



# Personal income tax settlement for foreigners in the Czech Republic

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# How to settle income tax in the Czech Republic with 100% compliance and avoid potential sanctions?

Foreigners receiving income in the Czech republic could be obliged to submit annual tax returns to the Tax Authority. They are also entitled to take advantage of available tax reliefs and deductions.

## Taxpayers obliged to settle PIT in the Czech Republic

Foreigners are obliged to submit personal income tax returns in the Czech Republic, who were, for example, in the position of:

- employees employed by a foreign employer but performing their duties in the Czech Republic, if the employer did not withhold advance tax;
- self-employed person;
- persons receiving income from selected activities such as f.e. income from the use of immovable and movable property in the Czech Republic, income from independent activities carried out in the Czech Republic (provided that withholding tax has not been applied);
- persons who have established a so-called permanent establishment within the meaning of the relevant tax regulations.

Although in some cases there is no obligation to submit a tax return, this method is often more advantageous for foreigners because it allows them to claim tax reliefs and deductions.



The way the tax return is prepared varies depending on the taxpayer's status and the type of income earned.

## Personal income tax for tax residents of the Czech Republic

The status of a Czech tax resident is usually held by persons who:

- have major personal or economic interests in the Czech Republic;
- stay in the Czech Republic for more than 183 days in the tax period.

Tax residents are obliged to settle all their income in the Czech Republic regardless of the place of origin of the income.

# PIT for persons without Czech tax residence

Non-residents are subject to limited tax liability, i.e. they are only obliged to account for income earned within the Czech territory. Income from the following sources is subject to taxation irrespective who pays this remuneration:

- work performed within the territory of the Czech Republic;
- activity performed personally within the territory of the Czech Republic;
- business activity conducted in the Czech Republic;
- real estate situated within the territory of the Czech Republic - also in case of sale of property.

Some income is subject to withholding tax, while others are taxed via tax return.

## Payment and settlement of tax

In order to settle and pay taxes in the Czech Republic, it is necessary to have a tax identification number, known as a TIN (DIČ in Czech). This number is assigned as part of the registration procedure.

## Tax reliefs

Foreigners who earn income and pay personal income tax in the Czech Republic can take advantage of available tax preferences, reliefs and deductions if they meet certain legal requirements. These reliefs are only claimed in the tax return submitted.

Examples of available tax reliefs:

- basic tax credit per taxpayer;
- the institution of income splitting per cooperating person for business income;
- tax credit for dependent child;
- tax credit for student, for disabled person, for pre-school fees;
- deduction of donations (from the tax base).



# How can we help?

We provide comprehensive support to foreigners subject to taxation in the Czech Republic and to employers hiring persons from abroad or posting employees.

Area	Scope of support
PIT returns	<p><b>Preparation of PIT returns for:</b></p> <ul style="list-style-type: none"><li>• Persons employed in the Czech Republic and performing their work in the Czech Republic.</li><li>• Persons doing business in the Czech Republic and fulfilling their obligations on the basis of a contract for the provision of services, a contract for work, etc.</li><li>• Persons employed by foreign employers and performing work in the Czech Republic for whom the settlement of tax obligations is not carried out by the employer.</li></ul> <p><b>The service includes:</b></p> <ul style="list-style-type: none"><li>• Analysis of the employee's tax residency based on Czech and international regulations.</li><li>• Analysis of the tax allowances and deductions to which an employee is entitled, with the preparation of detailed instructions for the correct settlement.</li></ul>
Additional services	<ul style="list-style-type: none"><li>• Registration of an individual/employee as a taxpayer of personal income tax in the Czech Republic.</li><li>• Representation of the payer/taxpayer before the tax authorities.</li><li>• Obtaining a certificate of tax residency in the Czech Republic.</li><li>• Registration of foreign employers (without registered office in the Czech Republic) for the purpose of obtaining tax identification number and registration with all relevant institutions.</li><li>• Obtaining a debt-free certificate.</li><li>• Preparation of requests for individual tax interpretations in the form of e.g. binding assessments, requests for reduction of assessed tax advances, etc.</li><li>• Assistance in filling out tax returns.</li></ul>
Support for posted employees	<ul style="list-style-type: none"><li>• Coordination of taxation in the posting and receiving countries.</li><li>• Coordination of social security on the basis of national and EU regulations, obtaining A1 certification.</li><li>• Preparation of the annual settlement calculation between the employee and the employer.</li></ul>
Support for employers posting employees	<ul style="list-style-type: none"><li>• Analysis and advisory on tax planning opportunities related to the posting of an employee abroad.</li><li>• Planning of employee posting structures in the context of Czech and international law.</li><li>• Preparation of a sample cost calculation (hypothetical payroll) taking into account tax protection policies for posted employees.</li></ul>

# Crowe experts support - key benefits

- PIT settlements **in accordance with** Czech and international **regulations**.
- Eliminate the **risk of financial sanctions** for failure to meet tax obligations.
- Taking advantage of **tax reliefs** available in the Czech Republic.
- Possibility to choose an **optimal form of employment** of an employee in the Czech Republic.
- **Clarification of duties and responsibilities** of payers and taxpayers in a transparent manner.



## FAQs

We will help clarify the most common doubts regarding PIT settlements in the Czech Republic by foreigners:

- What is the status of a tax subject in the Czech Republic?
- Which tax reliefs may a taxpayer benefit from?
- When is it necessary to submit a tax return in the Czech Republic?
- How to report income from various types of contracts?
- What are the obligations of an employer who employs a foreigner?
- What tax obligations does a foreign employer have in the Czech Republic?





## Feel free to contact us



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### Crowe Czech Republic

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We have been present on the market for over 30 years.

We serve 700 small, medium and large international and Czech companies from all sectors.

### Global reach

We are part of Crowe Global, one of the 10th largest networks of consulting and accounting firms in the world. The Crowe Global network consists of more than 200 independent firms operating in 150 countries around the world.

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