

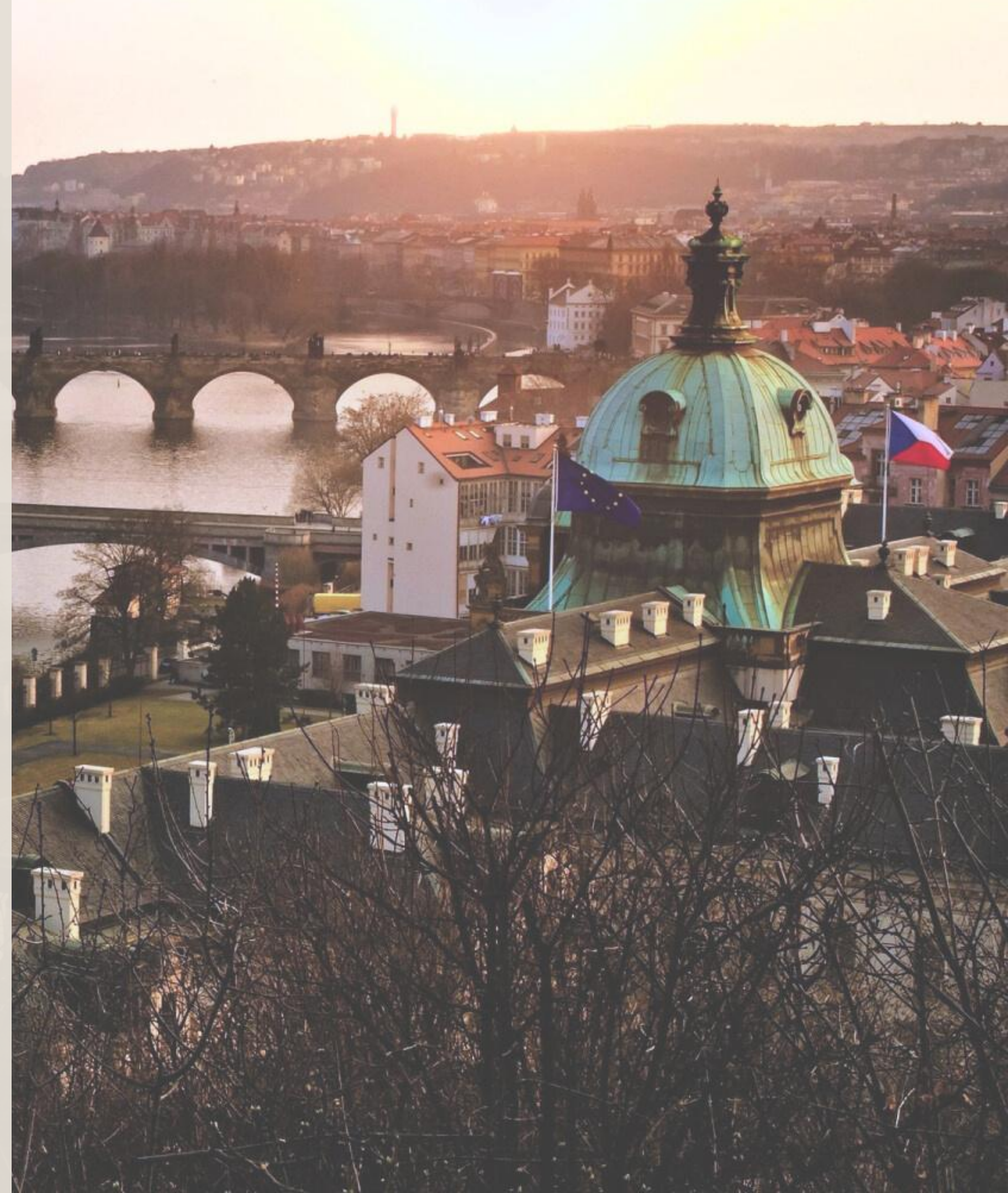


Chamber of Commerce
and Italian-Czech Industry

WEBINAR

TAX AND REGULATORY NEWS FOR BUSINESSES AND PROFESSIONALS IN 2025

Date: Thursday, 6th February, 2025





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NEW VAT RULES (D.P.H.)



MAIN CHANGES EFFECTIVE FROM 1.1.2025

Changes to turnover limits for VAT purposes

- **New turnover calculation period:** the turnover threshold for VAT payer status will always be calculated from 1/1 to 31/12 of a given calendar year and no longer using the "rolling" method of the previous 12 months.
- **VAT registration:** if the turnover for the January-December period exceeds 2 mln/CZK (but does not exceed 2,536,500 CZK), the entity will become VAT taxable as of 1/1 of the following year. If the entity wishes to become a VAT-registered person even earlier, it can apply within 10 working days of crossing the threshold, obtaining VAT registration from the next day.
- **Exceeding the upper limit:** If the turnover exceeds CZK 2,536,500, the person will become a VAT-registered person from the 2nd day after the limit is exceeded.
- **Establishment of cross-border small businesses:** businesses with a turnover of less than 2 mln/CZK can be registered as "cross-border small businesses" and operate with EU counterparts VAT-free, just as they do domestically. Such businesses will receive a specific DIČ with the new prefix "EX." Cross-border small businesses residing in other EU countries with "EX" VAT ID will also be able to conduct exempt transactions with counterparties in the Czech Republic.



NEW RULES ON THE SUBJECT OF D.P.H. (VAT)



MAIN CHANGES EFFECTIVE FROM 1.1.2025

Other changes in the field of VAT

- **Reverse charge:** the scope is to extend the range of application and it will be also applied to some cleaning services, including general building cleaning and industrial cleaning services.
- **Place of service provision:** for services in the area of culture, art, sports and education, the general rule is that the place is where the event takes place. A new procedure for determining VAT territoriality applies in the case of virtual participation in such events (e.g., online training) where the place of performance is determined based on the client's registered office.
- **Reduced deadline for claiming the VAT deduction:** the deadline will be reduced from 3 years to 2 consecutive calendar years.
- **Extension of deadline for correction of VAT tax base:** the deadline for correction will be extended from 3 to 7 years. In case of initiation of legal proceedings, the deadline will not be interrupted.
- **Reimbursement of tax deductions on outstanding debts:** new requirement to reimburse tax deductions after 6 months from the due date of debts.
- **Car deduction:** possible change or abolition of the car deduction limit (CZK 2,000,000) in 2027.





NEW RULES ON THE SUBJECT OF D.P.H. (VAT)



MAIN CHANGES EFFECTIVE FROM 1.7.2025

Changes in VAT on Real Estate

- **Change in VAT taxation for supply of real estate:** the previous time limit of 5 years to have VAT exemption on sales of finished real estate items is replaced. As of July 1, 2025, the delivery of finished real estate will be ruled as "exempt for VAT purposes," with the only exception subject to 21% VAT of the first sale if occurring within 23 months of acceptance or other official arrangement allowing the use of the real estate sold.
- **New parameter for significant change:** in the case of refurbishment and renovation works on a real estate item where the works increase the value of the item, a different parameter is introduced to identify the "significant change". The limit set by the Law is an incurred cost exceeding 30% (instead of 50%) of the sale price of the same property. Therefore, we will know whether the renovation has met the characteristics of substantial modification only when the property is sold. If the change is significant and the sale of the property takes place within 23 months, the seller will apply 21% VAT on the sale of that property; if, on the other hand, the sale is later than 23 months, no VAT will be applied.





NEW RULES ON THE SUBJECT OF D.P.H. (VAT)



MAIN CHANGES EFFECTIVE FROM 1.7.2025

Changes in VAT on Real Estate

- **VAT only on the first sale:** a rule is introduced that VAT can be applied only to the first sale of a real estate item, after construction or significant change, which happens within 23 months. If the property is sold a second time even within the first 23 months, it will be VAT exempt sale, without the right to deduct VAT on costs.
- **Clarification regarding the reduced rate for social housing works:** the amendment set that when social housing apartments occupy more than half of the area of the relevant condominium, a reduced VAT rate of 12% applies to the works. The cadastral registration is decisive in this matter.
- **Building land:** Even after the amendment, the sale of building lands will be subject to 21% VAT. The administrative acts that determine a plot of land as "building" are now specified: either a city council resolution of zoning designation as a built-up area or a building permit for a construction on the land issued by the building department will be needed.





2024 INCOME TAX RETURN INDIVIDUALS

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WAY OF DETERMINING TAXABLE INCOME

- In 2025 the legislation was not changed and Czech tax residents are subject to Czech income tax on their worldwide income. Non-tax residents are taxed only on income considered to be Czech-source income.
- The tax applies to all types of income except income taxed with final withholding tax (e.g., dividends or interest from bonds distributed by Czech companies).
- Certain types of income of a foreign nature are taxed with a separate tax base at a flat rate of 15 percent (e.g., dividends and interest from bonds from abroad).
- From self-employment income, as a rule, expenses actually incurred are deducted; however, for some income categories, a fixed percentage of gross income can be claimed as a deduction, which differs by type of business pursued (80% - 60% - 40% - 30%).

TAX DEDUCTIONS

- There are no changes regarding tax deductions from 2024 to 2025.
- The basic discount remains CZK 30,840. The other deduction possibilities are related to dependent children, disability and impairment.
- Other possible deductions are related to mortgage interests, private pension insurance, life insurance premiums, long-term investment products and charitable contributions.



2024 INCOME TAX RETURN INDIVIDUALS (PIT)



Form of submission of the tax return	By when to submit the application?
By mail or by hand	1 st April 2025
Electronic tax return via DS	2 nd May 2025
Tax return signed by a tax consultant	1 st July 2025

Progressivity of tax rates (PIT)	2023	2024	2025
Average monthly salary in CZK	40.324	43.967	46.557
Multiplier months	48	36	36
Annual income threshold application tax rate 23% (up to threshold = 15%)	1.935.552	1.582.812	1.676.052



2024 INCOME TAX RETURN INDIVIDUALS (PIT)



NEW REGULATIONS FOR CAPITAL GAINS FROM 2025

- There is no separate capital gains tax in the Czech Republic. Capital gains are part of the tax base of individual income, subject to progressive rates of 15% or 23%.
- Capital gains on the sale of assets that are part of personal assets, not business assets, may be treated as exempt from PIT taxation if they are not sold for speculative purposes and after a period of ownership as by the Law (see table).
- Starting from 2025, an annual cap on gross proceeds from the sale of equity investments of CZK 40 million is introduced; proceeds above the set cap will be subject to normal progressive taxation.

SALE OF PERSONAL PROPERTY ASSETS	POSSESSION BY EXEMPTION
Real estate registered as main personal residence	2 years
Real estate purchased before 31/12/2020	5 years
Real estate purchased after 1/1/2021	10 years
Shareholdings represented by stocks (e.g., stocks of a.s.)	3 years
Shareholdings represented by shares and corporate rights (e.g., shares of s.r.o.)	5 years
Cars, ships, airplanes, works of art	1 year
Minimum annual amount for taxation of capital gains from shareholdings (if lower exempt)	100,000 CZK
Annual limit to exemption of capital gains from transfer of shareholdings (if higher progressive taxation 23%)	40 mln/CZK



2024 CORPORATE INCOME TAX RETURN (CIT)



WAY OF DETERMINING TAXABLE INCOME

- In 2025, the rules have not been changed, although the 21% rate will be applied for the first time in the returns to be filed in 2025-to tax 2024 income.
- Corporate income tax (CIT) applies to profits generated by all companies, including permanent establishments (branches) of foreign companies.
- Partners in general partnerships and limited partnerships are subject to CIT on their share of the company's profits.
- The only changes with impact on corporate income concern regulations that provide automatic adjustments to the average wage of employees and self-employed persons.

Corporate compliance	Deadline	Mode
Companies with fiscal year ending on 12/31/2024 in the ordinary term	By 2 nd May 2025	Sending tax returns and budget attachments via DS
Company with fiscal year ending on 12/31/2024 in the extended term (with proxy to tax advisor) or with Audit	By 1 st July 2025	Sending tax returns and budget attachments via DS
Settlement of 2024 taxes	2 nd May 2025 / 1 st July 2025	Bank transfer
Half-yearly advance payment taxes year 2025	15 th June 25 / 15 th December 25	If 2024 tax >30,000 CZK, down payment = 40% 2024 tax
Quarterly advance payment taxes year 2025	15 th March 25 / 15 th June 2025 / 15 th September 2025 / 15 th December 25	If 2024 tax >150,000 CZK, down payment = 25% 2024 tax



NEWS FOR SELF-EMPLOYED AND PROFESSIONALS (OSVČ)

One change for the self-employed sector is **the new average salary for 2025 of CZK 46,557.**

This amount redetermines the minimum contributions for the self-employed; the maximum amount of lump sum contributions for the self-employed; the calculation basis for social insurance; and the threshold for taxation at the rate of 23 percent.

Beginning in 2025, the following applies:

- The minimum **annual** tax base for pension contributions **remains at 55% of the tax base** as in 2024.
- The minimum **monthly** tax base for the self-employed engaged in the main business activity is gradually increased **from the original 25% of the average wage to 40%** (30% in 2024, 35% in 2025 and 40% in 2026).

	Amount of contribution
Self-employed (principal) - minimum contribution (35% of the minimum * rate 29.2%)	4,759 CZK
Self-employed first 3 years - minimum contribution (35% of minimum * rate 29.2%)	3,399 CZK
Self-employed workers not subject to minimum contributions (55% of taxable income * tax rate 29.2%)	According to the tax return for 2024

	2023	2024	2025	2026
Minimum tax base	25%	30%	35%	40%
Tax base	50%	55%	55%	55%



NEWS FOR SELF-EMPLOYED AND PROFESSIONALS (OSVČ)

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	2024	2025
Average salary	43,967 CZK	46,557 CZK
Maximum tax base	2,110,416 CZK	2,234,736 CZK
Minimum monthly tax base (main activity)	10,992 CZK (for first 3 years) 13,191 CZK (for everyone else)	11,639 CZK (for first 3 years) 16,295 CZK (for all others)
Minimum monthly tax base (secondary business)	4,837 CZK	5,122 CZK
Minimum annual tax base (main activity)	131,904 CZK (for first 3 years) 158,292 CZK (for all others)	139,668 CZK (for first 3 years) 195,540 CZK (for all others)
Minimum annual tax base (secondary business)	58,044 CZK	61,464 CZK
Minimum monthly contribution of pension insurance for the self-employed (main activity)	3,210 CZK (for first 3 years) 3,852 CZK (for all others)	3,399 CZK (for first 3 years) 4,759 CZK (for all others)
Minimum monthly contribution for health insurance for the self-employed (main activity)	2,968 CZK	3,143 CZK
Minimum monthly contribution for pension insurance for the self-employed (secondary activity)	1,413 CZK	1,496 CZK



NEWS FOR FLAT RATE SCHEME (PAUŠÁLNÍ DAŇ)

Modification of lump-sum advances starting in 2025

From 1st January 2025, the amount of lump-sum advances in the first bracket will change. The lump sum advances of the second and third levels will remain unchanged. The standing order must be adjusted no later than Monday, 20th January 2025.

Monthly advances for flat tax for 2025				
INCOME RANGE	Total Payment	Income tax	Retirement insurance premiums	Health insurance premiums
Level I up to CZK 1 mln	8,716 CZK	100 CZK	5,473 CZK	3,143 CZK
Level II between 1 mln and 1.5 mln CZK	16,745 CZK	4,963 CZK	8,191 CZK	3,591 CZK
Level III up to 2 mln CZK	27,139 CZK	9,320 CZK	12,527 CZK	5,292 CZK

- Down payments are due by the 20th of each month.
- When starting a business under the flat-rate scheme, the first advance payment is due by the 20th of the following month.
- Down payments can be paid in advance for several months or for an entire year.



NEWS FOR FLAT RATE SCHEME (PAUŠÁLNÍ DAŇ)

Let us recall the conditions for access to the flat-rate scheme

A self-employed person can enter the flat-rate scheme if they meet the following conditions:

- They are not a VAT taxpayer and have annual income up to CZK 2 million.
- They do not have an activity from they earn income from employment (except income subject to withholding tax) and are not in insolvency proceedings.
- They are not a partner in a corporation or limited partner in a limited partnership and during the immediately preceding year, did not have an income over the qualifying income for the selected flat rate level.

Income range	Business income		
Level I	Up to 1 mil. CZK (regardless of the type of activity)	up to CZK 1.5 million if at least 75 percent of this income comes from activities covered by the 80 percent or 60 percent lump sum expenses	up to CZK 2 million, if at least 75 percent of these earnings come from activities covered by the 80 percent flat rate of expenditure.
Level II	Between 1 mln and 1.5 mil CZK (regardless of the type of activity)	up to CZK 2 million, if at least 75 percent of this income comes from activities that qualify for the 80 percent or 60 percent flat spending rate.	
Level III	up to 2 mil. CZK (regardless of the type of activity)		



NEW LAW ON CRYPTOCURRENCY

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The Czech Republic is preparing to introduce a change in the cryptocurrency sector with a new law. After being approved by the Chamber of Deputies, and the Senate, it now awaits the signature of the President of the Republic to become law.

The Regulatory Framework

The law includes key provisions to strictly regulate the market and ensure investor confidence. Among the key measures:

- **CNB supervision:** the National Bank will be responsible for monitoring compliance with the rules, managing lists of licensed operators and imposing penalties, which can reach up to 50 million Czech crowns in case of violations.
- **Consumer Protection:** in the event of a service provider's bankruptcy, crypto-assets will be protected from enforcement, providing important protection for investors.
- **Rules for Traders:** intermediaries will have to demonstrate high professional competence, ensuring clear and detailed information to clients about the risks and opportunities related to crypto-assets.
- **Tax Exemptions:** income from the sale of crypto-assets will be exempt from taxation up to CZK 100,000 per tax period or after three years of holding.





NEW LAW ON ADDICTIVE SUBSTANCES



On 1st January 2025, Law No. 231/2024 on addictive substances came into effect in the Czech Rep.

The Law distinguishes substances into three categories:

- (a) addictive substances - considered harmful to health, the sale of which is prohibited;
- (b) psychomodulatory substances - substances that do not pose a serious risk to public health or involve risky social impacts, the sale of which is allowed but with new regulation;
- (c) new psychoactive substances - new substances for which, according to current scientific knowledge, serious risks cannot be excluded and which will be the subject of scientific study; after two years of research, these substances will be included in lists (a) or (b).

Currently, the complete list dividing the various substances into the three groups identified by the government has not yet been published; the Czech Ministry of Health is working on the issue, and has prepared a Draft Government Regulation on Psychomodulant Substances.



NEW LAW ON ADDICTIVE SUBSTANCES



Under the current Draft, only specialized stores will be allowed to sell psychomodulatory substances belonging to group (b), which should also include cannabis up to 1% of THC. Such specialized sellers will have to comply with a series of new regulations:

- **Authorization** from the Ministry of Health for special license on the management of psychomodulatory substances (the form will be available in the second quarter of 2025).
- **Administrative fees** for initiating the permit procedure + annual **maintenance fee**.
- **Marketing requirements:** a regulation (yet to be issued) will specify technical requirements for the composition, appearance, and quality of substances; maximum allowable quantity and concentration; and labeling.
- Manufacturers and distributors will be required to conduct **laboratory tests** before marketing.
- Online merchants have **age verification** requirements.
- There are specific **Prohibitions:** to sell outside specialty stores; to sell to individuals under the age of 18; to sell with vending machines; to advertise and distribute free samples; and to export outside the territory of the Czech Republic.
- Requirement to make annual records and reports.

These sales restrictions are expected to take effect on 1st July 2025, but the specification of standards and requirements has not yet been published fully and comprehensively.





LABOR CODE NEWS



The Ministry of Labor has announced a package of changes to increase flexibility in the Labor Code that were supposed to take effect in January, but have slipped and are expected to be implemented from April. A brief outline of the news is given here, with an invitation to contact legal experts for insights.

New minimum wage

The minimum wage is the lowest amount allowed for the employee's salary. As of January, we have a minimum wage of 42.2 percent of the average wage in 2025 and 43.4 percent of the average wage in 2026. The 2025 minimum wage is 20,800 CZK and the hourly wage is 124.40 CZK.

Scheduling of working hours

The amendment introduces the possibility for an employee to schedule his or her own working hours if agreed upon with the employer. The agreement must be made in writing.

Probationary period

The new maximum length of the probationary period will increase from three to four months for regular employees and from six to eight months for managers.

Advance notice and notice period

Now the notice period runs from the 1st day of the month following the month in which the notice was given, either by the employer or the employee. Instead, now the notice period starts from the date of notice of termination and not from the following month. The minimum notice period may be reduced from 2 months to 1 month in cases where the employee fails to meet the statutory requirements for the performance of the agreed work or fails to meet the requirements for the proper performance of such work through no fault of the employer. It also applies when the employee violates his or her duties in a particularly serious manner.



Support for parental work

Currently during parental leave, an employee can continue working with the same employer by agreement, but cannot perform the same job task under the contract. This restriction should now be lifted, and the employee will be able to continue to do the same job tasks under the employment contract even during the period of parental leave by agreement and earn extra compensation.

Fixed-term employment

An employer may enter into fixed-term employment contracts with new employees, whether for maternity replacement or otherwise, for a maximum of 3 years with only 2 options for extension. The maximum duration of such a contract is therefore 9 years.

Temporary employment of minors

The flexible amendment will also allow children over the age of 14 carry out non-duty-intensive jobs during the summer holidays. The maximum working hours will be 35 hours per week with a limit of 7 hours per day. The consent of at least one legal tutor is required.

Payroll and payment methods

It will be possible to deliver Pay slips electronically, even without the specific consent of the employee, via an internal system or company e-mail. Cash payment will be abolished. The range of employees who can receive their payments in an agreed foreign currency will be expanded, and the limitation to employees whose place of employment is abroad will fall.





Dr. Piero Giovannini

Axevera Consulting a.s.

Piero Giovannini





BUSINESS CONSULTANTS FOR OVER 30 YEARS IN THE CZECH REPUBLIC AND SLOVAKIA

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In the Czech Republic

Axevera Consulting a.s.

Máchova 838/18

120 00 Vinohrady Praha 2

Tel: +420 224 934 776

E-mail: info@axevera.com

Website: www.axevera.com

In the Slovak Republic

S & Partners s.r.o.

Prešernova 4

811 02 Bratislava

Tel: +421 256 22 826

E-mail: info@sandpartners.com

Website: www.sandpartner.com

