

Recovery Tax Package for 2024

On May 11, 2023, the Government of the Czech Republic introduced the so-called Recovery Tax Package, which will consist of a range of new measures aiming to reduce the state budget deficit over the next two years. During the consultation process, many suggestions were submitted by different institutions. Most legislative-technical suggestions were accepted by the government, whereas most content-related suggestions were declined.

The Recovery Package comprises amendments to a total of 63 laws. The government presented it to the Chamber of Deputies of the Czech Republic on June 30, 2023, where the first reading took place in mid-July. The package was referred to the Chamber's committees to be discussed, and, according to the timetable, further deliberations will take place from September 3. However, the Chamber of Deputies has already registered numerous amendment proposals submitted by the deputies.

While many minor, possibly even insignificant changes have been, and likely also will be, zealously publicly discussed, many of the other proposed changes, often a lot more significant, have barely been addressed.

We have selected the most crucial changes proposed by the government for you, which we can expect to take effect next year.

Corporate Income Tax and General Provisions of the Income Tax Law

- The corporate income tax rate will increase from 19% to 21%. Other tax rates remain unchanged. For example, investment funds will continue to have a 5% rate.
- Special depreciation periods should be extended by 4 years, specifically from January 1, 2024, to December 31, 2028. However, this will only apply to cars.
- The maximum possible tax-deductible value of a personal vehicle will be limited to 2,000,000 CZK. This limit will only apply to category M1 vehicles acquired after the law comes into effect. This category includes motor vehicles used for the carriage of passengers and their luggage with no more than 8 seats.

Personal Income Tax

- The limit for the 23% personal income tax rate to be applied will be reduced to 36 times the average wage for 2024. Currently, the limit is set at 48 times the average wage. For 2023, the limit equals to 1,935,552 CZK. Considering the current minimum wage, the limit should equal to 1,451,664 CZK for 2024, which should affect many more taxpayers – even after the likely increase of the average wage in 2024.
- Exemption from income tax when selling securities or company shares should newly be limited to 40,000,000 CZK per taxpayer if there are, or 5, years between the acquisition and the sale.
- As for agreements to complete a job, the current limit will be invalidated. Two new limits will be introduced and valid for all of a person's employers at once. Employers will newly have to report all of their agreements.

Value Added Tax (VAT)

- The second reduced rate will be invalidated, and only two VAT rates will apply: 12% and 21%.
- For personal cars, specifically category M1, the VAT deduction entitlement will be limited to 420,000 CZK.

Property Tax

- Property tax is expected to increase up to double the current state, starting from 2024.
- There should also be a change in the budgetary designation, after which a part of the property tax will be a contribution to the government budget.
- The so-called inflation coefficient should be introduced, which would automatically increase the property tax by the inflation rate of the previous period from 2025.

We are carefully monitoring all changes and related developments in the Chamber of Deputies for you. As soon as new information is available, we will inform you of it. If you would like to examine some changes in detail and discuss them now, we are happy to help.



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