

# CLIENT INFORMATION

**Czech Republic**  
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## Recent case law – employee benefits

*We would like to inform you about the rulings of the Supreme Administrative Court on 11 and 14 October 2024, which concerned a case in which a company agreed with employees to **replace their wages in part with a tax-free benefits-in-kind system** for which they could purchase, for example, leisure activities or admission to a fitness centre.*

**The tax administration** considered these benefits to be non-monetary compensation and demanded that they be **fully taxed**, including health and social security contributions.

Both the district court and the **Supreme Administrative Court** assessed the situation and concluded that, from the point of view of the Income Tax Act, it is **irrelevant whether it is a benefit or a non-monetary compensation**. The tax exemption **depends primarily on the use of the service** by the employee (e.g. recreation, sports, health, culture).

The court also rejected the objections of the tax administration that this was an abuse of law and included the agreement between employee and employer in the category of permissible tax optimisation.

The above-mentioned case law referred to years when the tax exemption for benefits in kind for health, culture and sports was not limited in value. **From 2024, the tax exemption** of these benefits **is subject to a statutory limit** (CZK 21,983 for 2024). The limit for contributions to a supplementary pension, life insurance or retirement pension is CZK 50,000 per year.

Despite the caps, tax-free benefits in kind for employees are still an attractive remuneration tool and we recommend **considering their use as employee remuneration as early as 2024**.

If you have any questions, please feel free to contact us.

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