

MAIN CHANGES TO ACT NO. 586/1992, ON INCOME TAXES, IN 2020 AND 2021

- **Retroactive application of tax losses** - as of **January 1, 2020**, Act No. 299/2020 allows taxpayers to apply their estimated tax loss for 2020 retroactively to their tax return for 2019 as well as to apply a tax loss up to two years retroactively (it will be possible to apply a loss for 2020 after the deadline for filing 2020 tax returns in retroactive tax returns for 2019 and 2018).
- **Time test in the sale of real property** - Act No. 386/2020 (repealed real estate acquisition tax) - as of **January 1, 2021** extends the time test for exempting income from the sale of real property from five to 10 years. **Extending the “time test” to 10 years applies only to real property acquired after January 1, 2021.** This act also lowers the maximum amount of interest on mortgages for household goods that can be deducted from the personal income tax base from CZK 300,000 to CZK 150,000.
- A **flat rate tax** is being introduced for natural persons under Act No. 540/2020 as of **January 1, 2021** - for sole proprietors (OSVC) with income up to CZK 1 million who, among other things, have no income from dependent activities, are not VAT payers or shareholders in a public corporation, and apply for the flat tax rate by January 10, 2021 with their tax authority. The flat rate tax (which includes the tax as well as public health insurance and social security) is CZK 5,469 per month and is payable in monthly advance payments.
- **Super-gross wage repealed and progressive tax rate introduced** - 15 % and 23 %, with the higher rate for a tax base more than 48 times the average wage - **expected entry into effect on February 1, 2021.**
- **Taxpayer discounts increasing** by CZK 3000 for 2021 (to CZK 27,840) and by another CZK 3000 for 2022 (to CZK 30,840) - **expected entry into effect on February 1, 2021.**
- Meal voucher flat rate - tax support for a monetary meal contribution - **expected entry into effect on February 1, 2021 - more details below.**
- **Changes in depreciation of fixed assets** - e.g. increasing the value limit for tangible assets from CZK 40,000 to CZK 80,000 and **renewing extraordinary depreciations for new tangible assets in depreciation groups 1 and 2** with the option of tax depreciation in 12 or 24 months with the option of using for assets acquired on or after January 1, 2020.

Meal voucher flat rate

Tax benefits have always been given for company canteens by making the meal contribution fully exempt from tax for the employee and only 55 % of the value of the voucher is taxable for the employer. The upper limit for a tax deductible contribution is 70 % of the per diem for a business trip of 5-12 hours. In 2020 the per diem rate for a business trip of 5-12 hours was CZK 103, while in 2021 it should be CZK 108 (not yet definitively set). This means that a tax-optimized meal voucher in 2020 is worth CZK 131 (the employer's contribution of 55 % is tax deductible). A tax-optimized meal voucher in 2021 will be worth CZK 137.

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As of January 2021, the meal contribution can be provided to the employee in monetary form as well from the standpoint of exempting the contribution in the same limits as before for employees, i.e. a monetary contribution of up to CZK 75.60 (70 % of the per diem for a business trip lasting 5-12 hours, calculated from the anticipated CZK 108) will be tax exempt for the employee. The other conditions remain in place, and so employees are entitled to this contribution for one shift of at least three hours.

If an employer provides a monetary contribution greater than the above-mentioned limit of CZK 75.60, then (unlike meal vouchers) the amount exceeding this limit will also be tax deductible for the employer, while the monetary contribution exceeding the limit will be subject to taxation in the employee's wages.

Transitioning to a meal voucher flat rate is relatively simple, since as long as the employer provides the same value in a monetary contribution as it did in a meal voucher, then everything it was providing in non-monetary form can now be provided in monetary form in the same tax regime, i.e. as long as the contribution stays at the same level of 70 % of the per diem for a business trip lasting 5-12 hours.

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