



# PETERKA PARTNERS

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## BRIEF SUMMARY OF TAX CHANGES FOR 2025

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## BRIEF SUMMARY OF TAX CHANGES FOR 2025

Changes to agreements to perform work outside of an employment relationship (in Czech “dohoda o provedení práce”) will affect up to one million contracts. There are also significant changes to employment option plans and the VAT treatment of overdue debts. We briefly summarize below the most important tax changes with effect from 1 January 2025.

### Employee stock option plans

In 2024 the moment of taxation was shifted up to 10 years from the acquisition of shares or options. This was beneficial for start-ups but was complicated for hundreds of multinational companies. In 2025 (and also retroactively in 2024) employers may opt for postponement (and inform the tax authorities accordingly) or for immediate taxation of employment income.

### New thresholds for 2025

In 2024 there is one low common limit of CZK 21,983.50 for tax-exempt health and leisure time related employee benefits. In 2025 there will be two separate limits: CZK 46,557 (the average salary) for health benefits and CZK 23,278.50 for leisure time benefits. Thus, the employer can provide its employee with triple tax-exempt benefits compared to 2024.

The limits are valid for a calendar year even if the employer uses financial years for accounting purposes. The limits are calculated for one employer, which may be beneficial for employees working for several employers or changing the employer during the year.



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The threshold for the progressive tax rate remains the same at 36 times the average salary. Since the average salary for 2025 amounts to CZK 46,557 (CZK 43,967 in 2024), the progressive tax rate of 23% applies for income exceeding CZK 1,676,052 in 2025. The progressive advance payments apply from monthly income in excess of CZK 139,671 starting from the January 2025 salary.

The maximum annual assessment base for social security remains at 48 times the average salary, i.e., CZK 2,234,736 for 2025 (CZK 2,110,416 for 2024).

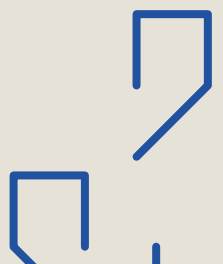
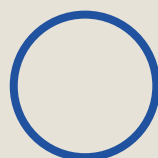
No social security contributions are paid above this limit. The limit is observed by each employer. If the employee has several employers, and the total cap was exceeded, the employee may ask the social security authorities for a refund of his/her excess contributions within 5 years. If not, the entitlement expires.

Regarding agreements to perform work outside of an employment relationship, the threshold for mandatory social security and health insurance contributions will be CZK 11,500 (10,001 in 2024). The agreements concluded with one employer are counted together. Agreements concluded with other employers are not relevant.

Regarding small-scale employment, the threshold will be increased from CZK 4,000 in 2024 to CZK 4,500 in 2025.

## Limitation to tax exemption of income from sale of securities and shares in corporations from 2025

The time tests for personal income exemption remain the same, i.e., 3 years for securities and 5 years for shares in corporations. In 2024, there were no restrictions. In 2025, the income is exempt only to an extent not exceeding CZK 40 million. There is an option to set a higher cost price for tax purposes as a market price as of 31 December 2024 and effectively tax only the increase in value from 31 December 2024. Various tax calculations and various scenarios for advances and instalments may apply.



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## VAT – overdue receivables and debts

The rules for output VAT corrections (refunds) regarding overdue receivables will be less strict.

For small receivables up to CZK 10,000 including VAT and overdue for over 6 months, it will be possible to correct the VAT base if the debtor is informed in writing twice and the annual total corrected amount towards one debtor does not exceed CZK 20,000.

On the other side, the recipient is liable to correct (reduce) the input VAT deduction on receivables overdue for more than 6 months.

## VAT – changes to VAT deduction

Currently, the right expires after three years. From 2025, it will be possible to claim input VAT deduction until the end of the second calendar year following the year when the right arose.

Regarding outputs, VAT base corrections may be made within 7 years.

## VAT – recipient´s liability to pay VAT

Liability for unpaid VAT might become more common. From 2025, the proof of burden (inter alia the knowledge test: knew or should have known and could have known) will be shifted from the tax authorities to the taxpayer. The recipients should be able to prove that they acted in good faith and collected the relevant documentation.

Should you have any questions, please contact your usual contact person at PETERKA & PARTNERS.



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