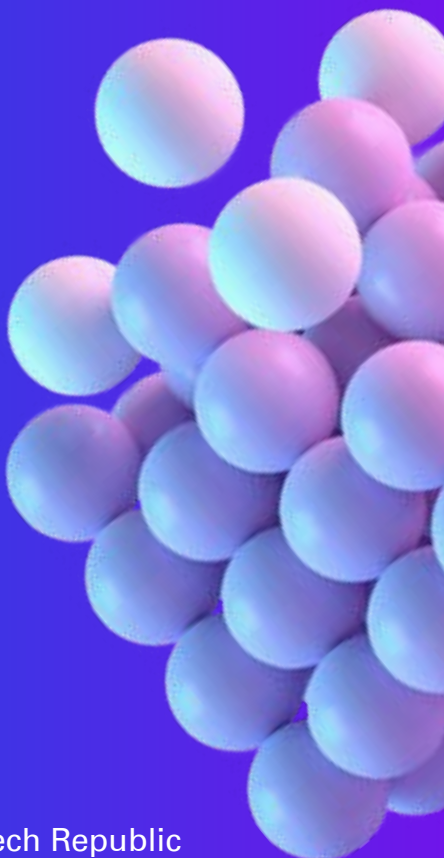




Tax Card 2025

Tax Services



[kpmg.cz](https://www.kpmg.cz)
KPMG in the Czech Republic

Corporate Income Tax

Standard rate	21%
Qualified investment funds	5%
Pension funds	0%

Corporate income tax is based on the Czech statutory accounting result adjusted according to specific corporate income tax rules (e.g., by the difference between the tax and accounting value of reserves, provisions, depreciation). Accounts are kept in Czech crowns or selected foreign currencies - EUR, USD, GBP, if they can be considered the entity's functional currency. Optionally, under certain conditions, unrealised foreign exchange differences recorded in the accounting as at the balance sheet date might be excluded from the tax base.

Tax depreciation periods

Category	Years
1 IT equipment, certain machinery	3
2 Office equipment, certain machinery, vehicles	5
3 Heavy machinery	10
4 Pipelines	20
5 Buildings other than category 6	30
6 Administrative and commercial buildings, hotels, department stores	50

Depreciation can be calculated on either a straight-line or an accelerated basis. The depreciation of certain new assets in depreciation groups 1–3 can be increased by 10, 15 or 20 percent in the first year. Certain fixed assets must be depreciated on a straight-line basis over given period.

Moreover, taxpayers may apply extraordinary tax depreciation for electric vehicles acquired in the period from 1 January 2024 to 31 December 2028. Such assets will be tax-depreciated for 24 months.

The tax-deductible depreciable value of a passenger vehicle has been limited to CZK 2 million.

Tax depreciation of intangible assets

The tax depreciation of intangible assets corresponds with their accounting depreciation. They may be depreciated by either method, depending on the taxpayer's decision.

Loss utilisation

- Tax losses may be carried forward for up to 5 years.
- Tax losses of up to CZK 30 million may be carried back for two taxable periods immediately preceding the taxable period for which a tax loss was determined.
- Tax consolidation is not possible.

Withholding taxes on income of non-residents

For example:

Dividends	35/15/0%
Interest	35/15/0%
Royalties	35/15/0%
Operating lease rentals	35/15%
Finance lease rentals	35/5%

The withholding tax rates may be reduced by double tax treaties (a list is provided below). Payments to persons resident in a country with which the Czech Republic has not concluded a double tax treaty or an agreement for the exchange of information are subject to the 35-percent rate.

Persons from EU and EEA countries who receive income subject to withholding tax (except for dividends) may either apply the withholding tax as a final tax or file a tax return including expenses and deduct the withholding tax from the final tax liability.

Participation exemption

Dividends received from EU or EEA or Switzerland subsidiaries and from non-EU subsidiaries if a double tax treaty is in force are tax exempt provided that certain conditions are met.

Dividends paid to a parent company registered in the Czech Republic, an EU or EEA member state, or Switzerland are not subject to withholding tax provided that certain conditions are met.

Companies are exempt from capital gains tax on the sale of shares in a subsidiary resident in the EU, EEA, or a country with which the Czech Republic has concluded a double tax treaty and which has a corporate tax rate of at least 12 percent provided that certain conditions are met.

Intercompany interest and royalties

Interest and royalties paid by a Czech resident company or a Czech permanent establishment of a company registered in another EU member state to an associated company resident in another EU or EEA member state or Switzerland are not subject to withholding tax in the Czech Republic provided that certain conditions are met (e.g., uninterrupted direct shareholding for at least 24 months, the recipient is the beneficial owner). The application of the exemption must be confirmed by the Czech tax authority based on the application of the taxpayer.

Transfer pricing

The arm's length principle generally applies to transactions between associated companies (both cross-border as well as domestic transactions). OECD Transfer Pricing Guidelines and OECD recommendations/papers are followed in the application of domestic transfer pricing legislation.

Transfer prices are among the top priority areas of the Czech tax authorities. The volume of additionally assessed tax has grown significantly over the years. The most significant assessments have been based on the re-classifications of loss-making Czech companies to limited-risk entities where a certain minimum profitability is expected. Heightened focus has been placed on intra-group service documentation and proof of purchased service benefits by Czech recipients. As a trend of the last years, detailed investigations of financial transactions and parent company orders have also been observed.

Transfer pricing documentation is not obligatory – there is no penalty for not providing the documentation per se. However, during a tax inspection, companies are practically expected to provide it upon request, usually within 15 days.

Within the filing of the corporate income tax return, taxpayers are in certain cases obliged to report related party transactions in a special annex to the tax return. The tax authorities use the collected data to pre-select taxpayers for tax inspections, while also looking at other risk indicators, e.g., reported losses, transactions with counterparties based in countries with very low effective tax rates like Cyprus, Malta, etc.

To adequately manage risk, a proper evaluation of related party transactions and up-to date transfer pricing documentation is recommended. It is also possible to request uni- or bilateral advance pricing agreements with the tax authority on the transfer pricing methods applied in intra-group transactions, including tax base assignment method to permanent establishments or branches.

Public Country by Country Reporting

Effective 1 January 2024, public country-by-country reporting (pCbCR) was incorporated into Czech law. This requirement applies to multinational groups with consolidated revenues exceeding EUR 750 million. Such groups must publish a report disclosing specific information, including revenues, tax liabilities, and the number of employees.

The first report must be published within 12 months after the end of the first financial year beginning on or after June 22, 2024, provided the revenue threshold was met in the preceding period. E.g., a group with a calendar financial year and exceeding the threshold in 2024 would be required to publish its 2025 report by the end of 2026.

The scope and format of the reporting obligation for Czech entities depend on the tax jurisdiction of the ultimate parent entity.

Thin capitalisation

Financial expenses connected with credits, loans, and other debt instruments (e.g., cash-pooling) are non-deductible if:

- the interest is dependent on the borrower's profits; or
- the total of credits, loans and other instruments from related parties (including back-to-back financing) exceeds four times equity (six times for banks and insurance companies).

Deductibility of borrowing costs

Exceeding borrowing costs (i.e., the difference between tax deductible borrowing costs and taxable borrowing income) are tax deductible only to a threshold of CZK 80 million or 30 percent of earnings before tax, interest, depreciation and amortisation (EBITDA). If borrowing costs exceed this limit, the tax base is increased by the excess amount. Non-deductible borrowing costs may be transferred to the following tax periods

Exit tax

The transfer of assets abroad without a change in ownership (i.e., a transfer of assets from the head office in the Czech Republic to a permanent establishment abroad or vice versa or a transfer of tax residence abroad) might be subject to taxation.

CFC rules

If a foreign subsidiary qualifies as a controlled foreign company (CFC), its income from qualifying assets and activities will be taxed at the level of the Czech controlling entity.

A controlled foreign company is a company in which a Czech controlling entity holds (directly or indirectly) at least 50 percent and whose effective tax liability is lower than one half of what it would have been in the Czech Republic.

CFC rules will mostly apply to the subsidiary's passive income (i.e., interest, dividend, royalty).

Treatment of hybrid mismatches

Taxable profit shall be increased by the amount of expenses which as a consequence of their hybrid treatment resulted on the group level in the effective double deduction of this expense or deduction of this expense without being taxed as income.

Taxable period

The taxable period is generally the calendar year. However, taxpayers may choose a different taxable period if they notify the tax authorities in advance.

Reporting duty relating to payments abroad

Taxpayers should report payments to foreign entities from which tax was withheld but in some cases also transactions generally liable to withholding tax but not subject to withholding tax or exempt from tax in particular cases, either under national legislation or the relevant double taxation treaty.

A notification of foreign income not subject to withholding tax or exempt from withholding tax applies only for income from royalties, dividends and interest. Payments of interest should be reported only if they exceed CZK 300,000 per month.

Windfall tax

Windfall tax applies to selected taxpayers in the fossil fuel energy and banking sectors for 2023 to 2025. A 60 percent tax is levied on excess profits, defined as the general tax base in the given year which exceeds the average of the tax bases or losses increased by 20 percent for taxable years beginning and ending between 1 January 2018 and 31 December 2021. This tax is applied on top of statutory corporate income tax (21 percent on the entire tax base).

Payers of this tax are generally payers of corporate income tax generating income that qualifies for the windfall tax and exceeds CZK 50 million in a taxable period falling at least partially within the windfall tax application period (2023-2025).

Global minimum tax

Global minimum tax rules have been implemented in the Czech Republic in line with the EU Minimum Tax Directive and OECD global rules. These rules apply to groups with consolidated revenues of at least EUR 750 million for at least two of the four previous periods. Czech parent entities will be subject to Income Inclusion Rules (IIRs), ensuring that they will apply at least a 15 percent effective tax in all jurisdictions where they operate. If the effective tax rate in any jurisdiction is below 15 percent, they will be obliged to collect the top – up tax amounting to the difference between the 15 percent and the actual effective tax rate. The supplementary Undertaxed Payment Rule (UTPR) ensuring that the top-up-tax is collected on the Czech subsidiary level if the state of the parent company does not apply IIRs will be effective from 2025.

The Czech Republic has used the option given by the EU Minimum Tax Directive to implement a domestic minimum-top-up-tax (DMTT) for taxable periods starting from 31 December 2023 ensuring that any top-up tax which arises will be collected in the Czech Republic and not on the level of the parent entity of the group based on the Income Inclusion Rules.

Mandatory disclosure requirements (DAC 6)

The obligation to report cross-border arrangements meeting hallmarks defined in EU Directive 2018/822 (e.g., certain arrangements meeting characteristic hallmarks together with the main benefit test where obtaining a tax advantage is the main or one of the main benefits of such arrangements) to the tax authorities was implemented. The reportable cross-border arrangements must be reported within 30 days of the relevant event.

Reporting obligation of platform operators (DAC 7)

The implementation of Council Directive (EU) 2021/514 (DAC7) into Czech law introduces the obligation of platform operators to provide information on income derived by sellers through the platform and allows tax authorities of EU member states to collect and automatically exchange such information. It applies to platforms that facilitate the performance of selected activities for consideration (provision of immovable property, provision of means of transport, personal services, and sale of goods).

Personal Income Tax

Rate

Progressive taxation with two tax bands applies in the Czech Republic. A first tax rate of 15 percent is applied to income up to 36 times the average monthly wage; a second tax rate of 23 percent is levied on income above this limit.

Annual income (applicable for 2025)	Monthly (employment) income (applicable for 2025)	Tax rate
up to CZK 1,676,052	up to CZK 139,671	15%
exceeding CZK 1,676,052	exceeding CZK 139,671	23%

Remuneration for the performance of a statutory representative function in a Czech company (Czech-sourced income) received by a Czech tax non-resident is subject to 15 percent withholding tax.

Tax base for employees

The tax base for employees is the gross salary amount.

Taxable benefits

Examples:

- cost of living allowance
- home leave allowance
- one percent per month of the purchase price of a company car used for both business and private purposes (0.5 percent per month for a low emission vehicle or 0.25 percent per month for a zero-emission vehicle)
- private fuel paid by employer
- private medical insurance paid by employer
- stock option income
- reimbursement of foreign and/or domestic taxes.

Tax free benefits/allowances

Examples:

- pension and life insurance premiums up to CZK 50,000 per year
- housing provided by employer under certain conditions (subject to a monthly limit of CZK 3,500)
- meal allowances and meals provided in non-cash form if employees work at least 3 hours during a shift, up to the statutory limit (CZK 123.90 per shift in 2025).

Taxation of non-cash benefits

There is an annual limit for the exemption of non-cash (leisure-time) benefits amounting to half the average wage. Thus, it is possible to exempt up to CZK 23,278.50 of benefits per year in 2025.

Examples:

- use of sport, cultural or educational facilities
- school fees in non-cash form.

A separate limit for the exemption of health-related non-cash benefits amounting to the average wage has been introduced in 2025. This limit applies to reimbursements for the purchase of goods or services of a healthcare or similar nature provided by healthcare facilities or for the cost of prescription medical devices. In 2025, it is possible to exempt health-related benefits up to CZK 46,557 per year.

Personal tax reliefs

Examples:

Basic allowance	CZK 30,840
Child allowance for first child	CZK 15,204
Child allowance for second child	CZK 22,320
Child allowance for third and any subsequent children	CZK 27,840
Spouse allowance (applicable only for a spouse caring for a child under three years of age and annual income not exceeding CZK 68,000)	CZK 24,840

Social and health insurance

Type of insurance	Paid by		Total (%)
	Employer (%)	Employee (%)	
Social security:			
Pension insurance fund	21.5	6.5	28.0
Sickness insurance fund	2.1	0.6	2.7
Employment insurance fund	1.2	0	1.2
Health insurance	9.0	4.5	13.5
Total (%)	33.8	11.6	45.4

The annual cap on the calculation base for social security equals 48 times the average wage (CZK 2,234,736 in 2025). No cap applies to health insurance.

Employers are obliged to pay their employee's wage compensation from the first to the 14th day of sickness. Statutory sick pay is paid from the 15th day.

Tax base for self-employed persons

Self-employed persons cannot deduct social security and health insurance contributions from their tax base. Instead of claiming actual expenses, they may apply lump sum deductions in the range of 40–60 percent (80 percent for farming activities). However, in some cases, the amount of the deduction is limited.

An option to apply a lump sum tax also covering social security and health insurance was introduced for self-employed persons not registered for VAT and with an annual income not exceeding CZK 2 million.

Investment income

Capital gains from the transfer of real estate are included in an individual's tax base. Gains on assets held for non-business purposes can qualify for a tax exemption if the necessary holding periods have been met.

Capital gains on securities are exempt from taxation if the income from such sales does not exceed CZK 100,000 in a tax year. No tax is payable after a 3-year holding period up to a certain amount (see below).

Capital gains from participation rights in limited liability companies and cooperatives are exempt after a 5-year holding period up to a certain amount (see below).

The income from the sales of crypto assets (except for the electronic cash token) should be exempt from personal income tax if the total gross income from such sales does not exceed CZK 100,000 in a tax year. No tax will be payable after a 3-year holding period up to a certain amount (see below).

In addition to the time-test, a new limit of CZK 40 million per taxpayer in a taxable period has been introduced in 2025 for exemption of income from the sale of securities, shares in corporations, and crypto assets that meet the holding period for tax exemption. If the time test is met but the aggregate income from the sale of such securities, shares in corporations, and crypto assets exceeds the threshold of CZK 40 million, such income will be exempt from personal income tax only partly, i.e., only to the extent not exceeding CZK 40 million.

VAT

Three VAT rates apply in the Czech Republic:

Standard VAT rate – 21 percent: most products and services

Reduced VAT rate – 12 percent: basic foodstuffs (except of most of drinks), certain pharmaceutical products, certain medical equipment, social housing essential baby nutrition, newspapers, heating and supplies of tap water. A VAT exemption for books has been introduced in 2024.

Zero rate – exports of goods, intra-community supplies, international transport and related services, services on goods subsequently dispatched outside the EU and other supplies defined in the VAT Act. Certain supplies (e.g., financial services, real estate) are exempt.

A local reverse-charge regime applies to certain supplies effected between Czech VAT payers – e.g., supplies of gold, scrap materials and waste, construction and assembly works, emission rights, cereal and technical crops, metals, mobile phones, integrated circuits, tablets, laptops, videogame consoles, sugar beets, supplies of gas and electricity, selected telecommunication services for entities operating on a wholesale basis (and the provision of labour for construction and assembly work or various forms of forced delivery of property). The reverse-charge applies also on local supplies of goods to Czech VAT payers by non-established entities not registered for VAT in the Czech Republic.

Input VAT refund for personal cars is limited by TCZK 420 (corresponding to a purchase price of up to CZK 2 million).

VAT group registration is available.

Excise Duties

Excise duties are payable on hydrocarbon fuels and lubricants, spirits, wine, beer, and tobacco products. Excise duties are fixed at a set amount per unit for each product group.

Energy Taxes

Energy taxes apply to natural gas and other gases, electricity, and solid fuels. Only supplies delivered within the Czech Republic are subject to energy taxes.

A wide range of exemptions applies. To claim an exemption, approval needs to be obtained from the customs authority.

Carbon Tariff Reporting (CBAM)

The CBAM Directive entered into force in 2023, starting a transitional period running until the end of 2025. From 1 October 2023, companies importing selected products from non-EU countries whose production is CO₂-intensive are required to report the import of these products and the related carbon emissions for their production (carbon footprint). Taxpayers must file their CBAM reports on a calendar quarter basis via the Trader portal. Since July 2024, only real data shall be reported (very limited usage of default values). De minimis threshold of EUR 150 has been set per reporting obligation.

Real Estate Tax

Plots of land recorded in the Czech Real Estate Register and constructions used or completed in the Czech Republic are subject to real estate tax.

Persons liable to this tax are generally the owners of real estate properties. The duty to file a tax return arises only when a change of facts decisive for determining the tax occurred during the preceding calendar year (with certain exceptions). The deadline for filing tax returns is 31 January. A tax of up to CZK 5,000 is payable in a single payment before 31 May; the tax exceeding this limit is payable in two identical payments before 31 May and 30 November.

The tax base, the tax rate and the application of a certain coefficient derive from the real estate's type and location (municipality).

Starting in 2024, an inflation coefficient is implemented to ensure the automatic adjustment of the tax due in relation to inflation trends. For both 2024 and 2025, this coefficient is set at 1,0 (i.e., has no impact).

Some types of real estate properties may be exempt from real estate tax.

Real estate tax is deductible for corporate income tax purposes.

Real Estate Transfer Tax

The real estate transfer tax was abolished in 2020.

Road Tax

Road tax is generally payable by the operators of vehicles included in category N2 and N3 and their trailers in categories O3 or O4.

The tax varies from CZK 400 to CZK 24,200.

Passenger vehicles including buses, vans, or medium trucks up to 12 tonnes and their trailers are not subject to road tax.

Double Tax Treaty Network

As of 1 January 2025, treaties with the following countries are in force:

Albania	Iceland	Poland
Andorra	India	Portugal
Armenia	Indonesia	Qatar
Australia	Iran	Romania
Austria	Ireland	Russia*
Azerbaijan	Israel	Rwanda
Bahrain	Italy	San Marino
Bangladesh	Japan	Saudi Arabia
Barbados	Jordan	Senegal
Belarus*	Kazakhstan	Serbia
Belgium	Kosovo	Singapore
Bosnia and Herzegovina	Kuwait	Slovakia
Botswana	Kyrgyzstan	Slovenia
Brazil	Latvia	South Africa
Bulgaria	Lebanon	South Korea
Canada	Liechtenstein	Spain
Chile	Lithuania	Sri Lanka
China	Luxembourg	Sweden
Colombia	Malaysia	Switzerland
Croatia	Malta	Syria
Cyprus	Mexico	Taiwan**
Denmark	Moldova	Tajikistan
Egypt	Mongolia	Thailand
Estonia	Montenegro	Tunisia
Ethiopia	Morocco	Turkey
Finland	Netherlands	Turkmenistan
France	New Zealand	Ukraine
Georgia	Nigeria	United Arab Emirates
Germany	North Korea	United Kingdom
Ghana	North Macedonia	United States
Greece	Norway	Uzbekistan
Hong Kong	Pakistan	Venezuela
Hungary	Panama	Vietnam
	Philippines	

*Note: Russia and Belarus announced that they would be unilaterally suspending the implementation of the double tax treaties with the Czech Republic. Subsequently, the Ministry of Finance of the Czech Republic confirmed the suspension of the implementation of the provisions of these treaties. **Note: Instead of a DTT, a special law regulates tax relations with Taiwan.

Tax Incentives

Main activities that can be supported:

- launching a new production or expanding an existing production business (production capacity enhancement, production portfolio diversification, significant changes of the whole production process) in the manufacturing industry
- launching a new technology centre (i.e., R&D or innovation centre) or expanding an existing one
- launching a new strategic services centre or expanding an existing one (e.g., software centres, data centres, repair centres or shared service centres).

Main incentives (forms of state aid):

- corporate income tax relief (tax holiday) for up to 10 taxable periods
- cash grants for the creation of new jobs*
- cash grants for staff training and retraining*
- cash grants for acquisition of tangible and intangible fixed assets for strategic investment actions**
- transfers of land including related infrastructure at discounted prices*
- exemptions from real estate tax in preferential industrial zones. *

*Aid intended only for selected investment project regions/locations.

** Aid intended only for a) extensive investments at least of CZK 2 billion and 250 new jobs; b) projects focused on renewable energy and energy efficiency; c) products related to life and health protection; d) high-tech manufacturing sectors.

Limits on the incentives depend on the location of the investment. For new projects, the total value of state aid can be up to 40 percent of the investment amount for large companies (50 percent for medium-sized and 60 percent for small enterprises).

Main conditions:

- Work related to an investment project may only start after submitting an application for investment incentives to the CzechInvest agency.
- A minimum investment of CZK 80 million (at least CZK 40 million for the acquisition of machinery) for large companies.
- An investment project must meet the requirement of higher added value activities (in particular, the average monthly gross wage and a research and development activity) with some exceptions.
- Applications must include the quantification and justification of the expected benefits of an investment project for the region and the state (the Czech Republic). It is paramount that such benefits be properly documented.
- All activities, buildings or facilities must be environment friendly.
- All applications will again be subject to approval by the Ministry of Industry and Trade. Strategic investments remain subject to government approval.
- All general conditions must be fulfilled within 3 years from the date a decision on granting investment incentives was issued.

R&D allowance:

Expenses incurred by taxpayers on R&D activities can be claimed as a special tax allowance. As the allowance may amount to up to 110 percent of the eligible R&D costs, more than two times the amount can be deducted for tax purposes.

Cash Grants

Additional cash grants are available from Czech and EU funds. However, individual EU cash grant programmes are usually only available for a limited time and require regular monitoring.

The programme period for 2021-2027 is running. Calls have been announced from the National Recovery Plan (NRP) and Operational Programme Technologies and Applications for Competitiveness (OP TAC). Other funds are available under calls announced by the Technology Agency of the Czech Republic and from the Modernisation Fund.

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This card has been prepared as a quick reference tool for the most common tax rates and amounts and represents the status as at 1 January 2025.

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