

1. Government requirements

Registration requirements

Payroll tax registration

Every employer hiring at least one employee needs to register for payroll tax within 15 days of employing the first employee. The payroll tax registration may be done together with other tax related registrations. Also it is to be done electronically through the registered mailbox of the employer or by a tax adviser. There is no governmental fee for the registration.

Note that there is no tax registration which must be done for the employees by the employer.

Social security registration

The company is obliged to perform its social security registration with the Czech Social Security Authority as an employer when the first employee is hired. The registration is to be done within eight days. The registration form (in Czech “Příhláška do registru zaměstnavatelů”) needs to be filed with the locally competent social security authority either electronically, via databox, or must be personally signed by the employer.

After registration, the company is assigned with an identification (ID) number which is crucial for correct payment of contributions and for making submissions to authorities.

The employer is also required to arrange for the social security registration of their new hires, and this should be done within eight days as well. There is no governmental fee to be paid for the registration.

Health insurance registration

There are currently seven state health insurance companies in the Czech Republic. The employer is obliged to register with each of the health insurance company, separately, at which the employees are registered.

The registration form (in Czech “Příhláška a evidenční list zaměstnavatele”) needs to be filed with the health insurance company either electronically or must be personally signed by the employer.

After registration, the company is assigned with an ID number which is crucial for the correct payment of contributions.

In addition, the company needs to perform the registration for their new hires. Both registrations (when the company has hired its first employee and during every new hire) are to be done within eight days from the start of employment.

Mandatory risk insurance registration

Registration for the Czech mandatory risk insurance is due based on the Mandatory Insurance Act and needs to be done as soon as possible; i.e., when the company has employed its first employee.

The registration form (in Czech “Příhláška k pojištění odpovědnosti zaměstnavatele za pracovní úrazy a nemoci z povolání”) needs to be filed via post with the Kooperativa insurance company. The copy of the company register needs to be filed together with the registration form. Filing for mandatory risk insurance registration based on the power of attorney is possible.

Ongoing compliance requirements

Filing and payment obligations

The employers are obliged to operate on monthly payrolls for their employees. This mainly includes calculation of the payroll tax withholdings, social security, health insurance and mandatory insurance contributions, and filing of the monthly and annual reports.

Payroll compliance

The Czech payroll is rather complex and employers are required to assume several obligations around social security benefits on behalf of the governmental institutions (e.g., payment of the sickness pay, keeping records of employees' absence due to illness and other reasons, calculating the assessment base for benefits and processing certain requests on behalf of the employees).

Further, the employers are required to calculate a so called average salary that is used as compensation for holidays, overtime worked and certain types of absences. The average salary is to be calculated on the basis of the actual hours worked and the earnings for the previous quarter. It is up to the employer to decide on which of the salary items should be reflected. Also, quarterly or annual bonuses need to be reflected over one of more quarters.

Monthly tax compliance

There is a flat personal income tax rate of 15% in the Czech Republic. The respective personal income tax base is however the gross salary plus employer social security and health insurance contributions. For employees participating in

the Czech or non-EU and non-European Economic Area (non-EEA) social schemes, the Czech (either actual or deemed) employer social security and health insurance contributions are to be added. Gross income of employees subject to EU and EEA social schemes is to be increased by the actual foreign mandatory social security and health insurance contributions which their employers are obliged to pay.

In addition, income that crosses the annual cap for social security contributions are subject to a solidarity tax surcharge of 7%. The solidarity tax surcharge is payable only from the gross income; i.e., without the additional employer social security payments.

Employees may apply for certain tax discounts within their monthly payroll (e.g., taxpayer tax discount and children tax relief) if specific declaration is made by the employee to the employer.

The payroll taxes are to be remitted to the tax authorities by 20th of the following month.

Specific monthly tax reporting need not be done to the tax authorities.

Annual tax compliance

The employers are required to file the annual payroll tax report (in Czech - "Vyúčtování daně z příjmů ze závislé činnosti") detailing the monthly payroll tax due for all employees. The due date to file the annual payroll tax report is 20 March of the following year and it should be done electronically.

From the employees' perspective, the employers are obliged to perform the so called annual tax reconciliation for the employees who meet certain conditions. In order to qualify for this procedure, employees cannot have any other sources of income apart from their salary (i.e., no foreign interests or dividends and no income from the rent of properties, etc.).

Also, employees' annual income need to be lower than the cap for the social security contributions.

The employees may apply certain tax reliefs within the annual tax reconciliation that cannot be reflected in the monthly payroll. It is the obligation of the employer to assess if the employees qualify for certain tax-based deductions or tax reliefs. Also, employees are expected to keep records of the documentation on the tax reliefs applied.

Sickness pay

Employers in the Czech Republic are required to reimburse the employees for their first fourteen days of sickness. Starting from the 15th day, the employees will receive sickness pay from the government.

In this respect, the employers are obliged to collect sickness certificates from the employees, maintain records on them and make certain submissions to the social security authorities in this respect.

Social security compliance

Employers calculate the employee and employer social security contributions together with the payroll tax within the monthly payroll.

Czech social security contributions (calculated from gross income) amount to 25% for employer and 6.5% for employee. Both employee and employer contributions are capped on an annual basis, i.e. gross income exceeding the annual cap (CZK1,569,552 in 2019) is not subject to the social security contributions.

The social security contributions are to be remitted to the authorities by 20th of the following month.

At the end of the year, the employers are required to submit the old age pension sheets (in Czech - "Evidenční list důchodového pojištění") to the social security office. The due date is 30 April of the following year.

Health insurance compliance

Employers calculate the employee and employer health insurance contributions together with the payroll tax within the monthly payroll.

Czech health insurance contributions (calculated from gross income) amount to 9% for employer and 4.5% for employee. There is no cap for health insurance contributions.

The health insurance contributions are to be remitted to the authorities by 20th of the following month.

Every month, the employer has to report the contributions due to each of the health insurance companies at which the employees are enrolled.

Mandatory risk insurance

On quarterly basis, employers are also obliged to calculate and remit the mandatory risk insurance contributions. Only employer contributions are due. The contributions are to be calculated based on the earnings for the previous quarter. The rate depends on the industry and ranges from 0.28% to 5.04%.

The contributions are due by 31 January, 30 April, 31 July and 31 October.

There is no specific reporting that has to be done.

2. Pension requirements

Registration requirements

Covered in the above

Ongoing compliance requirements

Covered in the above

3. Employment obligations

There is no tax registration to be arranged for employees. For employers, registration for payroll taxes is to be made and able to run the payroll and remit the taxes to the Czech tax authorities.

4. Payroll requirements

Payslips

The employer is obliged to inform the employee about their earnings. The payslip can be provided either electronically or as a hard copy.

Wage list

The employers also need to keep a so called annual wage list (in Czech “mzdový list”) detailing mandatory personal information of the particular employee as well as year-to-date details on individual’s earnings and tax withheld. Also, the Czech tax law requires that the wage list also includes the tax-free income.

Salary certificate

The employers are required to provide the employees with the annual salary certificate (in Czech - “Potvrzení o zdanitelných příjmech ze závislé činnosti”) upon their request. This document is needed for the personal income tax return that the employees file on their own with the tax office. Also, employers may be asked by the employees to provide salary confirmation e.g., for bank loan purposes.

5. Banking requirements related to payroll

Payroll net payments can be made by any method and from either a Czech or a foreign bank account.

Mandatory withholdings can be made from a Czech or a foreign bank account. If payments are made from an overseas bank account, the charges should be accepted by the remitting bank so that the payments received by the authorities

are not reduced by charges or exchange rate differences. Any differences will result in interest charges being levied on underpayments.

Employers' identification numbers are crucial for correct assignment of the payments toward the authorities. Hence, they need to be attached with the payments.