



Information for clients

Czech Republic
December, 7th 2020

Income tax amendment 2021 - What major changes can be expected?

The draft law for the 2021 income tax amendment was approved by the Chamber of Deputies and is currently being discussed in the Senate. Since the draft law contains significant changes in the area of income tax, we would like to inform you already now about the expected changes. Once the legislative process is complete, we will inform you of the final provisions.

According to the draft law, the super gross wage is to be abolished and a progressive tax rate (15 % resp. 23 %) introduced. A limit of CZK 20 million is to be introduced for natural persons for tax-exempt income from the sale of securities. Accelerated tax depreciation and an increase in the capitalization limit to CZK 80,000 are planned for fixed assets.

Abolition of the super gross wage and progressive tax rate

According to the proposed amendment, the super gross wage and solidarity tax (7 %) are to be abolished from 2021. At the same time, a progressive tax rate is to be introduced (15 % resp. 23 %). The tax rate of 15 % applies to incomes up to approximately CZK 140,000 per

month, the excess income is subject to the tax rate of 23 %.

The tax credit is to be increased from currently CZK 24,840 to approx. CZK 34,125.

Tax-free income from the sale of securities – Limit

According to the current legal situation, the **income from the sale of securities (shares, investment fund shares, etc.)** is exempt from income tax indefinitely for natural persons if these securities have been held for more than 3 years. According to the amendment, from 2021 this income will only be tax-exempt up to a **maximum amount of CZK 20 million.**

The **sale of shares in a s.r.o. is not affected by this change.** Therefore, the income from the sale of s.r.o. shares are still tax-exempt after a holding period of 5 years.

If, on the other hand, **equity certificates (kmenové listy)** of a s.r.o. are sold after a holding period of 5 years, the income should also only be **tax-exempt up to a maximum of CZK 20 million.**

Tangible fixed assets – raising the limit for capitalization

In order to encourage investment, the **acquisition cost limit for the capitalization** of tangible fixed assets is to be increased from currently CZK 40,000 to **CZK 80,000**. The increased limit can already be applied to acquisitions made in 2020 (if they were also put into operation in 2020) and also applies to technical upgrades.

Accelerated depreciation

As further support for the economy, the option of accelerated depreciation is to be introduced for **tangible fixed assets acquired between January 1, 2020 and December 31, 2021**.

Tangible fixed assets in the 1st depreciation group (e.g. computers) can be depreciated for

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tax purposes over **12 months**, and tangible fixed assets in the 2nd depreciation group (e.g. cars and trucks, furniture, selected production machines) can be depreciated for tax purposes over **24 months** (60 % in the first 12 months and 40 % in the following 12 months).

In addition, the category of **intangible fixed assets** (e.g. software, rights) is to be deleted from January 1, 2021, so that entrepreneurs can set the capitalization limit and tax depreciation for these assets themselves. This regulation can also be applied for 2020.

If you have any further questions, please do not hesitate to contact us.

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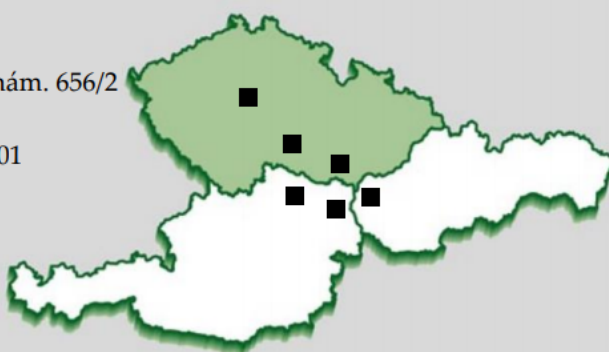
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