

This guide has been prepared by an independent third party firm

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CZECH REPUBLIC – TAX CONSIDERATIONS ON SHORT-TERM LETTINGS FOR INDIVIDUALS

The following information is a guide to help you get started in learning about some of the tax requirements that might apply to you when providing short-term accommodation in the Czech Republic.

Tax can be tricky and it is important to ensure that you keep up to date with your tax obligations and remain tax compliant. The timely preparation, filing and payment of taxes are your responsibility.

If you are supplying short-term accommodation in the Czech Republic, you should make sure that you understand each of the following types of taxes, and pay the ones that apply to you;

- Income Tax
- Value Added Tax (VAT)

We draw your attention to the fact that Airbnb may have an obligation to report income earned by users of the platform. Therefore, if there is a mismatch between the information reported by Airbnb and the income you reported in your annual income tax return, the tax authorities may ask you questions.

Please understand that this information is not comprehensive, and is not intended to be legal advice. We encourage you to check your tax obligations with official local sources, or to seek advice from qualified professionals.

Please note that we do not update this information in real time, so you should confirm that the laws or procedures have not changed recently.

INCOME TAX

Where you earn income in the Czech Republic it is likely that you will be required to pay a percentage of tax on this income to the Czech Tax Authority. Below is a brief outline of tax that may arise on income earned from the rental of short-term accommodations in the Czech Republic and some information on how this tax can be paid over to the Czech Tax Authority. **Czech Republic's tax year** runs from 1 January to 31 December.

Coming within the charge to income tax in the Czech Republic.

You do not have a tax obligation if your rental income (together with all other taxable income) does not exceed CZK 50,000 in a tax year.

Czech Republic rules applicable to income earned in relation to the rental of short-term accommodations.

Based on the Czech legislation, if you are renting out property via an online platform directly to Guests, this is likely to be considered a business activity (provision of accommodation services) and should be taxed as business (self-employed) income. In such cases, you are obliged to register for social security and health insurance, as well as income tax, and file the respective mandatory reports (tax return, social security overview and health insurance overview).

Alternatively, if you are renting the property indirectly via a rental agency (as a long-term rental - typically you rent your property to an agency on long term basis and the agency then further rents it to Guests), the income is considered as passive rental income and you are not required to register for tax, social security or health insurance (i.e. just pay tax on this income as passive income at 15% or 23%¹ tax rate). This means that the rental agency manages the account on the online platform, communicates with the customers, manages the cleaning of the property and takes a fee for these services.

Please be aware that the distinction between the provision of short-term accommodation services and long-term rental depends on many details and it is a complex matter. We encourage you to contact your local tax advisor to ensure that the rules are applied correctly in your specific case.

Reporting tax in the Czech Republic.

You should use a Czech tax return form as issued by the Czech Tax Authorities for reporting your tax in the Czech Republic.

A complete Czech tax return form can be sent to the Czech Tax Authorities through the post or it can be submitted to any financial office personally.

It is also possible to file the tax return electronically, via:

- (i) the portal of the Czech tax authorities which can be found on [this website](#). For this type of submission, you need to have a certified electronic signature;
- (ii) the online platform "moje dane" which can be found on [this website](#); or

¹ The 23% tax rate applies to income exceeding the annual limit of 48x average salary (CZK 1,935,552 for 2023).

(iii) through the data mailbox which is another tool for online communication with the authorities².

Please note that if you have a data mailbox the tax return form must be sent only electronically (using one of the 3 above mentioned options).

The tax return form is available via [this website](#) of the Czech tax authorities.

Reporting tax - filing deadline.

The standard Czech filing deadline is 1 April following the tax year. Provided that this day falls on a weekend or public holiday, the standard filing deadline is extended to the next business day (i.e. the 2023 Czech tax return has to be filed by 1 April 2024).

The deadline is extended by 1 month, i.e. by 1 May if you file the tax return electronically. Provided that this day falls on a weekend or public holiday, the standard filing deadline is extended to the next business day (i.e. the 2023 Czech tax return has to be filed by 2 May 2024).

Further, the deadline is automatically extended by 3 months, i.e. to 1 July, if you grant a Power of Attorney to a registered Czech tax advisor or an attorney who submits the tax return on your behalf.

Further extension until 31 October is possible if you have income taxed abroad. You however, need to request this extension and it needs to be approved by the Czech Tax Authorities.

Reporting tax - payment deadline.

The Czech filing deadline as outlined above, is also the deadline for payment of the Czech tax liability.

You might be obliged to pay semi-annual or quarterly advance payments on taxes if your tax liability from the previous year exceeded the amount of CZK 30,000. The amount of advances and their frequency is determined based on your tax liability from the previous year.³

Czech Republic Tax Authority contact details.

The contact details of your responsible tax office can be found on [this website](#).

² I.e. a public administration information system which enables to send and/or receive electronic documents to/from public authorities. Formal prior registration is necessary.

³ If your tax liability exceeded CZK 30,000 but was less than CZK 150,000, semi-annual advance payments in the amount of 40 % (each) of the last tax liability will have to be paid. If your tax liability exceeded CZK 150,000, quarterly advance payments in the amount of 25 % (each) of the last tax liability.

Czech income tax rates.

There are two personal income tax rates in the Czech Republic - a 15% and 23% tax rate - that apply to employment income, self-employment income, rental income, capital gains and other income.

The 23% tax rate is applicable if your total yearly taxable basis exceeds the annual limit of 48x average salary (i.e. CZK 1,935,552 for 2023). E.g. if your taxable basis from employment amounts to CZK 1 million and the taxable basis from accommodation services amounts to CZK 1 million, i.e. your total taxable basis amounts to CZK 2 million, then the amount of CZK 1,935,552 is taxed at 15 % and the remaining amount (CZK 64,448) is taxed at 23 %.

Typical expenses that can be deducted from your income in relation to short-term accommodations.

For the tax deductible expenses, you can choose either to use (a) lump sum expenses or (b) actual expenses.

(a) Lump sum expenses

- 30% of income for passive rental income (to the limit of CZK 600,000),
- 60% of income for business income assuming you have a business licence⁴ (to the limit of CZK 1,200,000),
- 40% of income for business income if you do not have a business licence (to the limit of CZK 800,000),

(b) Actual expenses.

For actual expenses, you can deduct expenses such as

- Interest from mortgage,
- Real estate agency fees,
- Airbnb's service fees,
- Insurance,
- Real estate tax,
- Repairs,
- Depreciation (calculated based on Czech tax legislation),
- Utilities.

You can switch between using the lump sum expenses or actual expenses for calculation of your taxes under specific conditions. However, the chosen method should be applied for the whole taxable period (i.e. calendar year).

⁴ In Czech: "živnostenské oprávnění"

Sample Computation		
Laura owns a 2 bedroom apartment in Prague. She rents her spare room occasionally on weekends.		
Laura received total gross rent in 2023 of CZK 100,000		
Laura incurred the following expenses in relation to this apartment in 2023: apartment insurance CZK 3,000, local property tax CZK 500, mortgage interest CZK 50,000, electricity/gas CZK 6,500 and Airbnb's service fees CZK 3,000. These amounts represent proportional parts of the costs related to the rented spare room.		
		CZK
Gross rental income		100,000
<i>Less allowable expenses:</i>		
	House insurance	(3,000)
	Local property tax	(500)
	Mortgage interest	(50,000)
	Electricity/gas	(6,000)
	Airbnb's service fees	(3,000)
Net taxable rental income		37,500

Deductions available for tax depreciation (e.g. capital allowances / wear and tear).

Depreciation can be deducted based on an amount relative to the property value.

Depreciation is calculated based on the property purchase price where the period between purchasing the property and when it is first rented does not exceed 5 years.

Otherwise, the value of property for depreciation must be determined by a valuation expert. The depreciation amount is then spread over 30 years and can be calculated as equal depreciation (1.4% for the 1st year and 3.4% for the following years) or accelerated depreciation (specific calculation with different calculation for each year). As this is a complex matter, we encourage you to contact your local tax advisor to ensure that these rules are applied correctly in your specific case.

Specific property taxes payable on properties that are let for short terms.

There is no specific property tax payable on properties that are let for short terms.

There is a real estate tax that applies to all real estate property whereas the tax rates are higher if the real estate properties are used for business purposes (e.g. rental of short-term accommodations through online platforms) compared to the tax rates applicable on real estate used for housing.

Czech income tax obligation if you are non-resident.

If you are a non-resident in the Czech Republic you have an obligation to declare, via your Czech tax return, any Czech derived income, such as rental income (short term or long term) derived from property located in the Czech Republic, and pay any tax arising on this income.

Czech income tax obligations if you are a Czech individual in receipt of foreign rental income.

Where you are considered a Czech tax resident, you are liable to pay tax on your worldwide income and have an obligation to declare this via your Czech tax return (including foreign rental income). You may then be able to claim relief for double taxation in line with the respective Double Tax Treaty concluded between the Czech Republic and a particular foreign country.

General property taxes payable.

The owner of real estate needs to pay tax on their immovable property on a yearly basis. This tax liability arises to the person or entity owning the property on 1 January of that year (i.e. if you acquire your immovable property on 3 January 2023, you do not pay the tax for 2023. If you still own the property on 1 January 2024, you have to pay the real estate tax for the year 2024).

The tax rates are different for land and for real estate property and vary depending on the location or the property and purpose for which the property is used (we refer to the comment in the section "*Specific property taxes payable on properties that are let for short terms*").

Capital taxes in the Czech Republic.

Income from the sale of property is generally subject to tax. The 15% or 23%⁵ tax rate is applicable on the difference between the sale price and purchase price of the property. You may also apply further expenses related to the sale (e.g. agency fee, lawyer's fee) to decrease the taxable base.

Note: In specific circumstances, the income from the sale of property can be exempt.

⁵ The 23% tax rate applies to income exceeding the annual limit of 48x average salary (CZK 1,935,552 for 2023).

VALUE ADDED TAX

Value added tax relating to rental/accommodation services is a complex issue and you should take time to understand the rules as they apply to you and your particular situation.

Broadly speaking, Value-Added Tax (VAT) in the Czech Republic is a tax on consumption. Most goods and services supplied in the Czech Republic are subject to VAT.

A person who supplies goods and/or services in the Czech Republic may have to charge VAT and pay this to the Czech tax authority. As with all taxes, we encourage you to consult with a tax advisor regarding your potential VAT obligations in the Czech Republic.

If you are currently renting a room to guests, you may be required to apply VAT to your rental charge and to pay this VAT amount to the Czech tax authorities. As Airbnb is not supplying the rental, it is the responsibility of the host to consider local VAT obligations of the rental charge.

Do I need to collect any VAT from guests if I am letting short-term accommodation in the Czech Republic?

In general, individuals who carry out business activities (e.g. short-term accommodation business) in the Czech Republic are considered to be VAT taxable persons and therefore need to charge VAT on their supplies, once the criteria for VAT registration is met.

Currently, in the Czech Republic, you are required to register for VAT if your turnover exceeds CZK 2,000,000 occurring in any period of twelve consecutive calendar months or less. As such, where you supply short term accommodation and you exceed this threshold, you should register for VAT.

If you are an individual who is a non-resident in the Czech Republic, but your accommodation is located in the Czech Republic, then you should register for VAT, as no registration threshold applies to you.

If you are carrying out a business (e.g. short-term accommodation business) in the Czech Republic, but if you are under the above mentioned threshold of CZK 2,000,000, you are obliged to register for VAT as a so called *Identified person* in order to report VAT on the Airbnb Host Fees (i.e. fees paid for services rendered to you by a company not established in the Czech Republic). As an Identified person (as opposed to a person registered for VAT e.g. due to exceeding the threshold) you will be obliged to account for the VAT from the service received from Airbnb and to file the VAT returns for the months in which you receive the service from Airbnb.

We encourage you to consult a tax advisor if you need assistance in determining whether or when you need to register for and charge Czech VAT.

For further guidance on registering for VAT, please see [this website](#) of the Czech tax authorities.

VAT applies to me. How do I determine how much tax I need to collect from my guests?

VAT rates differ per country and change periodically. We recommend you to check on a regular basis with the local tax authority to get the most up to date VAT rates for the country where you are required to pay VAT.

For example, 2023, the VAT rate applicable to supplies of holiday accommodation is 10% in the Czech Republic.⁶ In 2024, this VAT rate will be increased to 12%. This is on the basis that other hospitality services are supplied by you in addition to the accommodation service itself, such as e.g. cleaning services, internet connectivity, change of bed linen, etc.

However, there are other VAT rates currently in force in the Czech Republic, so we recommend that you confirm with a local tax advisor the VAT rate applicable to your supplies.

VAT applies to me. How do I collect VAT from guests?

If you determine that you need to charge VAT on the supplies that you make to guests, please keep in mind that you have to collect this VAT from your guests and report and remit this VAT on a periodic VAT return. In the Czech Republic, the VAT return typically covers a monthly period and is required to be filed by the 25th day of the following month (i.e. the January VAT return is due to be filed by the 25th of February). The VAT payment is required to be made on the same day that the VAT return is required to be filed.

Some formalities, such as issuing a receipt or an invoice to your guests, may be required.

For further guidance on filing returns, please see [this website](#) of the Czech tax authorities.

Your pricing towards B2C Guests should be VAT inclusive. Therefore, if you are supplying holiday accommodation, which is subject to VAT at 12% in 2024, then the amount of VAT due should be calculated by decreasing the amount of agreed accommodation price by the ratio of the amount of agreed accommodation price and the coefficient 1.12. For example, in 2024, a total price for accommodation of €300 is agreed. The VAT arising on this supply should be calculated as follows: $300 - (300/1.12) = €32.14$ VAT.

We recommend that you check your obligations in terms of pricing and the applicable invoice requirements with a local tax advisor.

⁶ As of 2024, the VAT rate applicable on accommodation should increase from 10% to 12%.