

Recovery-Tax-Package Changes That Will Affect Employees in 2024

You have undoubtedly noticed the changes planned in the income tax law. These changes will affect both companies and employees. The Recovery Tax Package has already been approved by the president. Therefore, from January 1, 2024, it is necessary to consider changes in the income tax laws that will, among others, affect employees. We have summarized these changes in the following article:

Limitation on Nonmonetary Benefits

Simply put, employees are currently exempt from income tax on earnings in the form of employee benefits, such as goods and services of medical and therapeutic nature (provided by medical facilities), use of educational and recreational facilities, facilities for preschool children, contributions to cultural and sports events, or books. These benefits can be provided by the employer to employees in any amount without being subject to taxation.

There currently is only one limit on recreational activities and package holidays, amounting to 20,000 per year. If an employer provides this benefit above the given limit, their employee's income is subject to taxation and contributions to health and social insurance.

What Changes

From 2024, the limit will apply to all the above-mentioned benefits. The exemption threshold will then be derived from half the average wage. For the year 2024, the limit will be 21,983 CZK. If an employer provides a higher benefit, they must pay social and health insurance contributions from the difference between the value of the benefit and the limit. Similarly, employees will pay both income tax and social and health insurance contributions.

Meal Vouchers and Company Catering Contributions

Originally, there only was a limitation in the case of monetary contributions to meals. Tax exemptions for meals provided as nonmonetary benefits at the workplace, or meals provided by other entities, were not limited and employee incomes were fully tax-exempt in such cases.



What Changes

From 2024, the limit will apply to all forms of meal provision (monetary/nonmonetary, in-house/external), which will unify the conditions for tax exemption.

What Will These Changes Actually Mean?

These changes may seem simple. An employee receives a benefit card, which the employer loads with 20,000 CZK per year, and there will be nothing else to address. However, it may not be that uncomplicated. Passionate debates are already taking place in professional circles about what can be considered employee benefits and how to value them.

For example, if employees use their employer's training and dining facilities, how should such a benefit be valued? Should it be the usual price? Should it be the in-house cost? What is the usual price in a dining facility? From these questions, it is clear that it is not entirely obvious how to proceed in such cases. Nothing remains but to wait for the outcomes of public discussions and to see how the General Financial Directorate, and consequently the revenue authorities, will approach this issue.

It is already certain that income from an employee or their family member's participation in a sports or cultural event organized by their employer for a limited group of participants will not be included in the exemption limit – for example, participation in team building events. On the other hand, the law states that organizing these events must, in their nature, be common for the employer to hold, and their form and scope should be appropriate. What is usual and appropriate will apparently be revealed in practice.

A discussion is also developing around the aforementioned meal provision. Meal provision for consumption at the workplace can, among coffee and tea, include e.g. fruit or other refreshments, which are also served during meetings, etc. This refreshment must be correctly valued and included in the consumption at the workplace. It should be noted that the limit (currently 107 CZK) can be exhausted very quickly.

The Ministry of Finance, in response to suggestions from the professional public and employers, has already stated that minor refreshments at the workplace should not be included in workplace consumption. However, this is not in any way mentioned in the bill.

Work lunches or dinners will be considered a fulfillment of work duties, and therefore this income will most likely be exempt from income tax.



We expect that discussions will continue over the next few months, followed by a stabilization of the approach to these measures.

Use of Company Vehicles for Private Purposes

Another popular benefit is the provision of company vehicles for employees' private use. This benefit is considered employees' nonmonetary income. The current amount of nonmonetary income is set at 1% of the vehicle's entry price (including VAT). Tax, social, and health insurance are paid from such income. The government has reduced the percentage for zero-emission and low-emission vehicles.

What Changes

From 2024, the tax will vary depending on the vehicle's emission levels. If the vehicle in question is zero-emission, 0.25% of the vehicle's entry price will be taxed, and 0.5% will be taxed in the case of a low-emission vehicle. In other cases, the 1% remains.

If you have any questions related to the article above, do not hesitate to contact us!

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