

## **CZECH REPUBLIC – TAX CONSIDERATIONS ON SHORT-TERM LETTINGS**

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 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 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)

Please understand that this information is not comprehensive, and is not intended to be legal advice. If you are unsure about your local tax obligations, we encourage you to check this 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 short-term lettings 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 Czech Republic.**

You do not have a tax obligation if your rental income (together with all other taxable income) does not exceed CZK 15,000 in a tax year.

#### **Czech Republic rules applicable to income earned in relation to short-term lettings.**

Based on the Czech tax legislation, direct renting of property via an online platform is considered to be a trading activity and is taxed as self-employed income. As such, you are obliged to register for social security and health insurance, as well as 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, 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% 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. In this case, there is no obligation for you to register for tax or pay social security/health insurance.

If you are unsure about how your income should be taxed in the Czech Republic you should consider seeking advice from a tax professional.

### **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 however, where you have databox, the tax return form must be sent only via databox.

The tax return form is available via [www.financnisprava.cz](http://www.financnisprava.cz)

### **Reporting tax - filing deadline.**

The standard Czech filing deadline is 1 April following the tax year (e.g. 2018 Czech tax return has to be filed by 1 April 2019).

The deadline is automatically prolonged to 1 July if you grant a Power of Attorney to a registered Czech tax advisor and this Power of Attorney is filed with the relevant Czech Tax Authority before the standard Czech filing deadline.

Further extension until 31 October is possible if you have income taxed in a tax return abroad. You do 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.

### **Czech Republic Tax Authority contact details.**

Local Czech Tax Authority jurisdiction depends on your place of residence in the Czech Republic. The locally responsible tax office can be found on the following [link](#).

### **Czech income tax rates.**

There is a 15% flat tax rate that is applied to employment income, self-employment income, rental income, capital gains and other income.

An additional 7% solidarity tax is applicable for employment income and self-employment income only where that total income (employment and self-employment) exceeds the annual limit of 48x average salary (CZK 1,438,992 for 2018).

### **Typical expenses that can be deducted from your income in relation to short term lettings.**

You can use the following:

- Lump sum expenses (30% for passive rental income, 40-60% for trading income) subject to a maximum lump sum of CZK 1 million) or,
- Actual expenses.

For actual expenses, you can deduct expenses such as

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

### **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).

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

There is no specific property tax however, the tax rates for property used for renting via an online platform would be higher than it would be for real estate used as your primary residence.

### **Czech income tax obligation if you are non-resident.**

If you are a not resident in the Czech Republic you have an obligation to declare, via your Czech tax return, any Czech source income i.e. trading or rental income 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 tax on your worldwide income and have an obligation to declare this via your Czech tax return (including foreign rental income). You can then claim relief for double taxation in line with the respective Double Tax Treaty concluded between the Czech Republic and foreign country.

### **General property taxes payable.**

The owner of real estate needs to pay tax on their immovable property. This tax liability arises to the owner of the property as on 1 January of that year.

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.

## Capital taxes in Czech Republic.

Income from the sale of rented property is subject to 15% tax.

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

Sample Computation		
Laura owns a 2 bedroom apartment in Prague. She rents her spare room occasionally on weekends.		
Laura received total gross rent in 2018 of CZK 100,000		
Laura incurred the following expenses in relation to this apartment in 2018: apartment insurance CZK 3,000 local property tax CZK 500, mortgage interest CZK 50,000 and electricity/gas CZK 6,500. These amount represent proportional part of the costs related to the rented spare room.		
		<b>CZK</b>
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)
<b>Net taxable rental income</b>		<b>40,500</b>

## VALUE ADDED TAX

Value added taxes can be complicated 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 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 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 Czech Republic?**

In general, individuals who are considered to be in business in Czech Republic 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 1,000,000 occurring in any period of twelve consecutive calendar months or less. As such, where you supply short term accommodation and you breach this threshold, you should register for VAT.

If you are an individual who is not resident in the Czech Republic, but your accommodation is located in the Czech Republic, then you should also register for VAT, as no registration threshold applies to you.

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

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

### **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, at the date of issuance of this document, the VAT rate applicable to supplies of holiday accommodation is 15% in Czech Republic. This is on the basis that other hospitality services are supplied by you in addition to the accommodation service itself, such as cleaning services, internet connectivity, change of bed linen, etc.

However, there are other VAT rates currently in force in 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. Please find more information on this [here](#).

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

There may also be requirements around whether you use VAT-inclusive or VAT-exclusive pricing. We recommend that you check your obligations in terms of pricing and the applicable invoice requirements with a local tax advisor.