

## Employee Benefits in 2024

Following the approval of the Recovery Tax Package, there newly are significant changes in the area of non-monetary employee benefits. A new annual limit for providing these benefits has been set at half of the average wage, which amounts to **21,983.50 CZK** for 2024.

This sum does not include meal allowance, contributions to education provided by the employer (professional training, language courses necessary for the job), and contributions to life and pension insurance up to a total of 50,000 CZK per year.

All other non-monetary benefits above the state-established annual limit are considered taxable income, and thus subject to all contributions (tax, social and health insurance) on the part of both the employee and the employer.

We would like to point out that the sale of goods by employers (and their purchase by their employees at a reduced price) or the provision of services by them (e.g. accommodation of their employees in facilities run by them at a reduced price) are also considered employee benefits, to the extent of the difference between the price paid by the employee and the standard price. For example, if you provide your employee with free accommodation in your hotel, the value of the non-monetary benefit equals the price that a regular customer would pay for this kind of stay. This price should then be included in the annual limit.

For employers, the following applies:

- The value of benefits within the limit will be considered a non-deductible tax expense.
- Conversely, the value of benefits above the limit will be considered a deductible tax expense.

The limitation on events for employees (parties, sports events, etc.) was also sorted out. These events are no longer limited and are not included in the statutory limit.



This is addressed in a special provision included in the amendment, which explains that employees' incomes resulting from participation of the employees or their family member in a sports or cultural event organized by their employer **for a limited circle of participants are tax-exempt, provided the nature of such an event is customary and its form and scope are appropriate.**

It must also be a **private event** (only for employees and their family members), organized under appropriate circumstances, and not held on a regular basis (e.g., weekly, monthly).

### Contribution Options Not Included in the Limit

The only benefit that remains **unchanged** from the employer's perspective is **the contribution to pension or life insurance**. Employers can newly provide their employees with contributions to **two more products**, namely to long-term care insurance (*pojištění dlouhodobé péče*) and the long-term investment product (*dlouhodobý investiční produkt*).

- ❖ **Long-term care insurance** is intended to ensure the payout of money in case a person becomes dependent on the assistance of others due to their health condition. It will be possible to insure both oneself and a close person. The insured person can apply for a payout from this insurance when **they become dependent on the assistance of another person** in the III or IV degree (degrees adjusted by the law on social services). The insurance can only be tax-advantaged provided that the insurance company is arranged to pay **monthly insurance for the entire duration** of the insured person's dependence on another person. Also, the insurance company that arranges the policy must be authorized to **conduct insurance activities** in the territory of an EU member state or a state forming part of the EEA (European Economic Area).
- ❖ The long-term investment product is intended to serve as an **additional tool to ensure old-age financial security**, alongside pension savings. It will involve investments in stocks, bonds, or mutual funds. Just like with pension and life insurance, employees will have the option to **deduct these contributions or insurance premiums from their tax base** during the annual tax settlement, up to a total of **48,000 CZK** per year (combined for all three products – pension insurance, investment life insurance, and the long-term investment product).



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