

# Amendment of the Income Tax Act as of 1.1.2013

We would like to bring you an overview of the most important changes in the field of income tax, including examples showing tax impact as of 2013.

## Changes to the Income Tax Act as of 2013

### Increase of tax rates

- Corporate income tax: an increase in the tax rate from 19% to 23%
- Individuals: introduction of progressive tariff
- 19% for gross monthly income up to EUR 3,311 (assessment tax base EUR 2,867)
- 25% for gross monthly income over EUR 3,311 (EUR 39,732 per year)

## Changes to social contributions as of 2013

Unification of the maximal assessment bases  
Until 31.12.2012 – various assessment bases

- Sickness insurance 1.5 x the average wage
- Health care insurance 3 x the average wage
- Old age pension insurance 4 x the average wage

After 1.1.2013 – unification of all maximal assessment bases

- 5 x the average wage
- Increase of employer's costs – from monthly wage cca. EUR 1,160

## Examples illustrating tax burden of individuals with various incomes

### Taxation of an individual with yearly income EUR 15,000

	2012	2013
Gross yearly income	15,000 (1,250 per month)	15,000 (1,250 per month)
Social security payments (social/health care etc)	1,994	2,010
Assessment tax base	13,006	12,990

Tax allowance	3,644.74	3,735.94
Tax 19% / 19 / 25%	1,779	1,758
Net	11,227	11,232
Ø Tax burden	13.7%	13.5%
Cost of the employer	5,261	5,280

### Taxation of an individual with yearly income EUR 100,000

	2012	2013
Gross yearly income	100,000 (8 333 per month)	100,000 (8 333 per month)
Social security payments (social/health care etc)	4,254	6,319
Assessment tax base	95,746	93,681
Tax allowance	0	0
Tax 19% / 19 / 25%	18,192	21,356
Net	77,554	72,325
Ø Tax burden	19%	22.80%
Cost of the employer	12,194	17,023

## Examples comparing taxable income in the year 2012 and 2013 (LLC/LLP)

The higher tax rate of 23% for corporations will be applied for the first time for the period beginning 1.1.2013. If the entity uses a financial year that begins before the 31.12.2012, the original tax rate of 19% will be applied to the proportional part of the tax base for the months until 31.12.2012 and new tax rate of 23% will be applied to the proportional part of the tax base for the months remaining after 1.1.2013 till the end of the financial year.

## Other changes in the Income tax act as of 2013

- Introduction of the so-called special tax rate of 5% for members of parliament, government and the president.
- Cancellation of the possibility

to extend the deadline for filing both corporate and personal income tax returns for the taxable period, i.e. the standard period for filing the tax return as mandated for year 2013 (with the exception of tax payers receiving income from abroad; for these the provision of extension by three months by filing an announcement only, or by six months, with the consent of the tax authority upon request and filed with the tax authority remains valid).

- Limitation of the lump sum expenses of sole traders – the expenses remain 40% of the turnover, however capped at EUR 420 per month / EUR 5,040 per year.
- Cancellation of lump sum expenses in case of income from the rental of real estate in the amount of 40% (the possibility of claiming actual expenses based on tax evidence remains).
- Increase in the threshold for income exempt from tax to EUR 350 in case of income from prizes from public competitions, wins from advertisement contests or from drawings
- Stricter rules for the deduction of spouse allowance from the tax base. The allowance may be deducted from the tax base of the tax payer provided the spouse:
  - is taking care of a child younger than three years or six years (provided the parental allowance is approved in case of this child);
  - was receiving a care contribution as a compensation

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for a serious handicap of the child;

- is a citizen with a handicap or a serious handicap;
- is recorded in the evidence of the unemployed.
- Increase in the threshold for paying personal income tax prepayments (or paying tax) from the original EUR 1,659.70 to EUR 2,500
- Stricter rules in applying for tax bonus. As of 1.1.2013, the tax payer will only be able to claim the tax bonus from active income
- Favorable income tax rate of 15% for paid out shares on profit (so-called "old dividends") for taxable periods ending in the year 2003 at the latest.

## Dividends and health care insurance

### Health care insurance for dividends paid from profits 2011 and 2012

- 10%, max. assessment base of EUR 27,684 annually in 2012 (in case dividends from 2011 were paid out in 2012) and EUR 28,296 annually in 2013 (in case dividends from 2011 and 2012 are paid out in 2013)
- Other income included into the assessment base

### Health care insurance for dividends paid from profits 2013 and the following years

- Increase in the health care insurance contribution to 14% max. assessment EUR 94,320,00 per year 2013 independent assessment base; other income is not included



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