

## 2024/2025 RECOVERY PACKAGE

### CORPORATE INCOME TAX

### PERSONAL INCOME TAX

### SOCIAL SECURITY AND HEALTH INSURANCE

### VALUE ADDED TAX

### CONCISE DUTY

### MISCELLANEOUS

## 2024/2025 RECOVERY PACKAGE

On 11 May 2023, the Czech government presented a public finances recovery plan, which includes a consolidation package and a pension reform proposal. Below is an overview of the proposed changes in the area of taxation.

### Corporate Income Tax

- the corporate tax rate is to increase from 19% to 21%;
- tax deductibility is to be limited for purchasing passenger cars for business purposes to CZK 2 million;
- tax deductibility is to be abolished for giving away quiet wine with a value of up to CZK 500 for promotion purposes.

### Personal Income Tax

- the increased personal income tax rate (23%) will apply to annual income that exceeds 36 times the average wage (in 2023 the higher taxation would affect income exceeding CZK 1,451,664 instead of the current CZK 1,935,552);
- a cap of CZK 40,000,000 per taxpayer is to be introduced for the exemption of income from the sale of securities and shares in a company;
- exemptions are to be abolished for most non-monetary employee benefits (such as allowances for cultural events or sports activities, massages, vitamins, etc.);
- exemptions are to be limited for meal vouchers with a value to the limits that are tax deductible by the employer;
- meal allowances are to be adjusted also for people who work long shifts;
- deductibility of union dues is to be abolished;
- deduction is to be abolished for payments for examinations verifying the results of extended education;

- the spouse discount is to be limited to spouses who care for a child under 3 years of age;
- the tax discount is to be abolished for the placement of a child in a pre-school facility: so-called kindergarten allowance (in 2023 the tax rebate is up to CZK 16,200);
- the student discount is to be abolished (in 2023, the discount is CZK 4,020);
- selective exemptions are to be consolidated into a general non-purpose limit of up to CZK 50,000. However, there is a question of the form and how this advantage can be exercised, which is not yet clear at this stage.

### Social Security and Health Insurance

- sickness insurance is to be reintroduced for employees at the rate of 0.6% of gross wages (for 2023, sickness insurance on average wages would amount to CZK 242 per month, or CZK 2,904 per year);
- the minimum insurance premium is to be increased for sole proprietors (self-employed individuals) on a step-by-step basis between 2024 and 2026 (the assessment base will gradually increase from 25% to 40% of the average wage);
- the assessment base for social insurance is to increase by 5% of the tax base, i.e. from 50% of the tax base to 55% of the tax base;
- the joint assessment base for spouses is to be reintroduced;
- limits for insurance for employees who work under a work contract (*dohoda o provedení práce*) are to increase up to 25% of the average wage with one employer, or up to 40% of the average wage when the employee has several work contracts concurrently with several employers; if these limits are



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exceeded, the insurance will have to be paid.

### Value Added Tax

- the existing reduced VAT rates of 10% and 15% are to be merged into a single reduced rate of 12%;
- the following services and goods are to be transferred from the reduced to the standard VAT rate (21%) – hairdressing and barber services, draught beer, services of authors and artists, collection, transport and dumping of municipal waste, repair of shoes, leather goods and bicycles, cleaning work, firewood and newspapers;
- on the contrary, only occasional public passenger bus transport would be transferred from the standard VAT rate to the reduced VAT rate of 12%.

### Concise Duty

#### Mineral Oil Tax

- the excise duty on diesel fuel is to return to its original level before the reduction, i.e. there is an increase of CZK 1.50/l;
- the exemption from excise duty on aviation fuel for domestic flights is to be abolished;
- a refund on green diesel according to norms is to be introduced instead of the actual consumption of mineral oil.

#### Tobacco Tax

- regular excise duty increases are to be introduced on cigarettes, smoking tobacco, cigars and cigarillos by 10% in 2024 and 5% in each year between 2025 and 2027;
- a regular tax increase of 15% in each year from 2024 to 2027 is to be introduced on heated tobacco;
- a new excise duty is to be introduced on nicotine sachets and e-cigarette refills.

### Tax on Alcohol

- the tax on alcohol is to be increased by 10% in 2024 and by 5% in each year between 2025 and 2027.

### Miscellaneous

#### Real Estate Tax

- real estate tax rates are to double and automatic inflation indexation is to be introduced.

#### Gambling Tax

- the second gambling tax rate is to be increased from 23% to 30%.

#### Energy Tax

the exemption of metallurgical and mineral processes from the tax on natural gas and certain other gases, the tax on solid fuels and the tax on electricity is to be abolished.

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