

## TAX ALERT



September 2020

© 2005 – 2020 LERIKA  
Sokolovská 81/55, 186 00 Praha 8, [info@lerika.eu](mailto:info@lerika.eu)  
phone +420 602 464 988  
All rights reserved

### 2021 TAX PACKAGE

During the summer, the government submitted to the Chamber of Deputies a government bill to amend the Income Tax Act, which is expected to become effective as of 1 January 2021. It is part of the Chamber of Deputies document No. 910, and its first reading in the Chamber of Deputies took place in July. The second reading of the document should take place in September 2020.

#### Meal Voucher Lump Sum

The amendment to the Income Tax Act for 2021 includes several major tax changes. One of them regulates a meal voucher lump sum, so that employers will have the option to contribute to employees' meals in monetary form. On the employee's part, the monetary contribution will be treated as tax-exempt for up to 70% of the upper limit of the daily meal allowance.

On the employer's part, it will be deemed a tax-deductible expense in the full amount of the meal allowance provided, also if the contribution exceeds the upper limit of 70% of the daily meal allowance.

The meal voucher lump sum will facilitate the administrative work of both employers and entrepreneurs accepting meal vouchers. Instead of converting meal vouchers at the end of the month, employers will simply pay employees the relevant meal voucher lump sum together with their net wage.

#### Taxation of Interest Income

Another planned change relates to the taxation of interest income from bonds issued abroad by a taxpayer with a registered office in the Czech Republic. The exemption of this income is to be cancelled, and the income will be taxed using a special tax rate.

## TAX ALERT



**September 2020**

© 2005 – 2020 LERIKA  
Sokolovská 81/55, 186 00 Praha 8, [info@lerika.eu](mailto:info@lerika.eu)  
phone +420 602 464 988  
**All rights reserved**

### **Reporting of Income Paid Across Borders**

The amendment will significantly reduce the administrative burdens associated with the reporting of tax-exempt income paid across borders. The monthly limit for the mandatory reporting of income should increase from CZK 100,000 to CZK 300,000. The reporting of income paid abroad that is taxed using withholding tax remains unchanged.

### **Exemption from the Sale of Real Estate**

A major modification in the area of income tax exemption is proposed by the Chamber of Deputies document No. 866, focusing on the cancellation of property acquisition tax. In addition to cancelling the tax, the government proposes to tighten the limitations of the exemption of income from the sale of real estate.

The time test for exempting income from the sale of real estate is to be extended from five to ten years. If the real estate's owner sells the real estate within ten years of its acquisition, the income from the sale should be taxed. Currently, the taxation only occurs if the length of time from the acquisition of real estate does not exceed five years. Along the lines of the current rule, the exemption will not be subject to the expiry of the 10-year time test period if the proceeds from the sale are used to satisfy the taxpayer's own housing needs.

In August 2020, the Senate returned the bill to the Chamber of Deputies, proposing minor amendments. The Chamber of Deputies is expected to re-discuss the bill in September.

## TAX ALERT



September 2020

© 2005 – 2020 LERIKA  
Sokolovská 81/55, 186 00 Praha 8, [info@lerika.eu](mailto:info@lerika.eu)  
phone +420 602 464 988  
All rights reserved

### Cancellation of the Super-Gross Wage

Upon political agreement, the government has presented a proposal for tax changes aimed at cancelling the super-gross wage. The same will be accompanied by the introduction of a progressive personal income tax rate. In addition to the rate of 15%, a rate of 23% will be established to tax income exceeding the tax base of 48 times the average wage (according to the current parameters valid for 2020, it means annual income exceeding CZK 1,672,080, or monthly income exceeding CZK 139,340, i.e. income that is currently subject to the solidarity tax of total 22%). Unlike the solidarity tax, however, the progressive tax rate is supposed to apply to all taxable income (e.g. also rental income or other income), while only employment income and business income are currently subject to the solidarity tax.

The Ministry of Finance is supposed to present a specific proposal for the cancellation of the super-gross wage and submit it to the Chamber of Deputies within the next few days.

#### Contact details:

##### Corporate tax

Ivana Ottová  
+420 277 277 085  
[ivana.ottova@lerika.eu](mailto:ivana.ottova@lerika.eu)

##### Corporate tax

Alena Kučerová  
+420 277 277 084  
[alena.kucerova@lerika.eu](mailto:alena.kucerova@lerika.eu)

##### VAT

Eva Vrábelová  
+420 277 277 086  
[eva.vrabelova@lerika.eu](mailto:eva.vrabelova@lerika.eu)

##### Personal taxation

Petr Hájek  
+420 277 277 0856  
[petr.hajek@lerika.eu](mailto:petr.hajek@lerika.eu)

##### Accounting advisory

Monika Borkovcová  
+420 277 277 089  
[monika.borkovcova@lerika.eu](mailto:monika.borkovcova@lerika.eu)

Although we publish tax news with the utmost care, please note that it is drawn up for information purposes only. We recommend researching individual steps before specifically applying information obtained in this news.

© 2005 – 2020 LERIKA