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Simplified Tax Return for Natural Persons Who Receive Employment-Related Income

The tax authorities have developed a new two-page tax return. The simplified form is intended for Czech tax residents and non-residents who have Czech-sourced employment income. The standard four-page return will still be required for taxpayers who have income from running their own business, from leasing out property, from capital income or other income, or from any income from sources abroad as well as for those who file an additional tax return.

The simple tax return can be filed for the first time for 2016. Natural persons who have received employment-related income from one or several employers (one after another) still have the opportunity to ask for an annual settlement of advances and tax advantage of their last employer (the payer of their employment tax advances).

Proposal to Cancel No-Sickness-Allowance Period Dismissed

The draft bill which would cancel the “no-sickness-allowance period” was dismissed by the Lower House on 7 September 2016. The no-sickness-allowance period is the first three days of an employee’s sickness leave during which he/she does not have the right to wage reimbursement or sickness allowance. Pursuant to the draft bill, employers would have to reimburse sick employees’ wages from the first day of their sickness leave. Pursuant to the current rules, wages are reimbursed as of the fourth day.

The reason for dismissing the draft bill was primarily the anticipated increase in employees going on short-term sick leave and the resulting higher costs for employers.

Draft Amendment to Social Security Insurance Premiums Act

On 3 October 2016, the government presented to the Lower House a draft amendment to the Social Security Insurance Premiums Act. The amendment primarily

applies to sole proprietors (self-employed individuals) and is designed to simplify the way social security and sickness insurance premiums are paid. For example, the draft makes it possible for self-employed individuals (OSVČ) who fail to pay their sickness insurance premiums on time to continue to have sickness insurance, and they will still be able to receive sickness allowance. At the same time, it will be possible to pay old age pension insurance advance payments after the due date without a penalty.

Another proposed feature brought by the amendment is the possibility for self-employed individuals who are engaged in subsidiary independent operations to apply for a waiver of pension insurance payments. Self-employed individuals whose self-employment is their primary job will no longer have the chance to apply the advance payment reduction.

The Act should take effect on 1 January 2018. Some changes to employee health insurance could take force next year.

Setting Up Social Security and Health Insurance Advance Payments as of 2017

On 7 October 2016, Governmental Regulation No. 325/2016 Coll. was published in the Collection of Acts. The regulation applies to the amount of the 2015 general calculation base, the recalculated co-efficient for adjusting the 2015 general calculation base, the reduction thresholds for determining the 2017 calculation base, the 2017 basic pension amounts, and the pension increases in 2017.

The 2015 general calculation base amounts to CZK 27,156. After the adjustment using the co-efficient, the 2017 average wage amounts to CZK 28,232, which is CZK 1,226 higher than in 2016. The amount of the average wage is crucial for determining the maximum calculation base for pension and sickness insurance premiums for self-employed individuals and employees alike, which amounts to 48-times the average wage and amounts to CZK 1,355,136 for 2017.

Moreover, the average wage is used to calculate the minimum annual calculation



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base for 2017 pension and sickness insurance premiums for self-employed individuals, which amounts to CZK 84,696 for those whose self-employment is their primary job, and CZK 33,888 for those whose self-employment is a second job. The minimum monthly advance payments for pension insurance for self-employed individuals whose self-employment is their primary job will, as of 2017, amount to CZK 2,061 and to CZK 825 for those whose self-employment is a second job.

Unlike for the minimum calculation base, which differs for employees and people without taxable income and for self-employed individuals, no maximum calculation base has been determined for health insurance premiums in 2017. The minimum annual health insurance premium calculation base for self-employed individuals in 2017 amounts to CZK 169,392 and, as of January 2017, the minimum monthly advances will increase to CZK 1,906. As concerns employee insurance, the minimum wage is the minimum calculation base. As of January 2017, the minimum wage amounts to CZK 11,000. As of January 2017, the amount of the minimum monthly insurance premiums per employee will increase to CZK 495 and to CZK 990 for employers. People without taxable income will pay monthly insurance premiums in the amount of CZK 1,485.

First Outline of the New Income Taxes Act

The Ministry of Finance has disclosed the first tentative draft of the new Income Taxes Act, which is, however, due to undergo substantial changes. The aim is to have a clear, concise, relatively stable and terminologically simple tax code. The new act should be brief, with each new government only needing to change certain aspects in order to adjust it to its preferences. The basic principle is: "to tax every income just once and deduct every expense just once".

The Finance Ministry's vision is, in addition to the new Income Taxes Act, to put in place an integrated tax administration system, a so-called "tax self-service shop", to ensure that income taxes, social security and health insurance premiums are paid in

a single payment to one account, and that lump-sum taxes and self-calculation are individualized. These projects are expected to take effect in 2020, save for the single payments to one account aspect, since the chances of unifying tax payments with other mandatory payments are still slim at the moment.

Chance to Try the Electronic Sales Register (EET) in Trial Run

Given the approaching EET launch date, there is a chance to take part in a trial run as of 1 November 2016. Businesses can try and see whether their establishments are ready for a hassle-free launch of the register, which must be kept as of 1 December 2016 for accommodation and catering establishments. Businesses must apply at their local tax authority for an authentication certificate to enrol in the trial run as well as to ensure their mandatory participation in the electronic sales register. The EET certificate can be obtained either electronically via a data box or in person at a local tax office. The tax authorities expect to be very busy in this respect in November, which is why we recommend filing the application as soon as possible.

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