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Newsletter 12/2025 Czech Republic

Information on Law, Taxes and Economics
in the Czech Republic

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New Obligations for Employing Foreign Nationals: Key Changes from October 2025

An amendment to the Employment Act, effective from 1 October 2025, significantly changes the timing requirements for notifying the Labour Office when employing foreign nationals. Employers must now comply with their notification obligation before the foreign national begins work, rather than on or after the start date as previously permitted.

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Employers must comply with this notification obligation for all foreign nationals, meaning all persons who do not hold Czech citizenship, including EU/EEA and Swiss citizens and their family members, third-country nationals (regardless of whether they must have a work permit or have free access to the labour market), and persons currently under temporary protection.

Fines threatened for undeclared work involving foreign nationals.

The only group of persons to whom “undeclared work” and its consequences do not apply are employees posted within the framework of cross-border provision of services by an employer established in another EU Member State. For these posted workers, the time limit stipulated in Section 101a of the Employment Act continues to apply, meaning employers must comply with the notification obligation regarding them no later than on the day they commence work in the Czech Republic.

Employers can comply with the notification obligation only remotely through an electronic message sent to a data box designated by the Labour Office or by using an information system according to the communication specification and in the format, with the content and structure laid down by Ministry of Labour and Social Affairs Decree No. 117/2024 Sb., as amended by Decree No. 66/2025 Sb.

If an employer fails to comply with the notification obligation within the stated time limit, it commits

an administrative delict of so-called “undeclared work,” for which the labour inspection authority may impose a fine of up to CZK 3 million.

The labour inspectorate may show some leniency and grant relief in cases where an employer complies with the notification obligation within a “grace period” of 5 days from the day the foreign national commences employment or begins performing work, provided that the competent labour inspection authority has not commenced an inspection of compliance with the notification obligation.

We therefore strongly recommend that employers always comply with the above notification obligation, even if belatedly (naturally within just a few days of the deadline), thereby avoiding possible financial penalties.

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New Real Property Tax Guidance from the General Financial Directorate: What's Changing for 2025

The General Financial Directorate has published or plans to publish several pieces of methodological guidance on real property tax exemptions. The changes primarily affect cultural monuments, commercial property, and religious property.

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Cultural monuments: revised exemption rules

Owners of cultural monuments can now claim a real property tax exemption, provided their properties are publicly accessible and registered in the Monument Catalogue or documented by a Ministry of Culture decision.

The critical requirement is a written agreement with the Ministry of Culture spelling out how the monument is made accessible to the public, including, for example, by telephone appointment. The tax administrator can verify that the contact arrangement actually works.

The exemption applies only to the portion of the building genuinely accessible to the public, calculated proportionally based on total floor area. The same proportional approach applies to land forming a functional whole with the monument, such as courtyards or access roads, so long as that land isn't being used for business.

Commercial property: hardened surfaces and classification rules

Updated May 2025 guidance harmonizes how “hardened surface” is interpreted for tax purposes. A hardened surface is land (or part of it) with an engineered surface, such as parking lots, rail sidings, or swimming pools, that a business owner either holds in business assets or uses for business, even if it's sitting idle.

Under the Real Property Tax Act, taxable buildings held as business assets are classified based on the owner's principal business activity. This matters particularly for garages, recreational structures, and ancillary buildings, though not for residential buildings or residential units.

Cultural monuments after renovation (not yet published)

Forthcoming guidance on Section 9(1)(p) clarifies that renovated cultural monuments qualify for an eight-year tax exemption starting the year after final building inspection.

You can claim the exemption even if only part of the building is heritage-protected, say, a single floor or wing, as long as you can determine its floor area. But where only the façade or a commemorative plaque is protected, the exemption doesn't apply.

Religious and ecclesiastical property (not yet published)

Guidance on exemptions for land, buildings, and units owned by churches and religious societies is also in the works. The exemption covers property used for religious worship and pastoral care: churches, monasteries, rectories, community centers, and the like.

If pastoral activities occupy only part of a building, the exemption applies only to that portion.

A priest's private residence, for example, wouldn't qualify. And across the board, the property can't be leased out or used for business purposes.

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What's Changing with Bad Debt Provisions

The amended Provisions Act raises the threshold for statutory tax-deductible provisions under Sections 5, 5a, and 8c – from CZK 30,000 to CZK 50,000. Straightforward enough, except for one thing: there's no transitional provision. And that's where things get interesting.

When does this kick in?

1 January 2026. The higher threshold applies to all tax periods (or accounting periods) ending after that date – including fiscal years ending as early as 31 January 2026.

Here's the real question: Which receivables qualify under the new threshold?

Without transitional language, you could reasonably argue that the CZK 50,000 threshold applies even to receivables that arose or came due before 1 January 2026 – as long as you actually record the provision after that date.

But there's another, stricter interpretation in play: the new threshold might apply only to receivables created after the

amendment takes effect. The legislation doesn't explicitly restrict it that way, and historically the legislature has used specific transitional provisions to handle exactly this kind of timing issue. Here, though, no such provision exists.

The Coordination Committee of the Chamber of Tax Advisors and the Tax Administration will issue its definitive position in December. We'll update you in the next newsletter.

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Mandatory Transfer Pricing Documentation on the Horizon?

The incoming coalition government has made limiting the shadow economy and improving tax collection efficiency key priorities. Among its commitments: introducing a statutory requirement for transfer pricing documentation.

Petr Tomeš
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Transfer pricing documentation isn't currently mandatory in the Czech Republic – but that's a purely formal technicality. During tax audits focusing on transfer pricing and related-party transactions, the tax authorities routinely demand it. And under current practice, if you don't have it, you simply can't defend your transfer pricing positions.

Mandatory documentation is the norm across the European Union. In some member states, it must even be filed alongside the tax return.

For years, the tax professional community has been calling for documentation requirements to be written into tax law, creating a transparent framework and legitimate expectations for both businesses and the tax administration. Yet the tax administration remains resistant, and we still don't have a mandatory documentation requirement on the books. Several past governments promised to introduce it as part of their crackdown on tax evasion but each time, the promise went unfulfilled.

Making documentation mandatory is clearly the right move. Whether the initiative actually gets across the finish line this time remains to be seen.

So where do you stand? Have you already prepared your documentation so you can successfully handle a transfer pricing audit? Or are you waiting until it becomes formally required?

Our transfer pricing specialists would be happy to review your situation and recommend a secure, transparent approach.

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The Unified Monthly Employer Report (Continued)

Year 2026 will bring a major shift in employer reporting with the introduction of the Unified Monthly Employer Report (UMER). This new system consolidates all your obligations to the tax authorities and the Czech Social Security Administration into one electronic filing. What's more, the reporting requirement now extends to agreements to perform work and agreements to complete a work assignment, employees will receive personal identification numbers, and the rules for tracking employment relationships will be changing. Here's what you need to know about the first phase and how to prepare.

Martina Šotníková, Miroslava Lancová and Daniel Ďuriš
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One report, one deadline

UMER brings together everything you currently report separately to the tax authorities and social security institutions. All data on payroll contributions, insurance premiums, and taxes will now be submitted in a single electronic report, due between the 1st and 20th of the month following the reporting period. This deadline is fixed and cannot be extended. The goal? Less duplication, simpler administration.

Your first UMER reports will cover January through March 2026, filed separately for each month. You'll have until 30 June 2026 to submit them. After that, regular monthly reporting begins with April 2026, due between 1 and 20 May 2026.

New reporting obligation – even for casual workers

Here's the big change: you'll now need to report all employment relationships, including agreements to complete a work assignment (DPP) and agreements to perform work (DPČ), regardless of whether they trigger insurance coverage. Even minimal-scope arrangements must be reported.

During the transition (until 1 April 2026), you'll register DPP workers using the existing „Notice of Commencement of Employment“ form – the same one used for all other employees. If someone on a DPP arrangement leaves during January to March 2026, or if any changes occur (like a name change), you'll still report these to the CZSSA the usual way, within 8 days.

One piece of good news: the Statement of Income Paid to Employees Working under Agreement to Complete a Work Assignment (VPDPP) is being scrapped.

New identifiers, new data

The system introduces two key identifiers. Every employee gets a personal identification number (PIN), a unique, permanent ten-digit code that follows them throughout their career, across all employers. Every employment relationship gets its own employment identifier as well. You'll need both in your monthly and corrective reports. You'll also need to record the type of gainful activity for each employee, which helps determine exactly when insurance coverage begins.

What you should do now

1. **Take stock of all your employment relationships**
Review your DPP and DPČ arrangements especially carefully – from 2026, they all need to be reported, regardless of insurance coverage.
2. **Get your systems ready**
Make sure your payroll and HR software can export data in XML format according to CZSSA specifications. The detailed structure will be published sometime in 2025.

3. Update your onboarding

Adjust your hiring processes to collect all the necessary information upfront: birth identity number, citizenship, and type of gainful activity.

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Impressum

Newsletter 12/2025

Czech Republic



Published by

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Layout & typeset by
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