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CLIENT INFORMATION

Czech Republic

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Employee benefits from 1 January 2024

As we have already informed you, the consolidation package brings significant changes to the concept of taxation of employee benefits with effect **from January 1, 2024**. In this context, on December 22, 2023, the Czech Tax Administration published **methodological information** on the taxation of benefits and other payments by employers to employees from January 1, 2024 (available [here](#) in Czech).

The methodological information sets out the tax administration's view on the assessment of the tax regime for benefits. It explains in detail the general approach to the interpretation of the law in this area and the application of the new regulations using specific examples from practice, including possible approaches to the valuation of income in kind. In the methodological information, the tax administration emphasizes "common practice" and "reasonableness" and advises against abuse and alternative interpretations of the new legislation.

The tax treatment of selected employee benefits from 1 January 2024 is summarized below

Employee benefits in the form of meals or drinks

- **Meal allowances for employees** - provision of meal vouchers, catering cards, in-house catering, cash allowance for meals
 - for employees: the allowance **is exempt** from income tax (and social security and health insurance contributions) up to **CZK 116.20** per shift (= 70% of the maximum amount of the meal allowance for a domestic business trip of 5 to 12 hours)
 - for employers: **tax-deductible expenses** (the excess amount can also be deducted)
 - **date of income realization**: granting of a meal voucher, crediting of money to a card, granting of a cash allowance

- **Snacks** at the workplace (except main meals) and **non-alcoholic drinks** at the workplace
 - **Tax-free** for employees and does not count towards the limit
 - **non-tax-deductible** expense for employers (except drinking water)



- **Breakfast, lunch or dinner** with business partners
 - **tax-free** for employees and does not count towards the limit
 - for the employer, **under certain conditions** (e.g. in the case of a business trip), a portion as a **tax-deductible** expense

Leisure benefits/benefit cards (Multisport, Edenred, Sodexo, Benefit plus, etc.)

- **Leisure benefits in non-monetary form** / in the form of credit / points / money on a **benefit card** that can be used for specific purposes: recreation, sports, culture, education, medical aids, health care, books, etc., granted to the employee and his/her family members
 - for employees, income **is exempt** from income tax (and social security and health insurance contributions) up to the total amount of **CZK 21,983.50** per year (= 50% of the average salary)
 - **non-tax-deductible** expenses for employers up to the maximum amount, over-the-limit part can be **tax-deductible**
 - **date of income realization**: the date of payment/crediting of money (or points) to the benefit card by the employer (however, there are exceptions - depending on the specific contractual agreement).
- **Use of pre-school childcare facilities**
 - for employees, the income is **tax-free** up to the total amount of CZK 21,983.50
 - **tax-deductible** expense for employers
- **Events organized by the employer** for employees and family members (e.g. Christmas parties, company anniversaries or children's days) to a usual and reasonable extent
 - **tax-free** for employees and does not count towards the total limit
 - **non-tax-deductible** expenses for employers
- **Sports or similar equipment** available at the employer's workplace for relaxation during working hours (e.g. exercise bike, table soccer, darts, pool table, etc.)
 - **tax-free** for employees and does not count towards the total limit
 - **may be a tax-deductible** expense for employers

Other benefits

- **Gifts to employees** (cash and non-cash gifts)
 - **taxable income** for employees (with the exception of gifts in kind for "qualifying" purposes up to the total limit)
 - **non-tax-deductible** expense for employers
- **Interest-free/subsidized loans to employees**
 - for employees, income in the amount of the difference to the market interest rate is **tax-free** if the loan amount does not exceed CZK 300,000
- **Social assistance** for an employee for humanitarian or charitable reasons
 - **tax-free** for employees
 - **non-tax-deductible** expense for employers
- **Contribution to pension products** (pension and life insurance, long-term investment products)
 - for employees, income is **tax-free** up to a total amount of CZK 50,000 per year
 - for employers, it **may be a tax-deductible** expense
- **Allowance for temporary accommodation** (not for business trips and outside the employee's municipality of residence)
 - for employees, the income is **tax-free** up to a limit of CZK 3,500 per month
 - for employers, it **may be a tax-deductible** expense

The tax deductibility or tax exemption of some of the benefits described above is subject to contractual agreements, internal regulations, etc.

We will be happy to help you assess the tax implications of your specific employee benefits.

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