



i-payee



**Guide to Contracting in
the Czech Republic**



COUNTRY HIGHLIGHTS (2017)

Czech Republic – Individual

Currency	Czech Koruna (CZK)
Tax Year	Starts 1 January Ends 31 December
Tax Rates	Personal Allowance 2,600HRK Per Month Flat Tax Rate at 15% Solidarity Surcharge at 7% for high earners earning in excess of 48 times average salary or CZK 1,355,136.
Social Security	Employers Social at 25% of Earnings based upon a maximum of 48 times average salary of CZK 1,355,136. Employers Health Insurance at 9% of Earnings. Employees Social at 6.5% of Earnings based upon a maximum of 48 times average salary of CZK 1,355,136. Employees Health Insurance at 4.5% of Earnings.

Tax Residency

An individual becomes Tax Resident in the Czech Republic if:

- They have a home address in the Czech Republic; or
- Stays in the Czech Republic for 183 days or more within a 12 month period.

An individual who is Tax Resident is taxable on Worldwide Income except if exempt under a double taxation treaty.

An individual who is not Tax Resident is taxable in the Czech Republic on Income earned or generated there.

Social Security

Social Security is payable in Croatia unless the individual is paying Social Security in the country in which their employer is based and they are habitually resident. A certificate of continuing liability to Social Security is required to exempt the individual from Bulgarian Social Security.

Right to Work

EU and EEA Nationals have an unfettered right to work in Czech Republic without the need to hold a VISA or Work Permit. However, the company for whom they are performing the services must register them with the Labour Office on the first day that work is undertaken.

Other Nationals, generally, need to obtain an employment card which is granted by Czech Ministry of Interior. The application must be filed at the relevant Czech embassy or consulate where the workers resides.

I-PAYE Service

I-PAYE is not at present registered as an employer in the Czech Republic and all individuals are obliged to file a local Tax Declaration to report the employment income paid by us.

All income must be reported to the Czech Tax Authorities, with deduction for expenses allowed under Czech Tax Law. Any expenses that are reimbursed that are not allowed or are above published rates will be subject to a withholding equivalent to the Czech Taxation due. To ensure this happens I-PAYE will retain the equivalent of Czech Taxation at source and that will be released directly to the Czech Authorities to settle any liability due.

I-PAYE will provide UK Nationals that habitually reside in the UK. I-PAYE will not normally seek to employ Czech or other European Nationals to assignments based in the Czech Republic.

I-PAYE will assist all its employees to comply with local requirements.

Frequently Asked Questions

Q. I currently work on a project in the United Kingdom through a PSC and have an assignment in the Czech Republic, is it true that I can operate the same model in the Czech Republic?

A. Under Czech Domestic Law a UK PSC may be considered as having a Permanent Establishment in the Czech Republic which means that all income derived by the business will be subject to Czech Taxation. No matter the taxation position of the company any employment income paid in respect of duties performed in the Czech Republic will be subject to Czech Taxation and Social Security from day 1.

In addition any dividends payable to shareholders will be subject to Czech Dividend Taxation either at resident or non-resident rates.

Q. What happens if I choose to ignore the rules?

A. The Czech Republic as with all European Countries may seek to apply the Mutual Assistance Recovery Directive (MARD) to request the UK and other Tax Authorities to collect any unpaid moneys due.

From 1 October 2017 new legislation has been enacted in the United Kingdom that means that any entity engaging in or with business that evades taxation in a Foreign Country will be subject to an unlimited fine. Failing to report income to the German Authorities is Tax Evasion, not avoidance, and under Czech Law would generally lead to a criminal conviction.

Q. I want to do it correctly where should I seek advice?

A. Unfortunately, the Czech Financial Office only provide advice in Czech and many of the general advice given on other websites is out of date. Specialist advice should be sought before going on assignment.

More information is available from I-PAYE on 0151 449 3500



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