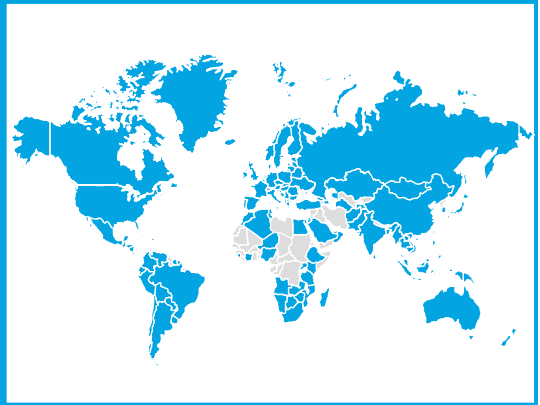


# EXPATRIATES

## Czech Republic

### Tax facts for International Assignees



#### INCOME TAX: WHO IS LIABLE

The liability to Czech personal income tax depends on the individual taxpayer's residency status.

Czech tax residents are subject to Czech personal income tax on their worldwide income. Worldwide income includes employment income for work performed in the Czech Republic, employment income earned abroad, income from business activities, investment income (interest, dividends), rental and other income (sale of shares, sale of property, cryptocurrency transactions, etc.).

Czech tax non-residents are only subject to tax on any income arising from Czech sources. Income from Czech sources includes employment income for activities performed in the Czech Republic, income of Czech company board members, income from sale or rent of Czech real estate property located in the Czech Republic, income from personal activities performed in the Czech Republic as a sportsperson/artist or other activities performed in the Czech Republic.

According to the Czech tax law, an individual is considered as a Czech tax resident if he/she has their permanent home in the Czech Republic or if they usually stay/reside in the Czech Republic.

Individuals staying in the Czech Republic exclusively for the purpose of studies or medical treatment are liable to tax imposed solely on income arising from source in the Czech Republic even if they usually stay/reside in the Czech Republic.

An individual who "usually stays/resides in the Czech Republic" is a person who stays/resides in the Czech Republic for at least 183 days in the relevant calendar year, either continuously or intermittently. Each commenced day of such stay/residence is included in the period of 183 days.

For the purpose of the Czech tax law, a "permanent home" is a place where the taxpayer has his/her abode (home) and the circumstances indicate his/her intention to live there on a long-term basis.

Even when fulfilling the Czech tax residency test, a person may be considered a treaty tax non-resident through the application of Double Taxation Treaty tie-breaker rules when the person is considered a tax resident based on domestic rules of another country.

#### BREAKING RESIDENCY - EXIT PROCEDURES

An individual can break Czech tax residency by a combination of all or some of the following:

- Becoming a tax resident in another country;
- Establishing a residence which will serve as their permanent home in another country;
- Shifting the center of vital interests from the Czech Republic to another country under the terms of the relevant Double Taxation Treaty. This can generally be seen to happen when an individual moves with his/her family (if relevant) along with their personal belongings to another country and no longer has a strong connection to the Czech Republic.

There is no special procedure for breaking tax residency in the Czech Republic. However, an individual should have convincing evidence to be able to demonstrate that he/she is no longer a Czech tax resident according to the Czech tax law or relevant Double Taxation Treaty.

There is no exit tax in the Czech Republic. However, an individual would generally be required to meet all tax obligations for the tax year in which his/her tax residency is broken.

## INCOME TAX RATES

	Chargeable income	Tax rate
1. Income tax rate	Applies to the part of annual gross employment income up to the limit of CZK 1,867,728 (2022)	15%
2. Income tax rate	Applies to the part of annual gross employment income which exceeds CZK 1,867,728 (2022)	23%

For non-employment income, both rates are applied similarly. The threshold for the 15% tax rate is limited to a total tax base of CZK 1,867,728.

There are no state or city taxes in the Czech Republic.

There is no concept of joint taxation of spouses. Therefore, an individual, must meet their own tax return filing obligation (if required).

## SOCIAL TAX RATES

Czech social security contributions

- Employer: 24.8% of gross annual employment income up to CZK 1,867,728
- Employee: 6.5% of gross annual employment income up to CZK 1,867,728

Czech health insurance contributions

- Employer: 9% of gross annual employment income with no salary ceiling
- Employee: 4.5% of gross annual employment income with no salary ceiling

For further information and to register for future updates contact [expat@bdo.global](mailto:expat@bdo.global)

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