators or importers of commodities)

Corporate income tax

Corporate taxation and asset depreciation rules are described in more detail in the Fact Sheet on Corporate Income Tax.

Taxation of non-resident legal entities – Permanent establishment

A permanent establishment is not a legal entity; however, it is a taxable presence of a foreign entity and therefore its existence triggers taxation of income of the foreign entity in Czechia.

Rendering of services in Czechia

A permanent establishment of a foreign company can be created when the company's employee(s) is (are) rendering services in Czechia for more than six months in any 12 consecutive calendar months. Each single employee counts as presence of the foreign company. Particular Double Taxation Treaties can modify the conditions for creation of a permanent establishment.

Facility located in Czechia

A permanent establishment can be created when a foreign entity sets up a fixed place of business (e.g., an office, workshop, production facility, sales outlet or other business facility) in Czechia.

Agent

A permanent establishment can also be created in the case that the foreign entity operates its business in Czechia via an agent, i.e. person having and exercising an authority to conclude contract binding on the foreign entity. Relevant Double Taxation Treaty can modify the conditions for creation of a permanent establishment of a foreign entity in Czechia.

Personal income tax

Taxable income includes earnings from dependent activities (i.e. wages and salaries) including benefits in-kind (e.g., housing allowances, use of a company car for private purposes, etc.), income from business activities, and income from capital, rent and other sources. In general, taxable income consists of all income regardless of whether it is monetary or non-monetary.

As of 2021, Czechia returns to progressive taxation with the introduction of a marginal rate of 23%.

Gross income up to the social security payment cap (the threshold for 2023 is CZK 1,935,552) will be subject to 15% rate; and

Gross income exceeding CZK 1,701,168 will be subject to a rate of 23%

As the progressive tax rate will be applicable to all types of income, some passive income like capital gains or rental income (combined with employment income) may incur a higher tax burden. However, for most individuals with employment income only, this change will lead to effective lower employment taxation. After eight years, the solidarity surcharge of 7% for high-income earners was abolished since 2021.

Generally, income is declared and taxed through a personal income tax return. Czech tax filing deadline depends on when, by whom and in which form the tax return is filed. The basic filing deadline is 1 April of the year following the tax period (calendar year). It applies for those who file the tax return by 1 April regardless of whether in paper or electronically and regardless of whether filed by the taxpayer himself/herself or by the tax advisor. Deadline of 1 May applies for those taxpayers who file the tax return by himself/herself electronically after the basic deadline of 1 April.

Deadline of 1 July applies if a Czech registered tax advisor files the tax return on behalf of the taxpayer after the basic deadline of 1 April as long as a power of attorney authorising the registered tax advisor to prepare the return is filed by this deadline (i.e. before or together with the tax return at the latest). Further extension might be granted by the Czech tax authorities upon properly substantiated request.

An individual who is employed directly by a local (Czech) company or by a branch of a foreign company is subject to tax on his/her income from the dependent activity from the first day of his/her employment. The local company or branch of a foreign company withholds monthly tax pre-payments from his/her salary towards his/her annual tax liability. Generally, if the individual only has income derived from such an employment contract, the employer can prepare a year-end tax settlement that is a substitute for the individual's tax return.

If a foreign company transfers an expatriate to a Czech company under a service agreement, he/she should be registered as an individual taxpayer with the relevant Tax Office. His/her income is taxed via the annual personal income tax return. Additionally, an expatriate makes semi-annual or quarterly advance payments for his/her personal tax liability in the course of the year. These advance payments are based on the previous year's tax liability.

If the dependent activities are not performed in a Czech branch/permanent establishment or in favour of Czech entity within economic employment concept, **income from dependent activities** paid by a foreign employer to a Czech tax non-resident is tax-exempt if the time spent on such activities performed in Czechia does not exceed 183 days in any 12 consecutive calendar months.

In addition to the potential obligation to file a tax return, an individual who received a tax exempt income over CZK 5 million must always notify the Tax Office about this income. The deadline for filing this notification is the same as for the tax return.

Social security and health insurance contributions

The income of an employee is subject to the Czech mandatory social security and health insurance contributions (both employee and employers parts) unless otherwise exempt according to EU regulations or bilateral social security treaties (e.g. granting of an A1 certificate/certificate of coverage).

Contributions (calculated of gross salary)	Employer (%)	Employee (%)
Health care insurance	9.0	4.5
Pensions	21.5	6.5
Unemployment	1.2	0.0
Sickness and other benefits	2.1	0.0
Total	33.8	11.0

The annual base for social security contributions is capped. For 2023 the cap amounts to 48 times the average monthly salary (i.e. CZK 1,935,552). There is no cap for health insurance contributions.

Value added tax

The Czech VAT Act is based on EU Directives relating to VAT. VAT is generally imposed on:

- supplies of goods and provision of services in Czechia
- goods imported to Czechia or acquired in Czechia from other EU member states

Businesses are generally entitled to reclaim input VAT. Certain supplies are VAT exempt without entitlement to reclaim input VAT (e.g. healthcare, education, financial services, insurance services and long-term rent of immovable property).

Export of goods and supplies of goods to EU are VAT exempt with a right to recover input VAT. Generally, services provided to businesses established abroad are not taxable in Czechia. On the other hand, businesses are, in general, obliged to account for VAT in terms of the reverse-charge principle once they acquire a service from a foreign provider.

There are **three VAT rates:**

- 21% for most goods and services;
- 12% for some selected goods and services (e.g. food, certain pharmaceuticals, special healthcare products, accommodation, catering services, supply of heat and cold, water and sewage services, construction);
- 0% for books.

Businesses seated in Czechia whose turnover exceeds CZK 1,000,000 (approx. EUR 38,600) in any consecutive 12-month period must register as a VAT payer with the tax authorities.

For non-resident businesses, there is no registration threshold, but they must register as a VAT payer if they:

- make any supply subject to Czech VAT (unless the liability to declare and pay VAT is shifted to the recipient of the supply), or
- supply goods from Czechia to another EU member state.

Under certain circumstances, businesses not registered for VAT to whom VAT liability arises due to acquired goods or services become persons identified for VAT. A person identified for VAT only pays VAT from received supplies without being entitled to recover related input VAT (this may be also VAT exempt under certain circumstances).

The basic taxable/reporting period is a calendar month. A VAT payer can opt for a quarterly taxable/reporting period provided that certain conditions are met (e.g. his turnover in the previous calendar year did not exceed CZK 10 million).

Excise tax

This tax applies to hydrocarbon fuels and lubricants, spirits and distilled liquors, beer, wine, tobacco products and heated tobacco products (hereinafter referred to collectively as "excise products") that are produced in or imported to Czechia. The tax is calculated as a fixed amount per unit of the product concerned and sold in levied on the producer or the seller. Tax levied on cigarettes is calculated as a combination of a fixed amount and a percentage of the selling price.

Excise products can be produced, transported or stored under duty suspension arrangement, i.e. tax liability is deferred until these products are released for free tax circulation.

Energy tax

Energy taxes are levied on supplies of electricity, natural and other gases, and solid fuels (hereinafter referred to collectively as "energy"). The payers of energy tax are either suppliers of energy selling energy in Czechia to end-users, or operators of distribution or transmission systems. Subject to energy tax are also entities that use tax-exempt energy for purposes other than those that are exempt or that use untaxed energy.

The tax on electricity is levied at the rate of CZK 28.30 per MWh. The tax on gas is levied at rates varying from CZK 30.60 per MWh to CZK 264.80 per MWh, depending on the type of gas, the purpose of its use and the date when the tax liability arises. The tax on solid fuels is levied at the rate of CZK 8.50 per GJ of caloric value. End-users can utilise tax exemptions when the energy products are used for specific purposes.

Road tax

Road tax is payable on road vehicles and their trailers, registered and operated for business purposes in Czechia. The tax is calculated according to weight and number of axles for other commercial vehicles. The rates range from CZK 800 up to CZK 24,200 (on trucks over 36 tonnes).

Taxpayers are required to submit their tax return for the tax period (calendar year) by 31 January of the following year.

Real estate tax

Real estate tax comprises a tax on land (land tax) and a tax on structures and units (building and unit tax) based on the situation as of 1 January of the relevant tax year. Real estate tax is generally payable by the owner, although in specific cases the user or the lessee is the taxpayer. All property owners must file tax returns for the respective calendar year with the relevant Tax Office by 31 January of that calendar year. The tax return generally does not have to be filed if conditions relevant for the tax assessment have not changed from the previous tax return. Tax rates are multiplied by coefficients according to the location of the real estate (determined by size of the municipalities).

Type of land	CZK/m²
Paved areas - agriculture	1.8
Paved areas – business*	9
Building plots	3.5
Developed or other types of land	0.35

Land tax is imposed on plots of land entered in the Land Registry and is payable by the owner or, in special cases, by the lessee or user.

*This applies to e.g. parking lots, platforms, certain roads etc.

Building and unit tax is calculated according to the registered built area. The tax rate ranges from CZK 3.5 to CZK 18 per square meter in the case of business premises and from CZK 3.5 to CZK 14.5 per square meter for residential premises and garages. The tax rate may be increased by CZK 0.75 per square meter for each additional floor exceeding 1/3 of the building built-up area.

Local taxes

No local taxes apply in Czechia. Some minor local fees are levied on the waste produced by companies and also with respect to certain business activities such as those related to spas, accomodation, and use of televisions and radios.