

News Flash

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Who is obliged to file a personal income tax return in the Czech Republic for 2023?

Who is obliged to file a personal income tax return in the Czech Republic for the year 2023?

The deadline for filing a personal income tax return for 2023 is approaching. Below you may find a summary of the situations where a natural person – taxpayer of personal income tax – is obliged to file a personal income tax return (hereinafter referred to as "tax return").

Income assessed from the point of view of filing a tax return

In general, anyone whose annual income subject to personal income tax exceeding **the amount of 50,000 CZK** is obliged to file a tax return. This limit does not include:

- incomes that are taxed by withholding tax in a separate tax base,
- income that is not subject to tax
- and tax-exempt income.

If you have received any income and are considering whether or not you are required to file a tax return, you must first consider whether this income is subject to personal income tax. Testing this criterion is likely to be fairly straightforward. **The subject of the tax is**, in principle, **everything** by which **the taxpayer's property increases**, with the exception of a few cases exhaustively listed in Act No. 586/1992 Coll., on income taxes (hereinafter referred to as "ITA"). E.g. these are credits and loans received, income resulting from the expansion or narrowing of the spouses' joint assets, au pair income, etc.

The obligation to file a tax return does not arise if you only received **income** which are **tax exempt**. I.e. e.g. from the sale of movable property, from the sale of real estate (if the conditions for exemption have been met), income in the form of benefits and services from health insurance, from pension insurance (up to a set limit), state social support, etc.

However, in the event that any of your tax-exempt income exceeds the amount of CZK 5 million, you must comply with **the notification obligation** according to Sec. 38v ITA. This fact needs to be reported to the tax administrator within the deadline for filing the tax return.

You do not have to file a tax return if you have earned extra income through an occasional activity. This is mainly the lease of movable property. However, the total amount of remuneration for all occasional activities **may not exceed the amount of CZK 30,000 per year**.

Income from dependent activity and filing a tax return

You are not required to file a tax return if you only received income from dependent activity from one employer or several employers in a row. The condition is that your **other income** (i.e. income from business, capital income, rental income, other income) **did not exceed the sum of CZK 20,000** in total **for the year 2023**. Again, this limit does not include income subject to withholding tax and exempt income - see above. Another condition is that the taxpayer - the employee - **has signed the taxpayer's declaration for income tax** with his employer (all his employers) according to Sec. 38k par. 1 ITA.

If the above conditions are met, your tax obligations are settled through **the annual tax reconciliation carried out** by your **employer**. You can request your employer to process the annual tax reconciliation by no later than **February 15** of the following calendar year (i.e. by February 15, 2024 in the case of tax obligations for the year 2023). If you do not request the annual tax reconciliation, your tax obligations are settled **by tax advances**.

You are obliged to submit a tax return in the case of concurrent income from dependent activities from multiple employers or work abroad, or with other secondary income.

A Czech tax non-resident is also required to file a tax return if he meets the conditions for applying

tax benefits, e.g. tax benefits other than the basic taxpayer relief or tax allowance on children.

Income from self-employment and filing a tax return

Of course, the obligation to file a tax return does not arise if you are a self-employed person who **has not received any income** or **discontinued the business**. We recommend reporting the relevant fact to the relevant tax administrator in a timely and proper manner.

Furthermore, you do not submit a tax return if you have registered for the **flat-rate tax regime** and continue to meet all the necessary conditions.

If you have income from self-employment, you can claim the related expenses in the actual amount or in a flat amount against the received income. As a self-employed person, you are also obliged to file a tax return if you incur a **tax loss**.

Income from abroad

You are not required to submit a tax return if you are a Czech tax resident and you only received **income from a dependent activity abroad, where it was taxed**. These incomes are exempt from taxation in the Czech Republic in accordance with Sec. 38f ITA.

We are happy to help you with your tax return. If you are interested, please do not hesitate to contact our

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