

GMS Flash Alert



2018-085 | June 15, 2018

Czech Republic - Cancellation of Plans to Reform Taxation of Individuals

The Ministry of Finance of the Czech Republic has announced that previously-planned changes to the taxation of individuals **will not be** introduced and have been removed from the proposed amendment of the Income Tax Act. The proposed changes were reported in GMS [Flash Alert 2018-050](#), which were to become effective as of 1 January 2019.¹ Highlights of the changes we discussed in that 15 March 2018 newsletter were:

- abolition of the 15-percent flat rate and the 7-percent solidarity tax.
- elimination of the currently valid calculation of personal income tax on super-gross salary.
- introduction of a progressive tax rate of 19 percent for income of up to CZK 1.5million and 24 percent (may be 23 percent) for income above this amount.

According to the Ministry of Finance, these changes may be implemented in the future – in an entirely new Income Tax Act (expected to be effective from 2020).

WHY THIS MATTERS

Removal of the proposed changes should not have a significant impact on the taxation of employees and self-employed individuals as the effective tax burden remains similar to what it has been and is expected to be. The retraction of the proposed changes, in fact, may be positive for individuals with capital gain and rental income.

Global mobility program managers who may have been basing decisions on assignments to or from the Czech Republic in light of the previously-planned changes, will need to revise their plans given recent developments.

Further Details

The currently valid flat 15-percent income tax rate applicable on a super-gross salary (super-gross salary is defined as gross salary increased by 34 percent which represents either actual or hypothetical employer's portion of social security contributions) therefore will be effective also in 2019.

Moreover, the planned change concerning the 7-percent solidarity tax will now not take place – this tax applies to the sum of employment income and self-employment income exceeding the annual cap for social security contributions (CZK 1,438,992 in 2018).

The flat 15-percent income tax rate applicable on other type of income, e.g., capital gain or rental income, shall remain in force also in 2019.

FOOTNOTE:

1 To see (in Czech) *Návrh zákona, kterým se mění některé zákony v oblasti daní od roku 2019*, click [here](#).

* * * *

CZK 1 = EUR 0.04
CZK 1 = GBP 0.034
CZK 1 = USD 0.045

Check out our latest GMS video: “Global Mobility and FICA: Calculating U.S. Social Security Benefits for Assignees”

Frequently, international assignees have questions about how taking an assignment may affect their social security contributions and entitlement to future benefits.

In the new video, “[Global Mobility and FICA: Calculating U.S. Social Security Benefits for Assignees](#)” (app. 6-1/2 minutes), from KPMG LLP's Global Mobility Services practice, Bob Rothery and John Seery of KPMG's Washington National Tax practice, discuss in general terms how social security benefits are calculated, with some numerical examples to illustrate the impact of assignments of various lengths, at various points in a person's career.

Contact us

For additional information or assistance, please contact your local GMS or People Services professional or one of the following professionals with the KPMG International member firm in the Czech Republic:



Iva Krakorova
Tax Manager
Tel. + 421 222 123 837
ikrakovova@kpmg.cz



Maria Marhefkova
Tax consultant
Tel. + 421 222 123 498
mmarhefkova@kpmg.cz

The information contained in this newsletter was submitted by the KPMG International member firm in the Czech Republic.

© 2018 KPMG Ceska republika, s.r.o., a Czech limited liability company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.

www.kpmg.com

kpmg.com/socialmedia



© 2016 KPMG LLP, a Delaware limited liability partnership and the U.S. member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. Printed in the U.S.A. NDPPS 530159

The KPMG name and logo are registered trademarks or trademarks of KPMG International.

The KPMG logo and name are trademarks of KPMG International. KPMG International is a Swiss cooperative that serves as a coordinating entity for a network of independent member firms. KPMG International provides no audit or other client services. Such services are provided solely by member firms in their respective geographic areas. KPMG International and its member firms are legally distinct and separate entities. They are not and nothing contained herein shall be construed to place these entities in the relationship of parents, subsidiaries, agents, partners, or joint venturers. No member firm has any authority (actual, apparent, implied or otherwise) to obligate or bind KPMG International or any member firm in any manner whatsoever. The information contained in herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

Flash Alert is a GMS publication of KPMG LLP's Washington National Tax practice. To view this publication or recent prior issues online, please click [here](#). To learn more about our GMS practice, please visit us on the Internet: click [here](#) or go to <http://www.kpmg.com>.