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Dear business partners,

In this first issue of our Newsletter we would like to wish you the very best of luck in the New Year and thank you for your continued collaboration. We shall be pleased to continue to provide you with further expert support in the field of taxation, accounting and auditing.

Best regards



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Tax partner



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AMENDMENTS-LEGISLATIVE PROCESS 2024/2025



As the end of 2024, several tax-related amendments were in the approval process, with implementation anticipated to commence from January 1, 2025. In the end, this timetable was met for certain amendments to the Income Tax Act and the VAT Act, which have already been published in the Collection of Laws. The amendment to the VAT Act introduces more significant changes, including adjustments in the taxation of online events in culture, arts, sports, education, and entertainment. It also addresses registration thresholds for VAT payers, particularly concerning the introduction of a cross-border regime for small businesses and revises the rules for correcting the tax base or adjusting tax deductions.

Other forthcoming amendments in taxation, including the tax regime for crypto-asset taxation, adjustments to depreciation rules for photovoltaic power plants, and limits on donation deductions, remain under review in the Senate of the Czech Republic, with their effectiveness still pending approval.

REAL ESTATE TAX FOR 2025



As in previous years, it is necessary to file the real estate tax return for the year 2025 with the competent tax administrator by 31 January 2025 at the latest. The locally competent tax administrator is determined by the territorial jurisdiction where the real estate is located. The tax return is not filed if the taxpayer filed it for any of the previous taxable periods and there has been no change in the circumstances relevant for the determination of the tax compared to that previous taxable period. The same applies in the case of a mere change in the coefficients used (e.g., a local coefficient set by a generally binding decree).

The tax is assessed for the tax period as at January 1, 2025. Accordingly, if changes in ownership or other rights to immovable property occurred during 2024, or if other operative events impacting the tax determination took place (e.g., changes to previously registered data in the cadaster of immovable property, including those resulting from a revision by the cadastral office), the taxpayer is obligated to file either a regular or partial return for the tax on immovable property. Similarly, the same procedure is followed in the case of newly approved buildings or units, or buildings and units that are not yet completed but are already in use. The taxpayer is not required to file a tax return if the only changes compared to the previous tax period are in tax rates or coefficients.

On the other hand, if a family house or apartment unit was donated or purchased during the tax period, or if a property was acquired through inheritance, it is essential to file a tax return by the end of January 2025.

Compared to 2024, there have been no significant changes to the Real Estate Tax Act. The amendments primarily address the taxation of forest land, exemptions for ecologically significant elements and public areas, the definition of tenants and lessees as taxpayers, and changes in the taxation of real estate acquired through public auction. Taxpayers do not expect a significant increase in tax liability compared to 2024, which was triggered by an increase in the rates approved in the consolidation package for 2024, also given that there was no increase in the inflation coefficient for 2025.

Should you be interested, we are available to prepare your tax return for 2025.

REPORTING PURSUANT TO SECTION 38DA OF THE INCOME TAX ACT ON TAX EXEMPT OR TAX-FREE INCOME



This reporting obligation to your competent tax authority is not a new one. It has been in force since 2019. For reminder - your tax authority requires information on all payments you have made abroad and these payments were either exempt from withholding tax in the Czech Republic or are not taxable in the Czech Republic at all. Typically, this can be, for example, exempted payments of dividends, royalties, interest, settlement shares or shares in the liquidation balance.

We would like to remind you that the notification rules were simplified last year. Services provided from the territory of the Czech Republic to abroad are not subject to notification. At the same time, interest paid is not reported if its value for the given month does not exceed CZK 300,000.

The report shall be submitted once a year, by January 31 of the following year. You are therefore obliged (provided, of course, that the obligation has arisen) to submit a report on the prescribed form by **January 31, 2025**, for the entire year 2024.

TRANSFER PRICING ADJUSTMENT FOR 2024



It should certainly be no news that companies undertaking related party transactions must reflect the arm's length principle. In the course of work on financial statements, it is standard practice to discuss the possible adjustment of arm's length prices (so-called TP Adjustment) to ensure "safe" profitability. This profitability interval should ideally be supported by a benchmark study (which will serve as evidence for potential tax inspection).

We would like to draw your attention to the fact that with the preparation of the financial statements, this is the ideal time to evaluate and account for the TP Adjustment for the 2024 transactions **in the 2024 financial statements**.

CURRENT CNB RATES AND THEIR TAX IMPLICATIONS



As of 1 January 2025, the CNB repo rate is **4%** (this rate is valid since its last change on November 7, 2024). The value of this rate directly impacts, in particular, the amount of default interest under the Tax Code, which the tax administrator imposes in the event of late tax payment (including advance payments).

The amount of this interest is calculated as the CNB repo rate + 8%. In case of a delay in payment of interest in the first half of 2025, you have to count on **interest on late payment of 12% p.a.**

CHANGES IN EMPLOYEE BENEFITS-LIMITS



A proposal to introduce a separate limit for the exemption of medical employee benefits from personal income tax was approved, which entered into force on January 1, 2025. This limit is set up to the average salary for the given year, i.e., CZK 46,557 for 2025.

A separate limit applies to the purchase of medical devices on prescription, as well as to health, medical, and hygiene services and goods from medical institutions. These benefits will continue to be covered by the employer's non-tax costs, while remaining tax- and insurance-free on the employee's side. This change responds to the demands of employers and unions, who consider health benefits to be the most desirable and beneficial for employees.

Other non-monetary benefits, such as education, sports, and cultural activities, remain subject to the total limit of half the average salary (CZK 23,279 for 2025), which was introduced last year.

The amendment provides employers with greater flexibility in providing tax-advantaged benefits, but also brings greater administrative complexity in monitoring various limits. We would like to remind you that benefits cannot be provided without proper setting in the internal guidelines.

INCREASE IN MEAL ALLOWANCE RATES AND AVERAGE FUEL PRICE FOR THE PURPOSES OF TRAVEL ALLOWANCES



As of January 1, 2025, Decree No. 475/2024 Coll. of the Ministry of Labor and Social Affairs changes the amount of meal allowances due to employees on business trips as follows:

- If the business trip lasts from 5 to 12 hours, the employee is entitled to a meal allowance of at least CZK 148; for civil servants, an increased range of CZK 148-177 applies.
- If the business trip lasts 12 to 18 hours, the employee is entitled to a meal allowance of at least CZK 225; for civil servants, an increased range of CZK 225-271 applies.
- If the working trip lasts 18 hours or more, the employee is entitled to a subsistence allowance of at least CZK 353; for civil servants, an increased range of CZK 353-422 applies.

The maximum value of the cash allowance provided by the employer to the employee for meals, which is exempt from income tax, is also based on the amount of the meal allowance. This is set at 70% of the upper limit of the meal allowance that can be granted to a remunerated staff member for a business trip of 5 to 12 hours. As of January 2025, the amount is CZK 123.90. The basic allowance for the use of personal road vehicles is also increased from CZK 5.60 to CZK 5.80 per 1 km of travel. The flat-rate amount of compensation for costs when working remotely is CZK 4.80.

On the other hand, as of January 1, average fuel prices will, according to the Labor Code, decrease as follows:

- from CZK 38,20 to CZK 35,80 for 1 liter of gasoline automotive 95 octane
- from CZK 42,60 to CZK 40,50 for 1 liter of gasoline automotive 98 octane
- from CZK 38,70 to CZK 34,70 for 1 liter of diesel fuel.

The average price of 1 kilowatt-hour of electricity remains unchanged at CZK 7.70 / kWh.

A COMPLETELY NEW DISCOUNT ON INSURANCE PREMIUMS FOR EMPLOYEES



As of January 2025, it will be possible to apply a discount on premiums of 6.5% for working old-age pensioners. However, the discount is not applied automatically; specific formal steps must be taken. An employed old-age pensioner must submit a certificate from the Czech Social Security Administration (ČSSZ) confirming their status as a pensioner with granted pension rights. This document is essential to claim the premium discount.

The discount cannot be claimed retroactively, which is important to note. If an employed pensioner fails to submit this certificate on time, they forfeit the right to claim the discount for previous months. The employer can apply the discount only from the month they receive the confirmation. To secure the discount for January, old-age pensioners must submit this confirmation to their employer's payroll office at the start of the month.

REPORTING OF FOREIGN EMPLOYEES



A significant change in the reporting of foreign employees arriving in the Czech Republic was already implemented during 2024. It will no longer be possible to report foreign employees to the locally competent Labor Offices of the Czech Republic. Instead, reporting must be done through the electronic portal, with the Labor Inspectorate in Opava now serving as the new administrator.

The rules are governed by EU directives (96/71 / EC, 2014/67 / EU, 2018/957 / EU) and Czech laws, in particular the Labor Code and the Employment Act. Foreign employers are obliged to comply with the notification obligation no later than the day of the employee's arrival at work, to report changes within 10 days and to notify the termination of the posting.

Short business visits (e.g. conferences) are not considered secondments and are not subject to notification. Violation of these rules may result in a fine of up to CZK 100,000.

Link to the relevant notification: [Notice of posting of a worker by his foreign employer on the territory of the Czech Republic - gov.cz](#)

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