

ANNUAL RECONCILIATION OF INCOME TAX ADVANCES FROM DEPENDANT ACTIVITIES

January 2024

DECLARATION OF THE TAX PAYER FOR THE YEAR 2024

With the arrival of 2024, it is again necessary to secure the signature of the **Personal Income Tax Payer form** from employees who want to apply tax discounts in the new year. The basic tax discount per taxpayer for 2024 is CZK 30,840. Working pensioners or students are also entitled to tax discounts. The tax declaration can be signed even while working on one of the employment agreements.

MONTHLY TAX REBATES AND ALLOWANCES

Tax rebates – disabled person

- Disability I. and II. degree – 2,520 crowns per year, i.e. 210 crowns per month.
- Disability III. degree – 5,040 crowns per year, i.e. 420 crowns per month.
- The holder of the ZTP/P card is also entitled to an annual tax rebate of 16,140 crowns, i.e. 1,345 crowns per month.

Tax rebate – Student:

- Cancelled from 01.01.2024.

Tax allowances:

- For the 1st child, the tax allowance is 15,204 crowns, i.e. 1,267 crowns per month.
- For the 2nd child, the tax allowance is 22,320 crowns, i.e. 1,860 crowns per month.
- For the 3rd and other children, there is a tax allowance of 27,840 crowns, i.e. 2,320 crowns per month.

In the case of a disabled child, the tax deductions are higher:

- For the 1st child (ZTP/P) the tax allowance is 30,408 crowns, i.e. 2,534 crowns per month
- For the 2nd child (ZTP/P) the tax allowance is 44,640 crowns, i.e. 3,720 crowns per month
- For the 3rd child (ZTP/P) the tax allowance is 55,680 crowns, i.e. 4,640 crowns per month

Tax rebates - pensioners

- A working pensioner is entitled to a regular taxpayer rebates of 30,840 crowns, i.e. 2,570 crowns per month.

DOCUMENTS REQUIRED FOR RECOGNITION OF THE TAX REBATES AND TAX ALLOWANCES

- Disability

Decision on awarding a disability pension, proof of pension payment (copy)

- Study during 2023

Certificate of continuous preparation for future occupation (original)

- Child discount

Confirmation from the employer of the other spouse that they do not apply tax benefits (or confirmation of the amount to which the child is applied by the other parent), copies of birth certificates for audit purposes.

For adult children, a certificate of study (original)

It is possible to request an annual tax settlement from the employer, also by

15/02/2024 at the latest.

HOW TO MAKE AN ANNUAL SETTLEMENT FOR 2023

In connection with the end of the 2023 tax period, we are pleased to provide you with information on the annual settlement of income tax from dependent activities. We would like to clarify the terminology by way of introduction - it is necessary



to distinguish annual tax settlement from filing of a tax return, which sometimes causes difficulties.

Tax return - is filed by the **employee himself** directly to the competent Tax Office by place of permanent residence (before 31.3.). An employee must file a tax return if he or she meets the conditions set out in the ITA (see info below).

Annual settlement – is performed by the **employer**. Its purpose is for employees who have no taxable income other than employment income not to be burdened with the obligation to file a tax return. Applying for an annual settlement is the **right** of an employee, but not an obligation.

Hereinafter we deal with the summary information for an annual settlement. They are intended primarily for employees to assess whether and how they will request an annual statement or not to, or whether they can apply for it at all. The information may also be used by HR professionals to help their employees request annual settlements.

OUTLINE PRINCIPLES OF THE APPLICATION FOR AN ANNUAL SETTLEMENT:

- **Who** - Every employee who is not required to file a tax return
- **When** - Every year before **15. 2.**
- **Where** - At the final payer (employer) in 2023
- **How** - By filling in the relevant fields of the Taxpayer's Declaration (must be duly and completely filled in).

By **15.2.2024** at the latest it is necessary to provide all relevant confirmations and documents (unfortunately, documents with a later date of proof cannot be taken into account)

- If the employee has had several consecutive employers, original documents of taxable income from all previous employers in 2023
- If the employee was not employed for part of the year, he/she demonstrates this fact by confirmation from the labour exchange about the duration of stay on the job seekers register and by stating that he/she had no other taxable income.

Below is an overview of the conditions for making an annual settlement and information on how to apply various allowances and deductions.

The basic rule: any obligation on the employee to file a tax return precludes the possibility of an annual settlement by the employer.

Annual settlement **can be performed** for an employee who is not required to file a tax return:

- Had income from only one payer (employer) over the whole year
- Had income from several payers (employers) in succession
- Signed the pink Taxpayer's Declaration form for all payers (employers)
- At the same time, this taxpayer cannot have other income according to § 7 to § 10 of ITA exceeding the amount of CZK 20,000 – i.e. business income, income from capital assets, rental income and other income.
- And had no income from dependent activities (employment) abroad
- Did not terminate a private life insurance contract prematurely
- Did not terminate a supplementary pension insurance contract prematurely

Annual settlement **cannot be performed** for an employee who has the obligation to file a tax return:

- Did not sign a tax declaration during 2023 nor did he do so subsequently before 15.2.2024
- Had income subject to advance tax from several payers (employers) simultaneously within a single month
- This taxpayer has other income according to § 7 to § 10 of the ITA exceeding the amount of CZK 20,000 – i.e. income from business or other gainful activities, rental income, income from capital assets and other income.
- He is a tax resident and had income from dependent activities abroad
- Is tax resident and had income from dependent activities abroad
- Is a tax non-resident in the Czech Republic and applies a different allowance than as a taxpayer and for studies
- Prematurely terminated a private life insurance contract
- Prematurely terminated a supplementary pension insurance contract
- If pensions paid out have exceeded 36-fold the minimum wage valid at 1.1. for the tax period.
- Has provided a gift for listed purposes to the EU countries, Iceland and Norway

Note

Tax non-residents (foreigners) can only claim an allowance as a taxpayer and for study.

*Should they wish to apply additional rebates they must file personal income tax return. If a payer (employer) has any doubts about an employee's residence, he may require him/her to provide **Confirmation of so-called tax domicile.***

HOW TO APPLY TAX REBATES, TAX BENEFITS, NON-TAXABLE AMOUNTS?

- **Gifting**

The value of gifts can be claimed by having the recipient of the gift confirm its amount and purpose (e.g. non-contributory blood donation).

Please fill in the data on Page 1 below

- **Interest on housing loans**

Housing loan contract (copy).

Extract from the title deed confirming ownership of the property or the lease agreement, if it is a rental apartment, or other documents depending on the way the housing is being financed (copies).

Original of a confirmation from the relevant building society of the amount of interest actually paid in 2023, less the state contribution.

Please fill in the data at the bottom of Page 1 and at the top of Page 2

- **Supplementary pension insurance contributions paid by the employee (not by the employer)**

Copy of the contract concluded between the employee and the pension fund.

Original of a confirmation from the pension fund of contributions paid into the supplementary pension insurance by the taxpayer for 2023.

Please fill in the data on Page 1 below

- **Private life insurance premiums paid by the employee**

Copy of the private life insurance contract (certified employee's signature)

Original of a confirmation from the insurance company of the premium paid for 2023.

Please fill in the data on Page 1 below

- **Trade union membership dues**

Confirmation of the trade union of the amount of paid membership dues for 2023 (original).

Please fill in the data on Page 1 below



- Fees for exams verifying the results of further education pursuant to Act No 79/2006.

Confirmation of payment for an exam.
Please fill in the data on Page 1 below

- Wife (husband) at home

Condition: the second spouse's own income did not exceed CZK 68,000 in 2023.
The following are included in own income: sickness benefits, maternity allowance, unemployment benefits, old-age pension, invalidity pension, partial invalidity pension, business income, inheritance income, etc.
The following are not included in own income: parental allowance, foster care benefits, funeral benefit, maternity (one-off) grant, scholarship, etc.
Marriage certificate or ID card (copy), if the other spouse is recorded on it.
Page 1, Tax Rebates section

- Rebate for child placement

Parents who pay a child's fee for a pre-school facility will be able to claim a rebate for placing the child in a pre-school childcare facility (the conditions are specified in more detail in Section 35bb) within the annual settlement or as part of their tax return. This is an annual tax rebate, which can be claimed by one of the taxpayers per dependent child within one co-managed household, up to the amount of proven fees for the placement of the child (excluding meals), but up to a maximum of CZK 17,300.

ASB CZ offers electronic tax administration to clients using Payroll consulting and Payroll processing services. If you are interested in this service, we are fully at your disposal. For more detailed information or assistance with tax return preparation, please do not hesitate to contact us.

Note

*Non-tax-residents (foreigners) can only apply the rebate for taxpayers and students. If additional discounts are applied, they can file a personal income tax return. If the payer (employer) has doubts about the residence of the employee, he can require the employee to submit a **Certificate of so-called tax domicile**.*